# Outside Directors Offer Valuable Guidance, Contacts

**By John M. Collard**

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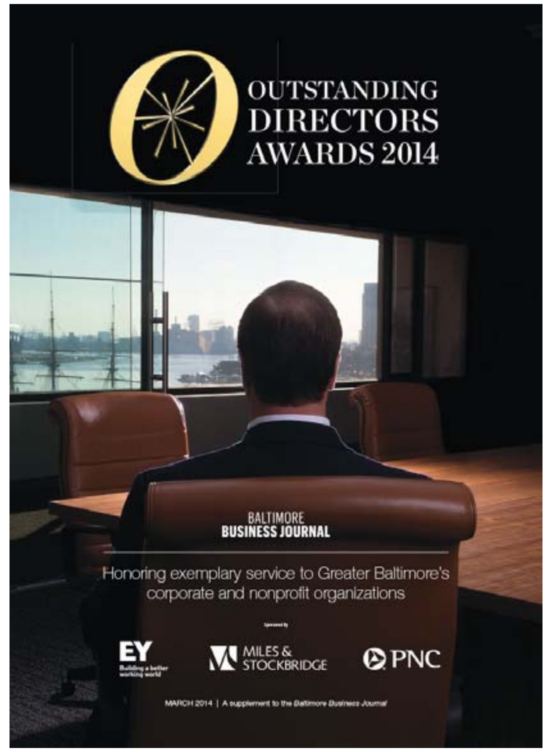


Outside directors, sometimes referred to as independent or non-executive directors, are advantageous. They rarely have conflict of interest and they often see the big picture differently than insiders.

While corporate governance standards of public companies require a certain number or percentage of outside directors, private companies are normally left alone. But, I highly recommend that unbiased advice even for private companies.

While there is formality, liability and greater cost to a board that brings in outside voices, there is a budget-friendly alternative in the form of a board of advisors that is beholden to management. The main difference is where the fiduciary duty lies: to the shareholders or to management.

Regardless of which vehicle you use, there is great value to hiring an outside director.

With a board of directors, your company immediately gains legitimacy, and a panel with expertise that you probably don't have in-house. Selecting board members from the business community also can bring increase awareness of your company.

When CEOs only listen to yes-men, they are essentially on their own, and new ideas don't enter the decision process. You want strong board members who are not afraid to offer advice, guidance, feedback, and argument on issues.

Employee board members may be in fear of losing their job if they speak up. Alternatively, outside directors should constructively challenge and contribute to strategy development, implementation, and infrastructure.

The board is the perfect way to help set aside your tactical perspective, and force you to work on strategic business issues.

Planning requires fresh thinking and business analysis, even if the result in some areas is to continue business as usual. The value is in the process, which requires all participants to think through and understand the strategy.

Another attribute board members bring is contacts. Your contact book doesn't include everyone. Every company needs help when it wants to grow, prosper or turn around.

Outside directors can extend the company's reach by using their own contact network, including colleagues who can provide guidance and resources.

Outside directors often have a database of contacts who can supply capital, both in the form of debt (lenders) and/or equity (investors). This means that you can get in front of many financing resources quickly once an expression of interest or offering package is ready.

Like with raising capital, outside directors also often have databases of contacts who both have deals for acquisition and who are looking for opportunities to buy. This means that you can get in front of M&A dealmaker resources quickly once an offering package is ready.

Prepare for that future liquidity event. The best time to sell a company is when a buyer wants to buy and has cash, which could come when you don't expect it.

Be prepared and work toward ultimate valuation throughout the process of growth.

Outside directors are often adept at introductions and negotiating deals. They then elevate you (management and the board) to the decision-making role.

Hire that outside director. **bbj**

**John M. Collard**, is Chairman of Annapolis, Maryland-based Strategic Management Partners, Inc., a turnaround management firm specializing in interim executive CEO leadership, asset and investment recovery, corporate renewal governance, investing in and rebuilding underperforming distressed troubled companies. He is a Certified Turnaround Professional, Certified International Turnaround Manager, Past Chairman of the Turnaround Management Association, Chairman of Association of Interim Executives, Senior Fellow at Turnaround Management Society, and serves on public and private boards of directors. He is an advisor to companies and private equity investors. Participated in 45 M&A transactions worth $1B. He was inducted into the Turnaround Management, Restructuring, Distressed Investing Industry Hall of Fame. He received Interim Management Lifetime Achievement Award. He can be reached at 410-263-9100 or *John@StrategicMgtPartners.com*