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Who can business owners trust?

CEOs must be smart about who they turn to for advice

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Often the most difficult thing for entrepreneurial chief executives to do is to expand their "ring of trust" beyond themselves. This is imperative because no single entrepreneur has a broad enough skill set and contact base to optimize their business and anticipate and react to all events during its entire life cycle.

Failure to expand the "ring" almost inevitably leads to a calamity when the entrepreneur's blind spot does him in. Unlike large corporations that can spend their way out of mistakes, high-growth companies, which don't have that luxury, have difficulty recovering from strategic missteps.

Having a good management team helps, but often it isn't enough to round out the rough edges on a dominant CEO. The flow of strategic thought and direction can often be unidirectional -- downward. A good team usually does its assigned jobs and executes on the priorities laid out by the CEO without questioning the core assumptions, a move that can be hazardous to an individual's career. As a result, the boss remains intellectually, and even socially, isolated, even with a strong and supportive team.

Why is it so hard for CEOs to open up to their bankers, investors or other traditional sounding boards, such as advisors, counsel or accountants?

The relationship between small and/or high-growth companies and their bankers is among the most misunderstood in the realm of finance. The only thing you need to know is the bank earns a margin, or profit, on the credit relationship of anywhere from 0.25% to a few percentage points. This should suggest they are not looking for the company to take chances, and will be looking to cut their losses quickly. It also suggests open and free dialogues about a CEO's fears or doubts with a bank is not productive. This is the best way to get yourself replaced or your loan called at the first opportunity.

As for your investors, they are risk-takers and often are willing to be aggressive in the hopes of big gains. On the other hand, they are looking out for themselves or the interests of the investment fund they represent -- interests that may change in ways unrelated to the fortunes of the company, or worse, end up at cross-purposes with the needs of the company.

Investors have great power over companies for the simple fact they hold the wallet, and effectively any future access to more money from any source. History is rife with stories of capital providers taking advantage of opportunities such as when companies have unforeseen needs for additional funds.

You can and certainly should be more open with an investor than with your bank, but you still have to keep one hand on your own wallet and your back to the wall. Expect anything and don't for a second think the investor will be driven by altruism or a friendly desire to make the entrepreneur happy and fulfilled. They can and will -- and have every right to -- be ruthless. And they ultimately put their own visions for the company ahead of the entrepreneur's. There are shades of this and that is a key reason entrepreneurs must choose their investors wisely.

As for lawyers, accountants, investment bankers or various industry/ technical specialists, the issues of conflicting incentives is far less. The real issue is incentive itself -- why would they bother to be helpful on any sustained basis?

Quite simply the best way to increase your chances of finding someone who is genuinely interested in your business and has some skills or contacts that would be useful to your company is with an advisory board. It is a way to "try on" different people in a flexible and unstructured format. Unlike formal boards of directors, there are no rules -- when, and if, they ever meet; how, and if, the members ever interact with each other; what issues they get involved with etc. Members are like building blocks: they can be assembled, disbanded, switched out, or expanded .

At the same time, advisory boards have a certain cache, where networking and profile are critical currencies to become or remain a player . So the advisory board boils down to this: It increases your chances of finding at least one person who can be a long-term outside influence on your business; often nothing more and nothing less.

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