Why Many Directors Prefer Private Company Boards

Serving on a private company board has distinct advantages.

For one, you can avoid the rigidity that can constrain public boards, where mounting regulation and shareholder scrutiny have made it harder and more time-consuming to serve, according to *The New York Times*.

Additionally, private company boards don't have the same legal liabilities and risks that public company boards face. For example, directors can be more involved in growing the business, rather than acting as a watchdog for shareholders, and work more closely with the CEO and management team.

However, in a closely held company, you may have limited influence, particularly if the CEO or chairman has assembled a board that's afraid to challenge the C-suite's perspective and decisions.

Board composition, benefits and challenges can vary depending on how the company is funded: by venture capital (VC), private equity (PE) or family ownership. Different board skills may be needed in different phases of each of these types of businesses.

Not sure which is for you? Consider this:

With venture capital, your board composition will depend on the company's growth stage. Early on, boards comprise primarily — often exclusively — the owners: the venture capitalists and the founders. If you're a director with public company experience, you'd be a pick for private companies aiming to go public. As VC-backed companies expand, they also seek directors with expertise in corporate governance or audit committee service. If you understand the dynamics of private company investment, you can help companies navigate various stages of development and growth.

With private equity, you'd be tasked with ensuring the company is ready for an IPO or an acquisition. PE portfolio board composition typically consists of the lead investment professionals who sponsored the deal, the CEO and may include other operating executives from the PE firms. Over time, the board may evolve to include a select group of independent directors with operational, industry and governance experience.

With family-owned businesses, you could be more nimble and focused on long-term strategy without investor scrutiny. However, many family-owned companies benchmark themselves against their public competitors, so they want directors armed with relevant experience and leading practices. You might serve as a coach, counselor and peer advisor, considering how succession planning and dividend policy will affect family dynamics. Typically, these boards include family members active in the business, key management executives and independent board members, such as trusted advisors, accountants, attorneys, respected business leaders or community professionals.