

5 big reasons why a Non-Exec Director could work for your company...

By Chris Spencer-Phillips, MD of First Flight

Today's successful Non-Executive is a breed apart from the 'old boys network' – today's Non-Exec has to work hard, prove themselves and add a lot more value than ever before. If you have never considered a Non-Exec for your own business, this article might just change your thinking. There are a whole host of reasons for taking on a Non-Exec and these largely fall into the following categories: leadership, experience, network and contacts, independence and, importantly, investment.

1 Management & Leadership

In any economic climate, successful businesses always need strong management and clear leadership. Sometimes additional gravitas and credibility is required. The company and product may be excellent but additional weight to the Board can provide a good source of comfort externally – to investors, suppliers and potential clients.

Case study: First Flight client, Bacchus Wine Closures, attracted 3 first-rate investing Non-Exec Directors. The MD David Taylor commented "Our Non-Exec Directors have added financial control and commercial weight to make Bacchus more profitable and have opened up new aspects for us." He continued "They helped to fine-tune the business plan and their top-level negotiation skills added value by elevating the business when representing us. They gave the business an extra dimension in professionalism, and the result is that we are treated with great respect."

2 Experience & Skills

Often, businesses are started by passionate entrepreneurs; people with vision and talent in their fields. However there is likely to be some skills shortages and a lack of support around the founder. A Non-Exec may be an affordable way to access those skills, whilst providing clear focus for the founders.

3 Networks & Contacts

What could be more attractive than having someone on your team who is well connected and knows lots of potential suppliers, customers and people from within your industry sector? Usually, non-exec directors are a valuable source of contacts and can make introductions that might have taken years to cultivate without their connection.

4 Corporate Governance & Independence

The Higgs review and the Combined Code (2003) suggest that Non-Executive Directors ought to play a role in setting strategy, monitoring risk and reviewing executive remuneration. Non-Execs must consider the interests of all the company's stakeholders. Importantly, Non-Execs should be sufficiently independent so as to fulfil this role without encumbrance.

Listed companies have an increased legal and moral obligation to protect shareholders' interests. These companies require directors, and in particular Non-Executive Directors, to understand the workings and regulations of the city. It is a requirement that listed companies appoint a Senior Independent Director and must have more than one Non-Exec.

Case study: Chubb, an international insurance company, wanted Non-Exec representation for entirely these reasons. Chubb, via First Flight, appointed 2 Non-Execs for the traditional role of corporate responsibility and independence. The company had relocated its head office operations to London from overseas and required experienced, independent professionals to challenge and oversee all procedures within the company. In this case, both Non-Execs brought direct experience, a full market understanding, a willingness to challenge and encourage best practice together with an independence that set them apart from the executive directors. However, having worked in executive capacities, they also understood the issues faced by the rest of the Board.

5 Investment

A survey of Non-Executive Directors conducted by First Flight found that 70% of Non-Executives are prepared to invest in companies they join, on the basis that they are enthusiastic about the prospects of that company and can clearly see the additional contribution they would make towards its success.

Investment from a Non-Executive falls somewhere between bank lending and VC investment. At a time when banks are cautious in their approach and VCs are looking to fund companies at a very high level, Non-Exec investment is an attractive option, particularly when you consider the other benefits they also bring.

Case study: Pod, a healthy fast food retailer, was looking for Non-Exec support and eventually secured 4 impressive, investing Non-Execs via First Flight Placements, a specialist Non-Executive placement company. "We also attracted investment from the Non-Execs we didn't appoint which shows how versatile First Flight's database is and how attractive Pod is as a venture" commented Tim Hall, Pod's MD. By having an appealing business proposition and a conduit to find the right people, the Non-Exec route can make a huge difference all round. Hall maintains the business would always have been successful but admits it would have been a much longer, more arduous process without the Non-Execs.

Whatever path a company is taking – survival, growth, expansion or exit, a Non-Executive Director can be found to help the process in a number of ways. Whether the business is publicly accountable or whether it is a start-up looking for a specific skill set and an address book full of contacts, a Non-Exec is often less expensive than the traditional consultant and always better value than a permanent, full-time director – no risk, no commitment, no high outlay but with a whole host of tangible and intangible benefits.

First Flight is currently hosting seminars with the IoD in London for aspiring Non-Exec Directors. More details can be found at www.nonexecutivedirector.co.uk.