



# NON EXEC S WORKING WITH SME BUSINESSES

*What it takes to be a successful NED and what matters to the client*

**There is a growing need for medium-term non-executive advice and support within established and developing SME businesses but the role has some significantly different requirements from the traditional Non Exec role in large companies.**

**Franklyn Roberts, IIBA discusses what it takes for a business adviser to be equipped appropriately for this kind of work, what the client expects from their Non Exec, and some of the problems that can occur.**

## **What it takes**

An SME business has typically 10 to 100 employees and such businesses have very different requirements and expectations of a Non Exec. A modern Non Exec working with an SME business needs to fulfil several criteria and to be of the right calibre and experience to succeed in this still rather unusual role for an SME business.

**“The single most powerful determinant of success in an SME business is having a Non Exec on board” – Warwick University Business School 1999**

An appropriate professional qualification will immediately differentiate such an adviser from the many consultants aspiring to be Non Execs and the best currently is as a Full Member or Fellow of The Institute of Business Advisers (IBA). You need to be first and foremost a senior generalist business adviser and you need also to be right up to date with your advisory skills and business knowledge. This means undertaking rigorous and appropriate continuous professional development, and many Non Exec include in their CPD regular quarterly reviews by peer mentors and annual reviews with externally qualified assessors.

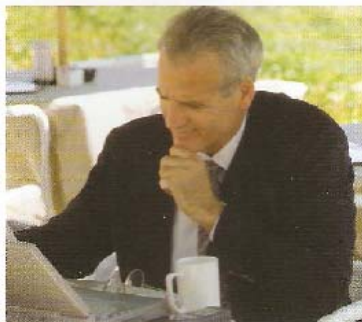
If you come from a large corporate background, you need to be comfortable leaving largely alone some issues that might be important in larger companies, such as corporate governance and independent directorships as these are not nearly so important in SME businesses. Understanding key SME business issues and empathising with the key people in the client business is essential and this can only realistically be achieved if you have relevant experience advising SME businesses, and experience also in running at least one such business yourself.

## **What matters to the SME client?**

In your Non Exec role in the SME business, you need to be objective and challenging and yet hands off and not interfering. You will gain the trust and confidence of owners and directors and senior managers through your independent yet informed view of their business.

If you are more used to either part-time or full-time interim executive work, it is vital that you understand the key and very significant differences between executive and non-executive roles. An interim executive will work inside the business and will usually be a functional specialist, one example being the part-time financial director working one day a week. To be a Non Exec, you need to be a true generalist and not a specialist operating beyond your field of expertise. You need to speak the client's language and this should come naturally if you have run a similar sized business yourself.

It is vital that you add value at all times, and be able to focus clearly on helping the client maximise the commercial and financial success of the business. It doesn't matter at all if you are on their board or not.



*"A Non Exec can add value at all stages of a business life-cycle"*

#### What problems can occur?

You may be asked to undertake executive work that is beyond the Non Exec role and this should be avoided. It is better to refuse to do that work than to lose your objectivity and risk compromising your position. You may also be asked to use some additional functional specialist expertise, in which case you should be most careful not to exceed your own knowledge boundaries. It may be best to encourage the client to bring in a specialist to supplement your role. If you do feel able and are willing to fulfil the additional need, it is worth clarifying where one role stops and the other starts in both your and the client's best interests.

Your client may find it difficult to accept the new perspective you give to his or her business issues. Whilst it is important to express your views honestly, you may have to accept a decision different to the one you would take. If you feel that the business will be adversely affected, it may be necessary to put something in writing with your words of caution, for the record.

The client may demand more time than you are contractually bound to give. It is sensible to have some flexibility built into contracts so that if say approx 24 days a year are contractually agreed, it doesn't have to be delivered evenly in exactly two days every month. Clearly if time spent is getting out of balance or more is expected of you than originally envisaged, it is essential to renegotiate the contract as soon as this is recognised rather than risk an argument at the end of each year.

Another common area of misunderstanding is as to how travelling time and travelling and other expenses are dealt with. It doesn't matter what the arrangement is as long as it is clear right from the beginning what is included and what is not.

#### At what stage in the life of a business can the Non-Exec add most value?

A Non Exec can add value at all stages of a business life-cycle and this is usually driven by the need for significant development or change. A business review, carried out with the client business by a Non Exec, sometimes in conjunction with an Accountant, is the starting point. This review will result in a revised business plan which in the early years usually includes a growth plan, whether organic or with external investment. In the middle years, consolidation is likely to be an objective with profit improvement high on the agenda which in turn may involve product reviews or changes in direction. With the help of a Non Exec, who will have experienced and guided others through all these situations before, business owners find the courage to make the right decisions and to then implement them with the guidance of the Non Exec until all objectives are successfully met. It is at the later stages of a business life that the presence of a Non Exec is absolutely critical, i.e. when the business owner is contemplating exiting the business in x years time.

Being a Non Exec can be very rewarding, and if you are considering such a role, one final word of advice, make sure that the personal chemistry seems right for both parties before you accept the assignment, as many sage observers believe that this is crucial to a happy, long and productive business relationship between the business owner and his or her Non Exec.

*Franklyn Roberts is managing partner of OXNED, who provide independent professionally-qualified in-house medium-term non-executive advice and support in an ethically-constructed business model for SME companies throughout England and Wales, through their bank of 35 Non Execs. Visit [www.oxned.co.uk](http://www.oxned.co.uk), phone 01285 850790 or email [franklyn.roberts@oxned.co.uk](mailto:franklyn.roberts@oxned.co.uk) for more information.*