

THE NINE TYPES OF NON-EXECUTIVE DIRECTOR

Never hire a “generic” NED hire the specific type of NED you need...

OVERVIEW

- Never hire “just a NED” just to make up the numbers
 - *“Don’t just put anyone on the Board – people see it as a status symbol.”*
- When you go shopping you don’t ask the shop for “food”, rather you buy the chicken and saffron that you might be lacking
- Hire the specific type of NED that fills a gap for your Company and makes your Board a balanced team. Which of the nine types of NED do you have? Which don’t you have that you would like to have? What do you want from your NEDs?
 - *“On our Board we have too many with too similar perspectives”*
 - *“Where is the value-add? Intros? Mentoring? Raise capital with you?”*

I/IX - THE TROPHY NED

- This was the first type of NED that existed starting in the late 19thC - NEDs did not exist for the preceding 300yrs of The Company
- Improves the Company's credibility, makes fund-raising etc easier
 - *"NEDs can generate trust with your users, credibility."*
- Although caveat emptor:
 - *"Industry oldies may not be the right people."*
 - *"I am fed-up of hearing stories of long ago which just don't apply in the digital world."*

II/IX - THE ROLODEX NED

- **Business is all about connection. Specific businesses need specific connections to succeed. A well-connected NED in your domain is invaluable in opening doors at the right level in the right places**
 - *“NEDs can help you network – open doors & help you pitch.”*
- **Although caveat NED! Beware “rolodex strip-mining”...**
- **One interviewee, after his rolodex was thoroughly mined for useful contacts was thanked for his services and told he would be no longer required**

III/IX - THE SKILLS NED

- **Skills NEDs mentor and fill gaps where the team is lacking**
 - *“They [NEDs] can also help with negotiation – not just the price. We [CEO/team] were focused on price but we didn’t focus as much on the T&Cs/SLA. Our NEDs helped us expand our focus.”*
 - *“Fund-raising rounds are a difficult process, [NEDs helped with] how to pitch the nitty gritty, experience with due diligence processes (ours took nine months).”*
 - *“Sales and marketing is a discipline as complex as engineering, but somehow everyone seems to think they have an automatic expertise in the former. An experienced NED helped us with getting a structure in place to get proper insights on the sales and marketing environment.”*

IV/IX - THE SECTOR-EXPERIENCE NED

- Certain sectors - eg FS - can have a near infinite amount of technical detail. More generally serial entrepreneurs will often move into new fields where they lack deep or even any expertise and need a real guide who knows the territory
 - *“NEDs? In FS it’s all about the wider [eco-] system and players. This is far more complex than it appears and we couldn’t have understood it anywhere as near as well without our NEDs.”*
 - *“VCs often lack external expertise and one needs to bring it in separately.”*

V/IX - THE ENTREPRENEURIAL NED

- The rosier scenario is that you find a NED who has been on exactly your journey, succeeded and sold his business. Someone who has climbed Everest is the best person to advise someone who has not
- One could consider “entrepreneurialism” as a skill and thus fall into the prior category
- However what you get in a successful entrepreneur NED is not just skills but someone who has been on a certain journey, experienced many dimensions and overcome many challenges
 - *“For me the most important aspect is business building rather than FS – I don’t need domain expertise.”*

VI/IX - THE INVESTOR NED

- These can be the most value-adding or the most challenging! YMMV!
- Capital providers and how to manage them well are a presentation all of its own but briefly:
 - *Friends and family may not bring requisite SME/Board experience*
 - *Crowdfunders are often not represented*
 - *Angels cover a whole spectrum from devils who make your life a misery through clutter to “the greatest contribution to my success”. YMMV!*
 - *Equally VCs always promise to add-value. Most don't. Many become a pain and look out for themselves not the company. YMMV!*
- **In all cases do your due-diligence *before* you hire/admit them!**

VII/IX - THE CONTROL NED

- **(i) Financial Control**
 - *“At first we just had an accountant to join us [founders] on the Board. At least we knew the accounts added up and some basic control questions were asked.”*
 - *“If you are not a numbers person find a numbers person but NB the difference between a CFO and a Chief Accountant/bean counter.”*
- **(ii) Risk Control (Business Risks)**
 - *“Fintechs are far behind mainstream FS and generally don’t have a Risk guy on the Board. It’s essential once you get beyond a certain size and as you know it’s highly technical, you need prior experience.”*
- **(iii) Compliance Control (External Regulations)**
 - *“Breeding good businessmen who understand compliance is v.v. hard.”*
 - *“Too many [BigCo NEDs] are becoming governance robots.”*
 - *“When you get to the pre-IPO stage you need them but before that avoid the BigCo Corporate Governance compliance robot types.”*

VIII/IX - THE "DEALING WITH ISSUES" NED

- Although, in principle, experienced NEDs should be equally good at this, in line with the expression "*you know who your friends are when the chips are down*", you find out who is good in a crisis when there is a crisis
- Certainly "dealing with issues" was a frequent benefit that founders/CEOs related to me as a benefit of having NEDs on the Board
- Interviews should include some sense of prior experience when all hell breaks loose. Ask questions about challenges your Board/Company faced in the past and how they would have handled them. Ask about future challenges that are yet to come.

IX/IX - THE FAR-SEEING NED

- **Hard to recruit perhaps but invaluable to have**
 - *“The wily old fox who can see trouble coming a mile-off is invaluable.”*
 - *“Nose-to-the-grindstone, stretched management teams all too often do not see approaching crises.”*
 - *“[One of our Board] was adamant that we should avoid this new line of business. None of the rest of us got it at the time but a year or two later we were bloody glad we had avoided it.”*

If you are a NED what are your added-values? Are you crystal-clear about your real USPs or do you claim to be good at everything?

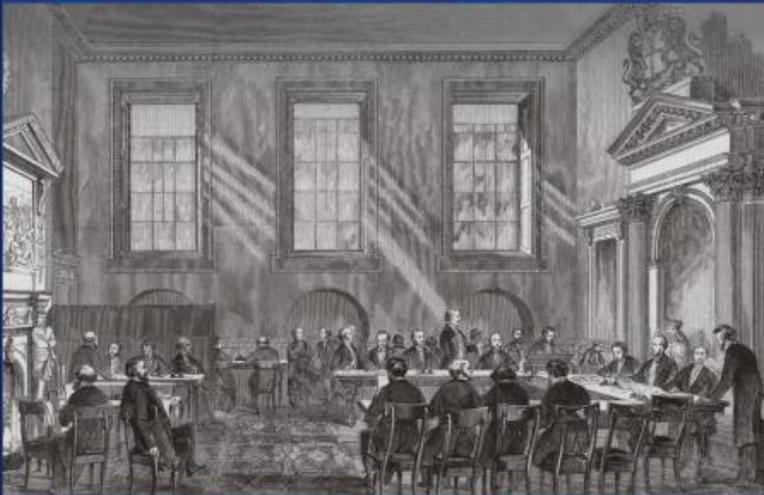
If you are a Founder what do you really need right now?

The Board needs managing over time. As your Company's needs change so should the Board composition. This is made much easier by framing NED-ing on your Board as a "Tour of Duty" not just "welcome to the Board".

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July 2021