

# The value of investing non-executive directors

A Guest Article by Chris Spencer-Phillips  
June 2011

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### Providing much more than money

It is widely accepted that banks are not currently lending to young companies, which is having a detrimental effect on UK start-up businesses and the development of young enterprises.

Raising funds is a serious business in itself, with the best choices limited at present to:

- **Family and friends:** Always a good option.
- **Angel networks:** Opinion is divided on this route to funding. They often prove useful, but the cost to present is a burden and the percentage success rate is low. Furthermore, when businesses are short of skills and gravitas on their board, angels tend not to invest.

Despite the recent initiative to put angels onto boards, this does not necessarily provide the right skills and experience that young companies need.

- **Investing non-executive directors (NEDs):** As well as providing funds, they offer strategic input, contacts, stakeholder reassurance and objectivity, and contribute to good corporate governance.
- **Development agencies:** These usually operate on a matched fund basis and insist on a credible board, which works very well with the introduction of investing NEDs. However, development agencies are being disbanded in the South.

### An invaluable asset

Successful businesses always need strong management and clear leadership. It is accepted that a successful business is 20% good idea and 80% good management. This is never truer than when trading conditions are difficult, as they undoubtedly are in the current economic climate.

Raising finance remains difficult, which makes life hard for young companies. Experienced and successful NEDs who have seen and weathered economic storms are an invaluable asset to a young enterprise. It is to these people, with their track records in successfully managed businesses, that young companies look for guidance.

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### **Access to essential skills**

In addition to investing, NEDs fulfil widely different functions at different phases of a business's development – helping to formulate company strategy, contributing to good corporate governance, providing excellent contacts, mentoring the MD, helping with funding and providing comfort to funders.

Businesses are started by passionate entrepreneurs – people with vision and talent in their fields. However, there are often skills shortages and a lack of business experience around the founder that can scare off investors.

An NED is an affordable way to access those skills while providing clear focus for the founders and – of increasing importance in the prevailing economic climate – comfort to funders (including trade creditors).

So, if you are a young company, an investing NED provides not only funds but also skills that will be even more crucial to your future success.

*Chris Spencer-Phillips  
Managing Director – First Flight*

If you would like more information on any of the points covered in this Guest Article, please contact **TCii** on **020 7099 2621**.