

Why Does my Business need a Non-Exec Finance Director?

I am often asked by SME business owners / CEOs - what are the material benefits to their business of a Non-Exec Finance Director?

My broad response is that Finance isn't a support function; it should be at the forefront of a business, helping to drive its success. It is no accident that 51% of FTSE100 CEOs have strong financial backgrounds, and half of those are Chartered Accountants.

Finance is integral to business strategy; historic and forecast financial Key Performance Indicators (KPIs) are used to determine business and economic trends, which in turn should form the foundation of the Strategic Plan.

The success of the Strategic Plan can only be assessed through ensuring that Boards:

1. Identify the KPIs that need to be measured in order to gauge the success of each Core Strategy – these KPIs can be financial and non-financial;
2. Make sure these KPIs are being accurately measured for the business;
3. Decide how frequently these KPIs need to be measured;
4. Delegate the responsibility for measuring each KPI to specific individuals.

Unless a business is of a certain size, they will not need a Finance Director on a full-time basis. In such cases, it is the Non-Exec Finance Director's role on the Board to ensure the correct KPIs are being accurately measured and presented to the Board in a format that enables them to analyse the performance of the business against its Strategic Plan. This will also enable the Board to assess regularly whether, and how, this Strategic Plan needs to evolve.

So, what are the particular benefits to SME business owners / CEOs of having a Non-Exec Finance Director on the Board?

- The core benefit is that an SME business is able to obtain the significant financial and strategic experience of a high level Finance Director on a part-time and, therefore, more cost effective basis.
- In addition, a Non-Exec Finance Director is not heavily involved with the business on a day-to-day basis and can, therefore, focus on enhancing the strategic development of the business.

In conclusion, my advice to SME business owners / CEOs is to consider whether your business can afford *not* to have a Non-Exec Finance Director on your Board?

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