**TBP 181 Edited v2\_Transcription**

[Daniel Hill] (0:05 - 18:54)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a 10 million pound portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint. In the business world, especially when we're talking about bigger companies, scaling companies, seven and eight and nine figure companies, you hear the term non-exec director bounded around quite a lot. Many of you have asked me in the past, what is a non-exec director?

How do we go about looking to get a non-exec director? And specifically, if there was an opportunity, could you or would you want to become a non-executive director? So a non-executive director, an NED, a NED, is a very specific position within a business.

It's a role that you play, it's a person you recruit who can be very, very high value, game changing for your business, and very good value for money. What I'm going to do in this podcast is take you through what a non-exec director is, how it works, why you might want one, what they do, how much you pay them, and how it actually works in practice. So a non-exec director is, so start off with what is a non-exec director?

Well, the term non-exec means non-executive, and an executive role is somebody that works within the business, and an executive role within the business. They're involved in the day-to-day, their team can even be client-facing, and they're involved in the inward activity inside the business. It's an executive role.

A non-executive role, a non-executive director is a director that works outside of the business. They do not have any executive role in the business. They don't have any active roles or responsibilities.

They don't get involved in the day-to-day. They often don't really know, or definitely, in many cases, haven't met the team. They don't get involved in the sort of nitty-gritty of the inside of the business, really.

So an executive director would work within the business, often in a full-time capacity. A non-exec director would work outside of the business, and not normally on a, maybe sometimes on a part-time, but definitely not on a full-time basis. The definition of an NED, or a NED, is that they stand back from the day-to-day running of the business, working alongside the executive team, as and when required, to facilitate the strategic appraisal and decision-making process.

So they're basically advising the senior team on the highest level view of the strategy. If you think an executive director can get pulled into the weeds, sucked into the day-to-day, their day or week can be ruined by a problem or a complaint in the business. A non-exec flies in in a helicopter, overviews it from that helicopter view, and advises on the big picture, strategic, big decision-thinking process and decision-making.

So why would you have a non-exec? So if you're thinking about bringing a non-exec into your business, or you're thinking about becoming a non-exec yourself, which you could very much do alongside your normal roles and responsibilities as an entrepreneur, as a company owner, as an investor, or a specialist. You could be a specialist professional on economics, finance, tech, marketing, and you might sit in as a non-exec in that capacity.

So why would you have one? Well, the non-exec director's input is a very high value expertise that's often outside of your current affordability, but it would give you that higher level knowledge, expertise, value that you couldn't afford in a part-time or full-time basis. And to be honest, you probably don't really need it in that capacity.

A non-exec, you would normally bring in to have that. They've got that experience. They've got that expertise.

They've had those results in the past. They've experienced all the problems. They've already done what you want to do.

They're normally two or three steps ahead of what you're doing. It's still fresh enough for them to remember what to do. But they've had all the pain, the trauma, the trials and tribulations of experiencing it.

And now they can show you how to navigate through it, or in many cases, how to fast track the process, avoid the obvious problems that you'd only know looking backwards and take it forward in that capacity. The fact that you would have them in a non-exec capacity rather than an executive capacity is that you probably can't afford them. To bring someone into the business that is genuinely two or three steps ahead of you, or two or three phases ahead of you, to have them full-time in the business would probably be overkill because your business is not operating at that level.

You can't afford to have them in that capacity. In many cases, they would probably be earning multiple six, if not multiple seven-figure annual salaries. You just wouldn't...

It would be overkill to bring that in. Because they're a non-exec, you normally pay for hours, in some cases, maybe days, a month, rather than a full package. So you'd bring a non-exec in who's got all the expertise, all the experience, all the wisdom, and you would pay them a fixed rate for an hour a month, or an hour a week, or a day a month, whatever you decide.

And you get all of that value without the cost. Also, what you'll find is normally most non-execs do it because they enjoy the journey. They've been there, they've done it.

They like to be able to get a return on that pain in many situations to see somebody else not avoid it or fast track the process. But also, you'll find that a lot of non-execs do it because they like working with high performance individuals. And they want to share that journey with them because they've been on it, they're happy to help.

And those who are especially involved in the giving back or in the mentorship capacity, they enjoy that process. You often find the relationship between a non-exec and either the board, or in many cases, the non-exec and the founder, the non-exec and the CEO, non-exec and the MD, whatever role that whoever's engaging in that relationship, they normally end up with quite an enjoyable relationship. It becomes less transactional.

They develop a sense of engagement, involvement with the business, connection with the business. And it's a good confidant for the entrepreneur to share with the NED, with the NED. And also, the NED would enjoy going on the journey with them.

So there's a genuine win-win relationship there that's more about the connection than it is just transactional on the engagement and the payment side of things. And then finally, as the CEO or as the entrepreneur, bringing in a NED or a non-exec, it's a really refreshing experience to have somebody at your level. So I've had formal non-execs.

I've had non-formal non-execs. And it's just nice to have somebody at your level sharing the journey with you because when you are at the top of the triangle, you've got your senior management team, and you've got your team and your employees, and you've got your life partners. But really, you need somebody that gets the way you think.

They understand the decisions you have to make. And there's conversations that you would have with them that you can't have with anybody else. It's not suitable to be distracting your team with it.

There's a problem about your team. You can't really... You need that professional, pragmatic, arm's length, completely separate, see the wood from the trees conversation.

And having somebody at your level can be quite lonely at the top. And having a non-exec can really give you value for that. So as a non-exec, what are you going to do?

Or what are you going to do with your non-exec? Well, a non-exec's responsibilities really are threefold. So the first would be...

So structure-wise, there's normally a pre-structured calendar to the non-exec's involvement in the business. Now, they'll always be different. There'll be quarterly meetings, annual meetings, monthly meetings.

There'll be different structures and frameworks for different businesses. What I tend to use is a monthly board meeting. So the non-exec's responsibility would be to review the board pack.

So internally, there's an accountability there that the internal team prepare the board pack. And this could include finances. It can include departmental updates.

It can include KPI reports, stats, minutes. The internal team then have that accountability spike to prepare all that information. So all of a sudden, it becomes a more significant thing.

If it's visible, it becomes valuable. And if you've got to prepare this report every month for a board meeting, the CEO, the managing director, the entrepreneur, the senior team, it's going to elevate that level of significance for having that process in place. And it makes that visibility, that accountability spike, make that more valuable.

So the non-exec will review the board minutes. They'll then attend the board meeting, which is in many cases led by the CEO, or if you've got a chairman, the chairman, or the managing director. And although I'm talking about bigger companies, you can also do this in smaller companies.

So you can have a non-exec when there's five of you in a business. And you're bringing somebody in who's already... Let's say you start in a...

Always use this business as an example. Let's use the studio I'm in now. If they've all currently got a team of 10, and they're looking to go up to a team of 30, it would be a wise move for them to bring in a non-exec or a consultant or a mentor in that repeat consistent structure to guide them through the process, offer the direction, help with the decision making process.

Because the reality is 95% of the things you're going to do are going to be either incorrect or insufficient. Whereas this 5% of stuff you do, if you do it, you bite the bullet, get it done. And you're like, wow, that was a game changer.

That's what you're paying for really, bringing in a non-exec. So they'll review the board pack, attend the board meetings, normally hosted by whoever the chair is, the chairman, the managing director, the entrepreneur, whoever's going to chair the meeting. And then you would work through an agenda.

You would have an agenda for the board meeting, work through it point by point. It will relate to the board pack in many capacities. And what you're doing is talking really about the high level performance, high level decision making process.

And depending what time of the year is, either strategic view, if you're thinking about macro strategic decisions, which is about what sectors do we go into? What products do we sell? Are we building for scale?

Are we building for sale? That's macro strategic. And then on the micro is the strategic decision making process through the year.

We've got a marketing campaign to do. Which of these should we use? We've got a problem with one of the team.

What should we do here? We've got a capacity issue or we've got HR problem. That micro strategic decision process where you need a fresh pair of eyes, a pragmatic and professional view.

And you make those decisions in those meetings. And then finally would be outside of those meetings is input on any strategic or high value decision making decisions between meetings. So between the monthly board meetings, you would have WhatsApp messages in most cases.

The odd phone call. Obviously, it depends what the business is. I'm talking more about my experience.

The odd WhatsApp, voice note. Every now and again, something's gone wrong. We just about published this.

What do you think? And it's a very light touch through the month there for key decision making or emergency problem solving. So what does the non-exec actually do?

Well, as far as the contract terms goes, you can have equity shareholding, which would be separate. I do for pretty much all of my non-exec roles. I actually take equity in the companies.

But that's not a standard procedure. A non-exec contract would basically have the roles and responsibilities, which would be reviewing the board pack, attending the board meeting, and then being available throughout the month for other support as we discussed. And then you'd be looking at a package.

Obviously, it completely depends what size business you've got or what level of businesses you're consulting on. I tend to work on seven-figure scale ups. So companies that have already got the proof of concept, they're already making money, and they want to either refine it to make it more profitable and deliver a strong six-figure profit or a seven-figure.

And they want to go into multiple seven figures and start moving into those multiple seven-figure profit spaces. That's the sort of like 1 to 5 million revenue would probably be my sweet spot. And for that, for my non-exec rate, I would normally charge, this is 2023 prices, £50,000 for a non-exec contract that would last for 12 months.

It would include a monthly board meeting, which is up to 90 minutes. All of my board meetings are done virtually just because of the businesses I tend to work with. I have had some physical board meetings in the past, but they're pretty few and far between.

12 board meetings, which are average about 90 minutes per month. Support through the month, direct WhatsApp, five days a week, Monday to Friday, with a minimum service level agreement of a 24-hour turnaround. You would also then in there have reasonable uses clauses.

If you did end up with a client who either had a lot more requirements of you or the just nature of the work meant it was a lot more frequent, you would have a reasonable usage clause in there for length of time, committed, et cetera, so you could review that within the process. You'd also have confidentiality considerations in the contract, which basically says that both parties are not able to share outside of the conversations and the meetings, the information that's shared. So the client's business is all confidential and also the advice and insight, case studies, et cetera, which might be personal or private are kept confidential.

You then have a non-compete clause. Quite often if someone brings you in as a non-exec, they don't want you to work with them for three years and then go and work for another marketing company or another design company, there would be a non-exec period, same as when you sell a company that says, if you leave this role for 12 months, it's pretty reasonable. For the following 12 months, you can't work for any similar businesses in a similar capacity, which is fair enough.

And then you would have finally insurances. You would want to have your non-exec, you'd have a director's insurance, which covers all directors' insurances. And as a non-exec, you would want to be insured so that you don't end up with any claims against you for professional indemnity or et cetera, et cetera.

You're offering direction, you're offering advice. You need to make sure that you're protected commercially on the risks that are associated with that and the insurance against any claims that could be made against you for that. And then also within my non-exec contracts, I also include access to my network.

So what you'll find is a lot of these people, think about Dragon's Den, a lot of people, it's not always the money that they want to attract. It's the access to market, it's the contacts, the network, the reputation, the brand. Within my non-exec contracts, I include a consideration and clause in there.

It's not an obligation, but it's an option that within this relationship, I will provide access to my advisors, networks, resources, et cetera, et cetera. Because there's lots of playbooks we use, lots of blueprints that I've built. Lots of people I know, whether they're solicitors, accountants, tax advisors, M&A specialists, they've taken me a decade to find.

There's a lot of value bringing them to the table for other businesses. So that is a non-exec director. Hopefully that's answered that for you.

I would say if you're considering bringing one in, the best thing to do is start from your budget and work backwards, figure out how much could you spend and then aim to get a significant return on that investment, mainly through reducing mistakes and increasing speed. If on the other hand, you are considering becoming a non-exec director, I would say make sure it's good use of your time, make sure it's lucrative and it's the value of the work you provide, not the volume. You know what these people need and they don't know what they don't know.

That's what you're pricing your value on. And it's just making sure whether you're bringing one in or you're good to go out and be a Ned for somebody else. It's a genuine win-win.

It's a consistent fair exchange. And in most cases, you would want to do it for, obviously it depends who you are, but I would say the most successful non-execs, mentors, chairmen that I see, chairman I see, is because they genuinely enjoy it. You know, they love business.

They could talk about it all day long. If you're having a social conversation, you probably end up talking about business anyway. You do it because you like it.

You do it because you know it. You do it because you enjoy it. And also that doing that because you could do that for free forever, also make sure it's a good return on your time and that the value and time you add gives a huge return on investment for the money that the company spends with you and equally the other way around.

If you're spending the money, make sure over a 12 month period, you're getting 50, 100, 250 grand return on your 30, 50, 100,000 pound non-exec director seat. Hopefully you got value from that. Consider it in either capacity and I look forward to seeing you on the next podcast.

I hope you enjoyed this blueprint podcast episode. If you're not already subscribed, sharing these, this is my lifetime's work. And every Tuesday, I'm giving you one blueprint away for free.

These things are unique. They're proven. They've enabled me to build over a 10 million pound portfolio in a few short years.

And over the last 20 years, start, systemize, scale and sell over 40 different companies. If you like them, share them, subscribe, make sure you don't miss a single episode and tune in every Tuesday for a brand new episode and then follow me daily on Instagram for free content, post twice a day, completely free of charge. Success and failure are both very predictable.

I'll see you on the next episode.