What an independent non-executive director adds to a growing firm

For founders, chief executives and chairs of growing advice firms, wealth managers, platforms and smaller insurers: what an independent non-executive director brings, what they don't do, and how to tell whether the board needs one.

IN BRIEF

The problem

Growing financial services firms often run with a board of founders and executives, so the decisions that most need challenge get least of it.

Why it happens

An independent director can look like a cost or a loss of control, and the benefit only shows when a decision goes better than it would have.

What to do

Map the decisions and skills the board will need over the next two years, and appoint for the gaps with a clear role and a way to judge whether it works.

01 A board of founders

A growing advice firm, wealth manager or platform usually has a board made up of its founders and one or two executives. They know the business well. They also share the same view of it, report to each other and, often, own it together.

That works while the decisions are mostly operational. It works less well when the firm faces decisions where an outside view would change the answer: a new product or price, a large technology spend, a growth plan that needs debt or investors, a regulatory review, a succession question or a sale.

02 What an independent director adds

Challenge from outside the business. An independent director asks the questions the founders have stopped asking, about pricing, risk, growth plans and the assumptions behind them, and expects evidence in reply.

Experience the board lacks. A director chosen for a gap, such as product and pricing judgement, regulation, finance or technology, brings experience the executives would otherwise buy in piecemeal.

Better board practice. Clearer papers, decisions recorded with reasons, risks reviewed rather than noted. Investors, buyers and regulators tend to read these as signs of a well-run firm.

A test of the Consumer Duty report. The board has to approve a report at least once a year saying whether the firm is meeting its Duty obligations. The FCA's December 2024 review of 180 firms' board reports found that effective challenge from firms' governing bodies was not always evident. An independent director is well placed to test the evidence before the board signs.

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What an independent director doesn't do

They don't run the business, and they are not a consultant on call. They don't take responsibility away from the executives. In FCA-regulated firms under the Senior Managers and Certification Regime, the chair usually performs a Senior Management Function that needs the regulator's approval, and non-executive directors are subject to the conduct rules. An independent director's role should be written down: the decisions they will challenge, the time they will give, and how the board will judge whether it is working.

ILLUSTRATIVE EXAMPLE

Where an independent director could fill a gap

Area	Founders	Finance director	Gap?
Advice and client service	Strong	–	No
Product and pricing judgement	Partial	Partial	Yes
Regulation and the Consumer Duty	Partial	Partial	Yes
Finance and capital	–	Strong	No
Technology investment	Partial	–	Yes
Succession and sale	–	Partial	Yes

Illustrative: a founder-led advice firm with two founders and a finance director. A director who covers two or three of the gaps is more useful than one who duplicates existing strengths.

FROM EXPERIENCE

I was a non-executive director of Bad Blood Films from 2019 to 2021, where I structured the investor pack used to raise capital and guided the commercial strategy behind the release of the film Sacrilege. In financial services, I sat on Partnership's Retirement Pricing Committee alongside executive board members, and attended the board of Rowan Dartington, a discretionary fund manager acquired by St. James's Place, on several occasions as deputy for my line manager, a director. As a member of a Vistage peer advisory board of chief executives and founders, I gave and received challenge on risk, growth and exit planning.

I have also run advice firms myself, jointly with a business partner and then on my own, so I know the founder's side of these decisions as well as the challenger's.

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When to appoint

The best time is before the decision that needs the challenge. Four moments tend to make the case: before raising investment or taking on debt, two or three years before a possible sale, after a regulatory review that found weaknesses in governance, and when a founder plans to step back from running the firm day to day. Appointing after the decision has been made brings the cost of an independent director without most of the benefit.

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Choosing and starting well

Start from the decisions, not the CV. List the decisions the board expects to face over the next two years, mark where the current board lacks experience, and recruit for those gaps. Agree the role in a letter of appointment, including the time commitment and how the board will review the arrangement after a year. Give the new director the papers, the people and the numbers they need in the first three months, and expect challenge from the first meeting.

Questions for the board

01 Which decisions in the next two years would most benefit from independent challenge?

02 Which skills does the board lack today, and would an independent director fill them?

03 Who on the board challenges the founders on pricing, risk or growth, and how often does it happen?

04 Does the board approve the Consumer Duty report on evidence it has tested, or on trust?

05 What will an independent director be expected to do and not do, and how will we judge whether it is working?

06 How would an independent director help if we sought investment or a sale?

An independent director won't make the decisions for a growing firm. The value is in better decisions: tested earlier, recorded more clearly, and easier to explain to investors, buyers and the regulator.

If this is on your table, a 30-minute conversation is usually enough to tell whether I can help.

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ABOUT THE AUTHOR

Mark Woodruff is a Chartered Actuary (FIA) and Chartered Financial Planner (FPFS). He spent 15 years pricing and building products at Aviva, Prudential, Partnership and St. James's Place, then more than seven years founding and running advice firms through to a substantial sale. Through Mark Woodruff Consultancy he works with financial services firms on product, pricing, distribution and governance.

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Published October 2026
Regulatory references correct at October 2026
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