

Which hat to wear and when?

How many hats does the owner-manager of an SME wear? One? Two? Three? Four+?

I can bet it will be nearer to three yet often I am introduced to clients who wrap all their responsibilities into one role. The differing hats are typically those of shareholder, director, manager (employee) and sometimes creditor.

Why is this important for owner-managers?

Recognising the different roles you play in your organisation is the first step to becoming a more effective leader. Working “on” rather than working “in” the business may have become a cliché, but it still rings very true. Creating the vision, setting strategic goals and refining your business’s structure is near to impossible while still wearing your manager’s hat.

Distinguishing your various hats can also lead to more effective delegation (and eventual succession) by allowing you to transition away from day to day operations yet still retain influence and involvement with the business. Conversely it may encourage you to strengthen your external advisory team, allowing you to return to working on those parts of the business which ignited your passion on day one.

Is there really a difference?

Well, yes. Let’s consider two roles commonly held by the same person in a privately held company: director and manager (employee).

- Leadership

It’s as a director that you provide the vision and leadership to your company. Directors, not managers, make the key decisions about the future of the company and how to protect its assets and reputation. As a director you’ll be acting in consideration of laws and regulations as well as in consideration of the key stakeholders including shareholders, employees and customers.

However, when you are implementing the decisions and policies of the company you are doing so in your capacity as an employee.



Simon Telfer
Stimulus Consulting Limited

+64 21 321 901

simon@stimulusnz.com
www.stimulusnz.com

- **Duties and Responsibilities**

The ultimate responsibility for the success of the company lies with the directors. The law requires them to apply skill and care in carrying out their duties. If they don't, they can be held liable both criminally and civilly. Remember also that as a director you can sometimes be held personally liable for the actions of the company.

With your manager hat on you have minimal legal responsibilities – there is far less risk involved in being a director than being an employee

- **Company Values**

Values are typically defined by the directors but will be strongly influenced by the company's founder.

As a manager you may be asked for input in to their creation and to living the values but ultimate responsibility lies with you with your director's hat on.

- **Statutory Provisions**

There are a number of legal provisions that create penalties against directors, including disqualification, for failure to comply.

Generally managers are not held responsible under statutory provisions and employment is a matter for the company rather than a third party.

Take a moment to reflect. When running your business is it a case of one hat fits all?

 [Send to a Friend](#)

Sources: IOD (UK) Factsheet "The Key Differences Between Managers and Directors"

