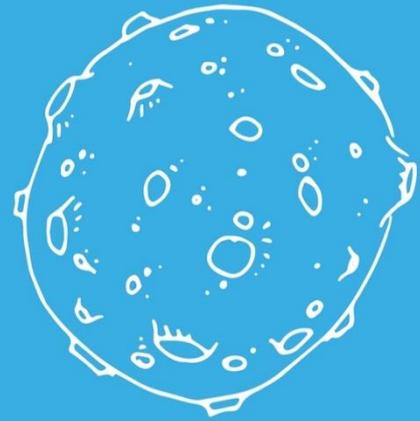


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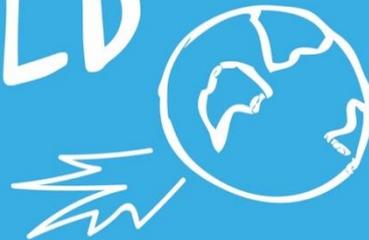


# Business Strategy Planning: Directors vs Shareholders

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## Introduction

MD and founder of HR180, Claire Morley-Jones, is a thought leader across the HR and Strategy organisational functions. In this White Paper, Claire talks about recent experiences where senior roles have not been clear and the potentially expensive – and definitely damaging – consequences.

If you feel you need help over and above a good read, segue over to the phone and call 0113 287 8150 for a free assessment.

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## Directors and Shareholders - different as Lemons and Limes!

I have recently been working on a large and complex case involving three individuals who are both Directors and Shareholders in the same company. Leaving aside the very intricate ins and outs (and the salacious gossip!), what has become very apparent over the investigation, appeal and numerous discussions is that two out of three do not, in any way, understand the difference between being a Director and a Shareholder!

It's made me think about similar situations I have dealt with over the years and how there always seems to be a murky underbelly in relation to this issue and how easily the two roles become confused! I thought, therefore, that it was time for a refresher – dry as this subject is.

So, as simply as possible (mainly for my own benefit) – Shareholders **OWN** the company. The company would not exist as an entity if someone had not invested in it, which brings it legally to life. Directors **MANAGE** the company. They are appointed, at the Shareholders discretion, to run the company and sort out the nuts and bolts of making it work on a day to day basis!

In the style of Blue Peter here is one I made earlier, and, in a handy cut out and blue tac format! You know you need this on your wall 😊!

## The Difference between Directors and Shareholders

| DIRECTORS  | SHAREHOLDERS   |
|--|--|
| Responsible for managing the company lawfully and ethically in accordance with the Companies Act 2006 and Articles of Association. | Owners of the company by owning some or all of the Shares. Many of our clients are 100% Shareholders (as well as Directors!). They do, however, still have different duties. |
| Can be held personally liable and prosecuted if they fail to uphold their legal responsibilities and duties.                       | Liability is limited to the nominal value of their shares. If the company gets into debt they are only responsible for the value of their shares.                            |
| Legally responsible for filing accurate legal documents Annual Return, Company Tax return etc.                                     | Make decisions about significant issues such as changing the company name, structure, issuing shares, appointing an auditor or appointing/removing a Director.               |
| Only have those rights and powers as the Shareholders vest in them.  | Not involved in day to day activity of running the business.   |
| Receive a salary, bonus, commission etc.   | Receive a portion of the profits in relation to shareholding (dividend).   |
| Also known as Officers.  | Also known as Members.   |

## Get it right

Its very important to be clear as to which hat you are wearing when you take important business-related decisions and whether you have followed your Shareholders Agreement, Articles of Association and Directors Service Contracts! Its also very wise to have these checked to ensure they match as I have been working on a few cases recently where the documents (prepared by different parties) have differing clauses and specifications!

We can help with this or any other contract or HR needs.

## What now?

Directors and shareholders are busy people by definition. It can be hard, given all their business pressures, to take an objective look at their organisation. The superheroes at HR180 provide professional, outsourced services to support you with just about **everything** people related – from retained bespoke outsourced HR services and individual HR projects, to HR Consultancy including our exclusive [Strength Test](#).

See more at our website [www.hr180.co.uk](http://www.hr180.co.uk). If you would like to get in touch with HR180's Mission Control, simply give us a call free on 0113 287 8150 or email [Claire@HR180.co.uk](mailto:Claire@HR180.co.uk).

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