



THE CURIOUS ROLE OF THE NED

A non-executive directorship is a highly coveted position for many business leaders, but obtaining the right one can be difficult without any previous experience. This article assembles the collective thoughts of Criticaleye's Associates, providing a guide for business leaders seeking out the highly coveted, yet curious role of a non-executive director.

A non-executive directorship is a highly coveted position for many business leaders, and obtaining the ideal position on the board of one's choice is unlikely without any previous NED experience.

Some do it for kudos, others do it for the innate pleasure of driving an organisation forward, and for others, it's the supplementary income.

Criticaleye recently sat down with its Associates to find out how they launched their portfolio careers and what advice they have to offer those executives that aspire to be NEDs. This varied group of experienced NEDs provided insight into the role and the dos and don'ts of seeking to land that first crucial position.

THE FIRST NED ROLE

For many, the first inkling to become a NED comes as retirement approaches. To gain a prized role, a proactive approach must be taken.

"Don't assume a role will land in your lap," says Peter Watson, an experienced NED whose varied roles include Chairman of Lontra Ltd, and a Fellow and member of the Council of the Royal Academy of Engineering.

The group felt that looking for NED roles as retirement approaches may well be too late, and recommended acquiring at least one position while still an executive, which for many, is in their 40s.

"Getting a NED role while you're still an executive is the best place to start," states Bernard Cragg, who joined the board of Workspace Group in 2003 after a distinguished career as a Group Finance Director at Carlton Communications plc. But he warns that gaining such a role while still an executive may take a fair amount of convincing of your board. "It is important to communicate that in pursuing a NED role you will become a well-rounded executive who is able to understand the inner workings of a board better and how to work with them more effectively," he said. But before actively pursuing a NED role, you must prioritise your needs and take the time to understand the responsibility involved. "People who want to further their business career, should take on a NED role that will add to those skills. Those who are retiring can go to the third sector to make a difference," adds Peter Watson.

David Pearson, Chairman of innovITS limited, gives the most important advice, "set out to enjoy it."

As Malcolm Aish approached retirement from N M Rothschild & Sons where he was

Group Risk Director, he decided to talk to retired friends and former colleagues about how he should spend his newfound free time. "I started down a number of different routes and found that the networking process helped when trying to find NED roles," he says. Malcolm is now a non-executive director and Chairman of the Audit Committee for Mitsubishi UFJ Securities International plc.

"Building a network is crucial," reiterated David.

Although networking is key, it is important to forge relationships with head-hunters in the area. Like job-hunting, getting a NEDship can involve a fair amount of rejection. "People should not be put off by rejection," says Genie Turton, a former senior civil servant who now sits on boards of both private and public organisations such as Wates Group and the Historic Houses Association.

"Think through your CV and application for the job. It is important to stand out the first time," she continued. It is also very important to consider, before accepting a position, that your employer may have specific rules about becoming a NED. Ian Harley reinforced this by noting the banking sector tends to forbid employees from joining the boards of competitors. "This can be helpful because it forces you to look at different sectors providing a wider breadth of knowledge," he says. Ian has over 25 years of FTSE experience, including roles at Abbey National plc, Rentokil Initial plc, and British Energy plc.

LARGE COMPANIES

Working on the board of a large organisation was commonly plagued with a box-ticking culture but much has changed due to recent scandals and crises. "There is no longer the legal exposure that there once was, but the PR exposure is now much larger. Don't be surprised if you end up in the press," says Ian.

THE NETWORK
OF LEADERS

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Tony Cowling, who led market research firm, Taylor Nelson for 40 years and who has a number of directorships in small- to medium-sized companies, contends that since regulations imposed upon large organisations have increased, the role of the NED has shifted from ensuring the organisation is doing the right thing to preventing it from doing the wrong thing.

In recent years there has been a power shift toward the boards with increased regulation giving them the permission to ask hard questions.

However, the transparent recruitment process required in public companies has not deterred the 'old boys club' as Penny Hamer puts it. "Taking on someone you know presents fewer risks," she says. Although, the picture painted of large companies wasn't pretty, Malcolm believes that boards of large companies can be very professional with larger teams to help mentor less experienced NEDs.

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TOP TIPS FOR ASPIRING NEDS

1. Ask yourself what you want to do and what you want to get out of the role
2. Make sure you do a substantial amount of due diligence
3. Start the process when you're an executive, for many this mean in their 40s
4. Do something that really interests you
5. Avoid being the 'token' person on the board

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These changes have made private and family-owned companies more appealing to aspiring non-executives. But Martin Hall warns against joining the board of a company that is wholly owned by its proprietor, this can be tricky as the owner will be more involved in board decisions leaving the board with little room to manoeuvre.

SMALL COMPANIES

Although many aspire to sit on the board of a FTSE-listed organisation, NEDships at small companies and charities can provide great learning opportunities. "It is great development," says Chris Weller, a non-executive director for the trading arm of the Science Museum, National Railway Museum and the National Media Museum and Chairman of the commercial activities of RADAR, the Royal Association for Disability and Rights.

"Working with a small company or charity can be very different from working in a large company. In small organisations a NED can be more of a catch-all," he explains.

"Small companies can be more interesting because you have more control over what is happening," says Tony. He likes to spend the working part of his life helping to guide SMEs over the marketing and business hurdles from start-up, to AIM and/or an IPO listing.

Mike Taylor, the Chairman of Haggie Hepburn, contends that in a smaller organisation, a NED has more input - leading to greater use of skills and mentoring.

PUBLIC AND THIRD SECTOR

Another place to look for a NEDship is in the public or third sector. Some CEOs join these boards in an effort to 'do good', but Genie contends this is not always the best reason.

"CEOs in these sectors get frustrated with their NEDs because they want to 'do good' rather than focus on money," she said.

An executive can gain a lot from taking on a public sector non-executive role. "Many companies rely on the public sector as their client base, so they can learn from each other; plcs, for example, can pick up knowledge about being politically savvy," said Genie. Sir Brian Bender recommends you undertake a fair amount of due diligence on any company – and the same goes for a role in the third sector. "The organisation may not be working well," he says. "You don't want to find you have to give up more time than you first thought."

Due to the nature of the public sector due diligence can be difficult, warns Martin Pilgrim, who among many prestigious positions, is a Trustee of the Prince's Trust. Yet, once in the role, it can be very rewarding. "The social interaction and working with different people is very stimulating."

Genie concurs, "Achieving something and making a difference makes you look at things differently."

PERSONAL ATTRIBUTES

Being offered a NED role can be an honour, however be careful not to accept the first one you are offered. "You need to do due diligence and go through your own process," recommends Bernard.

Ian concurs and advises being very clear about your goals and know how you can add value. "Do not succumb to the temptation to say you can do anything," he says.

Make sure you have the skills to do the job, warns Chris. "You have got to work out what you have to offer," says Peter.

"Consider your values," says Genie. "If you don't think you will be proud 12 months on, don't take it."

The biographies of the Associates quoted in this article can be found on pages 53 - 55.

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