

# Inspiring Non-executive Directors Breakfast – April 2010

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## **Date**

28 April 2010

## **Chair**

Matthew Blagg, CEO, Criticaleye

Non-executive directors are a vital part to every organisation, but not every NED is right for every organisation. Due to this, it is important to follow your gut when seeking roles and carry out thorough research into the organisation before accepting a position. Members and guests met to discuss the importance of securing that right NEDship for you.

## **Board composition**

There has been a push of late to create highly diverse boards. Boards now want, for example, women, varying skills, members with overseas experience, finance experience and marketing experience. Not only does this mean a large board but finding the key individuals can be challenging.

On the other hand, people with similar experiences tend to arrive at decisions very quickly. On a board this speed can be an advantage, but such decisions may well lack breadth of consideration. Is there a way to marry the two: speed and breadth? Dynamism with diversity?

When looking for a NED position, should you be looking for a diverse board? Should you then question whether your skills fit? How do you sell yourself - as different or 'one of them'?

Owing to this push towards diversity, boards now often look to fill a 'hole' - whether that be in terms of background or experience/skill. Unfortunately, this can result in headhunters and board members pigeonholing candidates based solely on their (clearly visible) experience. This is an obstacle that is challenging to overcome.

## **Appointment**

"When seeking a position, it is important to follow your gut", asserted a Member. "Let your feelings guide your actions."

He recommended doing the following during the appointment process:

1. Be yourself - you don't want to have to deliver something that you pretended you could.

2. Make sure your skills are relevant and helpful to the board.

During the appointment process, consider what the relationship is between the CEO and chairman. Sometimes they work together but, if the CEO is not directly involved in the selection process, he/she will meet with the candidates separately. Whilst it is normally the Chairman who runs the board and oversees selection, bear in mind that the CEO is likely to have the power of veto.

It was recommended to keep headhunters 'warm' and remind them from time to time that you exist. Also, don't tell them anything they don't need to know.

*Should organisations go through headhunters to find non-executives?*

One participant questioned why you would rely on individuals with whom you are not overly familiar – to find you a new NED or find you a NED position. He asserted that it is more effective to employ networking as the primary way to find non-execs (and seeking the same roles).

Another delegate suggested writing on a personal level to the chairman of your target companies. This builds a relationship (although it will take time) that can lead to gaining a position.

### **Due diligence**

When considering a position:

- Talk to as many people as possible within the organisation during the process.
- Look at the chairman's report. Examine it for plans versus actions. This will give a good indication of the pace of the board.
- Ask for the board papers when you become a front-runner.
- Talk to the company secretary and FD before you take the job to form a judgement as to their integrity.
- Speak to brokers - they will give you insight into board dynamics.

What other information and metrics can you use for due diligence other than financials?

- Stress testing – look at what will make the organisation go awry. A participant suggested doing pre-mortems.
- It is all about risk – understand how risk analysis is done. NEDs add value when they see risks that executives do not.
- Work on distilling the key performance indicators.

### **Joining**

When you join a board, be considered and restrained (at least at first): don't 'let loose'. One Member compared it to gardening - when taking on a new garden, leave it alone for a year. Watch to see which plants grow and which do not. Do this with the board for awhile.

### **Helicopter view vs. detailed view**

*Should a non-exec take a helicopter view or detailed approach to the organisation?*

The group felt that a helicopter view is the appropriate level for the board. However, NEDs should be at 2,000 feet not 40,000. Also, continuing the metaphor, a helicopter can drop down closer to the subject at hand where necessary.

A non-executive should be at the strategic level but drop down to ask the detailed questions when necessary. It was important to see if the executives are open to this kind of deep penetration.

*Is there a conflict between this deep drilling and the execs asking for help?*

A participant wondered if scrutinising the executives in this way would cause them to reconsider seeking the board's advice and assistance when needed. The group contended that what is below the water is usually very different to what is above.

Another consideration was that it is good for NEDs to carry out scenario planning, as they may uncover something that the executives had not themselves considered.

### **Stepping down**

*When should a non-exec step down?*

You should step down when you come to maturity and/or when you have nothing further to add. You will have your greatest impact in the first three years of being on the board.

It can become very repetitive. However, if you are involved in the business and still contributing, then there may not be a cut-off point.

There is no absolute rule of thumb. Ask yourself if you still have an appetite for it. If you don't want to go to a meeting and are watching the clock, then it is time to step down.