



Getting it right

Perfecting the hunt for a non-executive directorship

By Bernard Cragg – a speech adaptation by Criticaleye

Criticaleye Associate and experienced non-executive director, **Bernard Cragg**, gave his practical advice and steps on how to get that first role at a Criticaleye Aspiring Non-executives Directors Dinner. The following is an excerpt from his talk.

You have decided to take on a non-executive directorship, maybe you want to expand your skills or your board strongly advised that a NED position would be helpful, but how do you go about getting that first external NEDship?

Although life as an executive can be hectic, getting the first NED role, while still in the c-suite, can be very beneficial to building a portfolio after retirement. Headhunters that specialise in NED roles and networking can be easy ways of snagging that sometimes elusive, first role.

THE APPOINTMENT

Knowing where to look can be difficult for a newbie. Get to know headhunters; boards are no longer the 'old boys club' that saw candidates playing golf with the CEO to get the position.

Is the board focused on performance? Is it focused on accountability? Are the board papers focused on key performance indicators?

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Today, very often, the headhunters drive the process, so you have to go to the usual suspects. It may be Hanson Green, Russell Reynolds, or Spencer Stuart - there are a whole range of them. But I'm afraid you have to get to know them because companies now have to go through a proper process.

Getting an appointment as a non-executive is a relatively bizarre process. You're never quite sure who's interviewing who. And actually, you're never quite sure whether you should be selling yourself or whether you should be interrogating them.

Here are some pieces of advice for you. First, if you want to be a non-executive director you must get a board appointment somewhere in your organisation. Even if it's a subsidiary board, get that experience on your CV. It's an important issue.

Second, you must do your homework. I've interviewed many non-executive directors, or prospective non-executive directors who come along and don't seem to know what I do. You have to have an understanding of what the company does, who the people are, and whether you have an interest in it.

Third, you must ask the key questions. A fundamental one is 'what is the organisation's strategy?' What is the company about, what is it doing and where is it going?

During the process you should meet the chairman, CEO, the company secretary and finance director. Find out who the company secretary is, because good boards have good company secretaries. They are a key part of the governance and the information flow of the board. When things go wrong you need to have someone that you know you can rely on. The company secretary will marshal the resources of the company for the non-execs.

UNDERSTANDING THE CULTURE

The next thing which I think is important is to understand the culture

of the company. Every company is different, every culture is different.

You can do this by asking the following questions: Are they risk averse or risk-taking? Are they driven or slow-moving? Are they performance related or 'lifestylers'? Are they shareholder driven or driven by ego? Are management employees or entrepreneurs? And does your style work with them?

If you haven't worked out what your style is, you should spend a few minutes or hours just thinking about it because you need to understand whether you'll fit. If you don't fit, it can be a very underwhelming activity.

BOARD APPROACH

You need to find out the approach of the board - is it unified? A non-executive is in place to support management until the day the chief executive or the chairman is fired, and that is an important thing to understand.

If you're going to get criticised they will say, "What were the non-execs doing? Why did they let it go on so far?" In my experience, you always give management the benefit of doubt. You'll always roll with it for too long, but know that that's your job.

Debate in board meetings is fundamental for a healthy organisation. If we look at some of the recent corporate catastrophes, I can tell you, there was no debate.

Understand the chairman and chief executive's attitude towards debate - are you there to be a police officer or are you there for your advice, challenge and contest?

Furthermore, you should ask if you have access to management below board level. It's absolutely a pre-condition to being a non-executive director to say, "I want to see the next level. I don't necessarily want everything that comes to me to be completely controlled."

THE KEY QUESTIONS

Is the board focused on performance? Is it focused on accountability? Are the board papers focused on key performance indicators? My experience of financial services is that those boards are not, they think that volume is quality. So you get a huge pack, and deciding and discerning what is important is very difficult.

If you want a challenge, and have a mandate to challenge, that's fine. If you're going to be a voice in the wind saying, 'we need a pack that determines and distils what the key issues are here', and then you'll have to get commitment and buy-in to change.

Is there strategy? I'm obsessed with strategy as a non-executive director. I think it's the most important thing that a non-exec can force management to derive strategy and agenda for the company. It's not for us to derive that strategy, but it is for us to probe and validate it, and to make sure that it computes with short-term objectives that we can monitor and create milestones against.

Are the board meetings presentations or debates? There are boards that get the non-execs into a room and present to them for four hours. Usually, within two hours most of them are asleep, that just does not work; board meetings should be interactive.

The chairman should have these answers. I probably get rejected from NED roles because I ask these questions.

PERSONALITIES

Every board needs balance - the CEO and CFO should have conflict and the chairman should be able to resolve this conflict. The CEO has to be the visionary and be driving the organisation, and CFOs are paid to be pessimists. Any day you find a CFO that perhaps is the optimist you've got a problem on your hands!

Another personality you should look out for is that of the entrepreneur - are they

PREPARING FOR A NED ROLE – TOP TIPS

1. Get a board appointment somewhere in your organisation. Even if it's a subsidiary board, get that experience on your CV
2. You must do your homework
3. Ask key questions, like 'What's the organisation's strategy?'
4. Meet the chairman, CEO, the company secretary and finance director
5. Understand the company's culture
6. If the board members don't like the questions you ask in an interview, it is a good indication that you shouldn't join

control freaks? I've never met an entrepreneur that isn't one, so what does that mean? You have to question if there is infrastructure; a chain of power? Do non-executives have influence on developing the process?

Try to understand what you are joining – is it a tanker at sea that can't change course or can you change the direction?

INTUITION

Another thing about entrepreneurs is that they tend to follow their guts a lot more than professional managers, this is something that developing non-execs can learn. If your gut tells you something is wrong and you don't like the CEO, CFO or both, listen to it.

In my early days, when I was desperate to be a non-exec, I met an SID, two non-executive directors, and the chairman, and they gave me a pleasant interview and I thought, "This is good, I'm getting on terribly well with these people."

Then I met the chief executive and CFO. The CEO was a ghastly man and I just couldn't trust the CFO. I turned it down, unfortunately, that company went bust six months later. It taught me a lot, that the gut in those situations is hugely important.

INDUCTION

If you get through all this process and are appointed, you should be insisting upon an induction process. It's important for you to come up to speed as quickly as possible. Get out and visit locations, don't be embarrassed, you want to go and see what is going on in the company.

Quickly understand whether you're given data or information. Does the company take public company issues seriously? There is a whole

raft of issue there that requires a significant amount of diligence as a non-executive director. If they're not taking it seriously the company secretary I think is always a key element of that.

Try and understand the strategy, and to the extent you can talk to the City and brokers, that's very helpful. The perception that you're getting from the chairman, the chief executive and the CFO may be completely different to what the City is thinking.

My general advice is when you're taking up a non-executive position, you should talk to the corporate broker in advance. He or she will normally tell what their issues are and what they think the company should be doing.

PERSONAL CHARACTERISTICS OF NEDS

A non-executive needs to be able to say no and to stick by his or her own convictions. You must be able to challenge the main assumption and do so in a non-confrontational way.

Stay clear of the remuneration committee and its chairmanship. Of all the things that are ghastly about public corporations, it is the remuneration committee, it can make you wildly unpopular. Management are always greedy, they will always want more and the remuneration chairman is the person saying, "No"; it is the source of greatest friction with management.

FINAL ADVICE

It is easier to join a board than to leave one. If you're ponderous, or a little ponderous, and you ask good questions and want to understand a bit more about the company before you accept the position, do it up front. Because it is a bit like marriage – marry in haste, repent at leisure, getting a divorce is not a pleasant activity.

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If the board doesn't like the questions you are asking, it is a good indication that you don't want to join them. I learned quite early on that you've got to be yourself. You should always follow your personal style, and if they don't like your personal style, then so be it. You cannot sit on a board and be a sham for years – you won't enjoy it.

The final two pieces of advice I have are, firstly, you should be interested in the business. It has to be something that is intellectually stimulating.

Finally, you must have some fun with it, because if it's not fun, it is a really gruelling, difficult activity. I didn't choose to be a police officer at the age of 19, I didn't want to be one at the age of 50, so if you're there to be a police officer and only a police officer, forget it - and what's more, you will fail at it.

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Bernard joined the Board of Workspace Group in June 2003. He is the Senior Independent Director and Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees. Bernard is also Senior Independent Director and Chairman of the Audit Committee of Mothercare Plc, and a non-executive director and Chairman of the Audit Committee of Astro All Asia Networks plc, a company based in Malaysia. He was recently appointed as a non-executive and Senior Independent Director of Progressive Digital Media Group plc. He retired as Chairman of Datamonitor Plc, Chairman of i-mate plc and as a non-executive director of Bristol & West Plc in July 2007, November 2008 and October 2007 respectively.

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