

# Insights



Welcome to the March 2010 INSIGHTS published by acumen7.

The purpose of this newsletter is to bring you new perspectives on key subjects to stimulate your own thoughts and ideas. In each edition (which are published bi-monthly), we look at an aspect of business we hope will be of interest to you as an industry leader.

The members of acumen7 bring their skills and experience together so that they can offer innovative solutions to today's complex problems. Full details about our network can be found on [www.acumen7.com](http://www.acumen7.com)

## How to Become a Non Executive Director when Supply Exceeds Demand



**The role of the Non-Executive has become more challenging, exacting and time consuming than ever before. And yet it seems many are still attracted to this role even when it seems more and more difficult to achieve it. What should you do about this?**

**Simon Pratt, a founder member of acumen7, and John Collier, both of Clive and Stokes International, set out some guidelines for aspiring Non-Execs.**

### Introduction

One wonders why people still want to become Non-Executive Directors when the role of the board and the quality of Non-Executives is under more scrutiny than ever before. Good quality Non-Executive Directors are essential to good corporate governance and in delivering value to shareholders. It is therefore imperative that the Non-Executives appointed to any board have the correct experience, expertise and personal qualities to enable them to carry out their roles effectively.

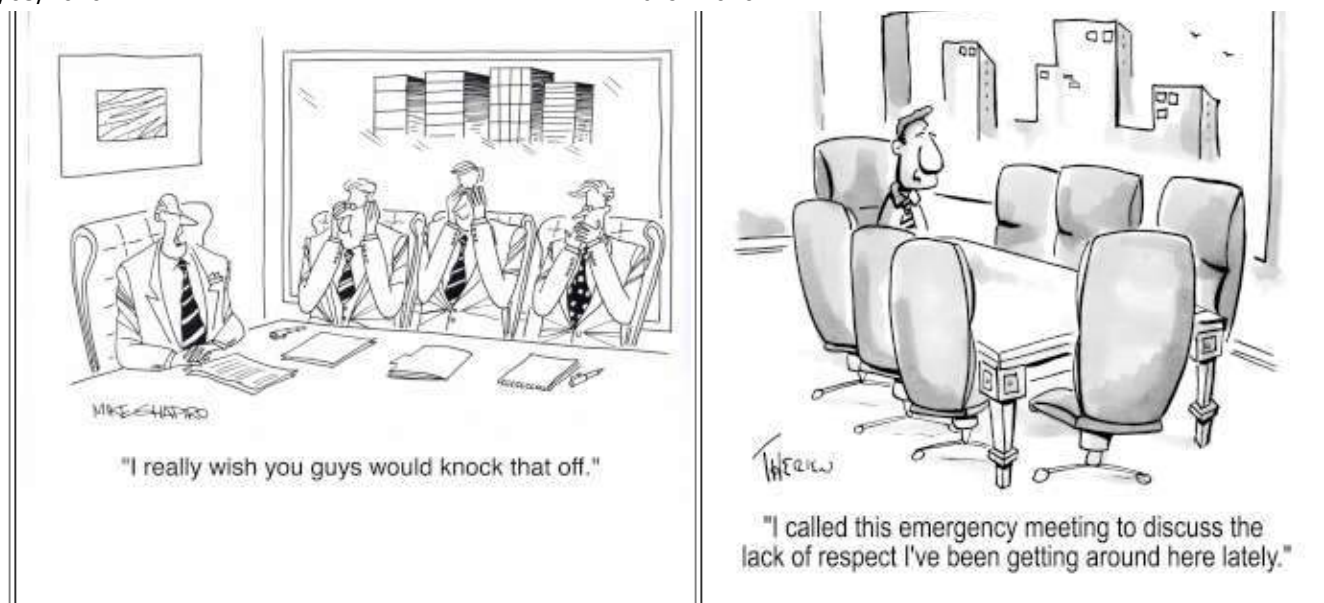
The role of the Non-Executive has therefore become more challenging, exacting and time consuming than ever before. Yet still supply exceeds demand! Head hunters who run board practices are approached over and over again by individuals at a certain stage in their careers, who say that they would like to "go plural" and work as Non-Executive Directors.

### What Does the Job Actually Entail?

It is important aspiring Non-Executive Directors recognise the range of responsibilities and risks involved in the role before committing themselves. Another big issue is time; the complexities of today's business issues and the increasing demands of corporate governance have become and will increasingly become more and more time consuming.

There is also a big difference between being a Non-Executive Director and an Executive: because someone has achieved success at leading a business or playing a senior role in its management and direction does not mean that they will necessarily be able to work effectively in a non-executive role. It is important that individuals evaluate their own skills and decide where they think they can make a contribution and be realistic about where and how they might apply them.

In particular, thought needs to be given as to how experience will be seen by the Chairman of the Board, and not just rely on a life time's business experience as being of value. Does an aspiring Non-Executive Director have specific sector or functional skills and, if so, does their CV reflect these and is it in the right format – with the facts clear, no more than two pages long, and short on exaggerated claims of personal qualities?



Sourced from [www.CartoonStock.com](http://www.CartoonStock.com)

### What Sort of Organisation Should You Target?

It is worthwhile spending a few moments looking at the market segments for Non-Executive Directors. Overall the market varies widely – from major listed companies and SMEs to small private ones where, perhaps, the Non-Executive Director is the only non-family member. What the roles involve can vary considerably.

The first of these segments is the FTSE 100 and in particular the top thirty companies which tend to have large boards and rely on very senior business people and senior civil servants, diplomats, etc. The role can be very interesting and demanding but there is a significant level of compliance work and, in some cases, a feeling that the board is rather remote from the business. Similar considerations apply to the remainder of the FTSE 100 and FTSE 250 although it should be recognised that companies vary widely in their scale and operations – the market capitalisation is not necessarily a fair reflection of the style and operation of the business. More often than not, companies at the top end of the FTSE 100 are demanding PLC board experience, limiting the 'gene pool' for sourcing candidates for non-executive board positions. Clive & Stokes International is in the process of initiating a research project, in conjunction with a leading business school, to identify the extent of this problem with a view to encouraging wider selection criteria.

Outside the FTSE 350 there is a very significant range of well over 2,000 companies including many that are listed on the Alternative Investment Market (AIM). These companies do not have to comply with the Combined Code on Corporate Governance (although many try to), and therefore formal corporate governance is less demanding, and if the business is a relatively small one it is possible to get quite close to them. Such companies are however not without their risks, and as they do not necessarily use head hunters, finding an appointment can depend on who you know, rather than by going through a formal process.

There are also a very significant number of Non-Executive Director opportunities outside the listed company world. There are many large private companies which may not have to have Non-Executive Directors but which recognise the value of them. These days private equity is of huge importance and many PE investors want to put in an independent chairman to represent their interests. Building relationships with private equity houses therefore is important, but there is a need to have a successful track record and ideally, be able to demonstrate the ability to be an effective mentor, as well as having a deep knowledge and understanding of the sector in which the relevant business operates. In addition there are opportunities through venture capital and organisations such as ISIS Innovation (set up to exploit innovation from Oxford University).

In the last few years there has also been a significant increase in the deployment of Non-Executive Directors within the public sector. The demand for independent directors on the boards of NHS Trusts is well known (and perhaps to be avoided – the demands can be considerable and the rewards relatively poor) but there are also some fascinating roles working in Central Government. Each of the large departments of State has their own board and some of the roles are very interesting – although usually unpaid. These appointments can be easier to find – they are invariably subject to some form of public advertisement either online or in the press – but the number of people applying can be considerable.

In addition there is a huge range of not-for-profit organisations including 'old-style' building societies and pension schemes, as well as charities and various pressure groups and other bodies; many of these value the appointment of independents to their boards. The roles can be extremely interesting but they are often poorly paid.

### What Next?

Having looked at the overall market and decided where to concentrate your efforts – what should individuals do next? By all means talk to head hunters. But we are invariably client driven and are employed to fill specific roles. We represent our clients rather than candidates, and therefore if we do not happen to have a role that is right when an individual gets in touch with us, they should not be unduly surprised. The reality is that people need to rely on their own network of contacts and personal marketing initiatives. They also need to persevere. Appointments that are really interesting and for which they are right may not occur on a regular basis, and they therefore need to be prepared to take months (even years) before they get what they want.

### A Final Word

Those seeking a Non-Executive role should look before they leap. They should make sure that the company they are joining is sound and that they are going to get on with the chairman and the other directors. They also need to make sure they understand the business model and be aware of where real influence lies. This is particularly important with family companies that have large extended families with significant interests. They should also be careful of the time commitment. These days most Non-Executive Director appointments involve more than attending a few board meetings each year. It is important that they make sure that they understand what the business is all about, and this cannot be achieved by sitting around a boardroom table – they have to get out and meet management and spend time looking at the operations of the business. All the time

however, the new board member needs to be conscious that the role is "non-executive", and leave their command and control executive tendencies behind.

In the light of all this, individuals should not be disheartened if they do not get a Non-Executive Director appointment quickly. They should take time, carry out thorough market research and work out a campaign that then needs to be adhered to. They might be surprised to find what they end up doing.



Simon Pratt has been an Executive Search consultant for over 30 years, latterly specialising in the construction, infrastructure and nuclear industries. During his long career as a head-hunter his experience has included 10 years with AT Kearney where he was responsible for establishing the UK Executive Search division in London; followed by 14 years as a partner with GKR (now Korn Ferry Whitehead Mann). He is currently a Partner with Clive & Stokes International, and is also a founder member of acumen7.



John Collier specialises in board level and senior executive search with a particular emphasis on non executive directors for listed companies and pension trustees. He also carries out research and provides consultancy advice on the effective functioning of boards and audit committees to a wide range of organisations. He is a chartered accountant, was a partner with Price Waterhouse for 11 years and subsequently Secretary General of the Institute of Chartered Accountants in England & Wales.

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