

Getting value from Non-Executive Directors as a way of raising the game of your Board

The June Meeting of the Godalming Business Breakfast hosted by Shipley's considered the use of trusted outsiders to improve enterprise performance. This concentrated on Non Executive Directors but acknowledged that other trusted outsiders who are already privy to confidential information, such as Auditors, can make a major contribution too.

Many of the considerations identified apply equally to Boards of Not-for-Profit and community or social enterprise bodies as well as more mainstream commercial and governmental undertakings.

An Advisory Board can be a good way of corralling as allies those trusted "critical friends" that also add external credibility and whom you would be sorry to see on the headed paper of a competitor.

The day-to-day management team comprised of the CEO and the heads of department may include people who do not themselves work full-time and may hold similar roles in non-competing organisations. The benefits of this include their being technically / professionally up to date and securing a calibre of individual that would otherwise be un-affordably costly. Such arrangement can also provide some of the contributions of a good non-executive director in being somewhat more detached and objective and less beholden to the CEO. *"They tend to see things afresh every time they enter the building"*

The meeting touched on the ways in which boards as a whole seemed to be operating and agreed that most spent too little time looking forward and too much time reviewing the past. *"History tells us that we learn nothing from history unless we work very hard at it with the future in mind"*

Everyone agreed that more than half of every meeting should be forward looking and most favoured a 70/30 split while readily acknowledging that this was very rarely achieved currently. The Board has an inalienable responsibility to anticipate and assess risks of all kinds yet this must include also the risks of inaction. *"Deciding not to decide is itself a big decision"*

Structuring good agendas thoughtfully involved having a rotating spotlight approach that went into depth on a specific aspect each month rather than covering all each month at a much less profound even superficial level. *"zero-based organising is equal in importance to zero-based budgeting"*

Soundly operating boards ensure that proper arrangements exist to deal with matters arising between meetings that might require board involvement. The Chairman needs to be clear where responsibility lies for anticipating and taking action in such circumstances. Agreeing on the provisional agendas for the next two meetings is a good discipline along with working out future meeting dates carefully so as to avoid there being any absentees.

Boards without any "outsiders" especially where the CEO and Chairman roles are combined need to be alert to particular vulnerabilities such as "group-think" and confusing "What is right?" with "Who is right?". The need for well-structured agendas and papers in advance becomes even greater if the imperatives of the moment are not to prevail damagingly. Yes, of course they must be dealt with speedily and well but if they result in this becoming the norm for every meeting then the Board needs to be re-invented rather than being allowed to continue, in effect, as simply an Operations Group"

So what should a Chairman seek to avoid when looking at potential non-executive directors or considering whether or not to renew any current such appointments and what should they seek when making good NED appointments?

The main eight contra-indicators were defined as:

- 1 They simply need the money
- 2 They simply seek the status
- 3 They see their contribution as being based solely on sector knowledge
- 4 They see their contribution as being based solely on professional / technical knowledge

- 5 They show little evidence of curiosity
- 6 They seem to just want to come along for the ride
- 7 They are unlikely to commit enough quality time - at least 25 days a year - for one formal meeting each month
- 8 They have no real personal credibility externally or are seen as being on too many boards already.

The eight main positive indicators were defined as:

- 1 Routinely spends time with diverse, able people who hold views that the NED does not usually share
- 2 Reads and scans widely beyond sector and professional media
- 3 Is forever seeking new ways of seeing round corners and beyond the current horizon
- 4 Active as a member of a wholly confidential learning group of NEDs in non-competing businesses
- 5 Self-disciplined & solvent enough to have proper time to think & not 110% driven by inbox & deadlines
- 6 Remains routinely yet expertly aware of fiduciary responsibilities but always makes sure that NED job is always seen as very much more than this
- 7 Monitors diverse other sectors imaginatively to spot new kinds of risks and ways of having good contingency plans in place early
- 8 Monitors diverse other sectors imaginatively to spot new kinds of opportunities early however off-beat or unconventional they may be.

So having decided that NEDs can contribute and having chosen wisely the appointments to make what should the Chairman expect?

The eight main areas of contribution identified were:

- 1 Listening to newcomers and leavers and to customers and former customers
- 2 Spending time with field staff . . . sales . . . technical . . . service debt collectors
- 3 Reviewing alignment - all pulling in the same direction once this is fully agreed
- 4 Use of board time to work on the business not in the business; thorough risk identification & risk management
- 5 Guidance to Chairman to equip CEO with good questions to use when assessing Heads of Departments; nurturing sound performance review & development procedures and overseeing proper succession planning
- 6 Confidential sensing and personal access-ability; supporting whistle-blowers shrewdly.
- 7 Asking for reports in advance of meetings - regular - ad hoc - and especially cross-functional or cross-departmental (to tackle "siloitis")
- 8 Active involvement in agenda construction for rolling cycle of meetings and fostering good ways of progressing matters between meetings including specific delegation in defined circumstances.

Two further questions on which to reflect:

If we were to do a thorough "due diligence" exercise on ourselves what would we discover?

If we applied to ourselves the advice we give to others on how to choose a supplier would we buy from us?