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## Becoming a non-executive director

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The Norman Broadbent Group guide



# Why become an NED?

As advisers to boards in a range of organisations, we are often asked for guidance by new and aspiring non-executive directors. This guide draws upon our experience and expertise to offer support to those embarking on NED careers. We hope that you find it informative and inspiring.

Becoming a non-executive director offers multiple benefits. The work is stretching and stimulating and many of those who sit at boardroom tables will attest that being able to use their insight and impartiality to make a real difference is also immeasurably rewarding.

For retiring senior executives, one or more NED positions can be the Holy Grail, enabling them to step back from full-time corporate life and achieve better work/life balance via a portfolio career. The shift in focus tends to be towards imparting experience, giving something back and adding value to a company. For those who are current executive directors, a board position is a chance to gain new perspective.

Working alongside accomplished leaders, learning about another sector and understanding a different organisation's approach can lead to a positive cross-fertilisation of fresh ideas. Many up-and-coming executives are encouraged to seek out NED opportunities to develop their boardroom skills, which will inevitably benefit their current company, too.

Meanwhile, for those working below board level with specialist skills in areas such as digital, social media or consumer behaviour, the NED role has become more accessible than ever before. Increasing demands for diversity are helping to create golden opportunities to accelerate career development. Whatever your background and motivations, being an NED is guaranteed to be intellectually challenging.

But it is also hard work. Today's NEDs are highly visible, regulated and scrutinised. Entering the non-executive environment is a step that requires careful thought and planning.

## Purpose of boards and the NED role

The purpose of boards is to be collectively responsible for the long-term success of organisations while balancing the interests of shareholders and broader stakeholders. Boards constructively challenge and help develop proposals on the strategy and direction of businesses whilst ensuring sustainability and profitable growth. An effective board provides independent oversight, scrutinises the management's performance and satisfies itself of the integrity of financial information and the robustness of financial and risk controls and systems.

The board is also responsible for CEO and board succession and determining appropriate levels of remuneration. It ensures regulatory obligations and the highest standards of corporate governance are met. Different types of boards seek varied skillsets and backgrounds in NED candidates:

- **Plc** boards may require their NEDs to have listed company experience, an understanding of corporate governance and possibly also previous NED experience.
- NEDs on **private equity**-backed portfolio companies will often be required to have specific sector experience and an understanding of M&A and corporate finance. They may also need to offer a higher level of involvement and time commitment.
- **Regulated companies** may look for sector insight and an understanding of the regulatory environment and regulator, as well as specific corporate governance requirements.
- **Private companies** tend to require NEDs with general management and leadership experience, diplomatic skills and, in the case of family-owned businesses, an ability to work with the additional nuances of family dynamics.

NEDs are generally appointed for a specified term, subject to re-election, and those making an effective contribution will likely serve more than three years. Any tenure beyond six years should be subject to a review. Regulatory changes, market volatility, economic uncertainty and media scrutiny have all made the NED role one that is highly transparent as well as accountable.

Whatever your motivation, becoming an NED should never be principally about financial reward. The duties, risks and responsibilities make the remuneration uncommercial when compared to executive directorships.

# Attributes of the NED

The ideal NED is independently-minded, commercially aware, entrepreneurial, articulate, persuasive, flexible, well-rounded, quietly competent and a team player.

Arguably, the attributes required are so extensive and contradictory that there cannot be an NED in the world who completely fits the job description. However, there are some specific professional criteria that can be applied across organisations and also to individual sectors.

- All NEDs need to be individuals of integrity with a reflective, thoughtful approach and the ability to probe incisively.
- All need to be capable of gaining a rapid understanding of the business, to work with financial complexity in an unfamiliar environment and to think strategically, looking five to ten years ahead.
- All need an independence of mind combined with an ability to accept collective responsibility.

## Organisations are generally NOT looking for:

- A big ego.
- Confrontational style.
- Someone who speaks more than listens.
- Someone who fails to understand/respect the executive/non-executive boundary.
- Lack of preparation.

# First steps to finding an NED role

Seeking an NED role is tantamount to launching a new career. Candidates need to be realistic, systematic and tenacious. Here are some essential issues to consider as you embark upon your search.

- Understand what specific skill you possess and how you are perceived by others.
- A good first step is to analyse objectively your strengths and weaknesses – working with an executive coach if it helps.
- Consider what you have to offer a board, where you could make the most effective contribution and what organisations interest you.
- A degree of sector knowledge is regarded by many as vital. However, the more familiar you are with a sector, the more potential for conflict of interest there is.
- Sometimes, it is your differences that will be your strengths.
- If you are a serving executive, ensure you have the support of your current employer.
- You can, of course, point out that in exchange for agreeing to release you for several days every year, your organisation will benefit from the additional insights you are gaining from being part of another business.

## Creating the NED CV

Although not every board will expect candidates to produce a CV, preparing one is a valuable exercise in helping to channel your thoughts and identify your strengths.

- As with all CVs, it should be comprehensive but concise – two to three pages maximum.
- Focus on listing present and previous roles in reverse chronological order.
- Summarise specific achievements using words and phrases that are contained in the job description.
- Quantify achievements where possible and highlight any board-relevant experience.
- Keep personal details brief and relevant.
- Once you have all historical details on paper, craft the profile that you are going to insert at the top of the CV.
- This needs to be sharp, memorable and to sum up, in a few sentences, the specific and individual qualities that you would bring to a board.

# First steps to finding an NED role

## Network

NED roles are highly sought-after. Securing your first board position is likely to require patience, resilience and effort. We suggest you cast your net wide across the following networks:

- **Search firms.** Boards work through search firms to demonstrate that NED appointments are being made via a rigorous, objective, fair and transparent process. Individuals interested in board-level appointments should make their aspirations known by developing relationships with several firms.
- **Personal Network.** Never underestimate the power of word of mouth. Colleagues, friends, friends of friends, acquaintances – all are potentially of value in making introductions and creating opportunities.
- **Advisory firms.** If you are interfacing with accountancy firms, law firms, management consultancies **and** other professional services, make them similarly aware of your interest in an external non-executive directorship. Board networks/associations and events. Consider joining trade **organisations**, taking speaking engagements and writing articles for publication. All present ways for you to raise your personal profile.

# Search process

A search firm is expected to shortlist several candidates for an NED position. The typical selection process takes approximately three to four months and breaks down into the following stages:

- 1. The brief.** The search consultant discusses the requirements of the role and meets the chair and the board to define the brief further and gain an understanding of culture and attributes of the successful candidate.
- 2. Research.** The search firm conducts thorough research and additional brainstorming/sourcing before drawing up a longlist of circa 15 candidates.
- 3. Longlist.** Potential longlist candidates are presented and discussed. A target list is then agreed and candidate approaches are made.
- 4. Headhunter interviews.** The search firm carefully assesses the target candidates and matches the individuals to the profile. An initial assessment of cultural fit is made.
- 5. Shortlist.** Following the interview process, a shortlist is produced. Detailed candidate reports are presented assessing the match to key criteria and any potential areas which might require further discussion.
- 6. Client interviews.** The client interviews circa four shortlisted candidates. Typically, the chair and another NED will conduct the first-round interviews and successful candidates will progress through a series of subsequent interviews with other decision makers.
- 7. Offer.** The client chooses the preferred candidate and an offer is made, references are taken and contracts signed. Constructive feedback to unsuccessful candidates will be managed.

## Preparation for the interview

Prospective NEDs may be seasoned interviewees, or it may be many years since they were last interviewed formally. It always pays to have done your homework and be prepared for a range of questions. Interview discussion areas may be of a general nature around, for example, your motivations for becoming an NED, your greatest achievements/learning experiences to date and your strengths and weaknesses.

However, questions can also be more specific to the role. Prior to any interview it will therefore be helpful to assess carefully why and how you match the detailed requirements of the briefing document. Also be prepared to ask your interviewers questions about:

- The organisation's strategy and direction.
- Significant challenges the organisation is facing.
- Culture and egos and how both are managed.
- The principles, priorities and ambitions of the chair and board.

# Before accepting an appointment

## Due diligence

Due diligence is critical. You will already have gained insight into the organisation and its people and culture through the interview process, but it is important to deepen your research at the offer stage. Your checklist should include the following:

- Read as much as possible in annual reports, the company website, press coverage and analyst and rating agency reports.
- Talk to the company's auditors, bankers, lawyers and headhunters.
- Try to meet the members of the board who have not been part of the interview process. Work out key relationships, style and values.
- Is there an effective and constructive relationship between the CEO and chair? Ask for dates of board meetings and the year-end and check for any timetable conflicts.
- For future NEDs who will chair an audit committee, find out the year-end to avoid/be prepared for a heavier workload at certain times of the year.
- Be sure that it is a role you are going to enjoy.

## Induction programme

As a new NED, you should consult and liaise carefully with the chair and company secretary, who will be responsible for the induction programme. This should enable you to get up to speed quickly with the key issues facing the company. An effective induction programme will take up a considerable amount of time during your first year as you visit the operational sites and meet and spend time with the executive directors and key management to understand the company better.



# Before accepting an appointment

## Managing your reputation

Honesty, integrity, competency, capability and financial soundness are essential qualities for serving NEDs. All NEDs need to manage scrupulously their conflicts of interest and to observe corporate governance principles at all times. One needs to be conscious that, as an NED, your reputation is your currency in the market. It is advisable to remember also that the chair is not only a key differentiator to an effective board but your referee.

Your ongoing success may be defined by his/her views on how you have transitioned into a NED and your overall contribution and success on the board, so choose a first role with care because it can shape your future portfolio. As this guide demonstrates, becoming an NED after holding executive directorships requires a significant adjustment but, when done well, it is a step well worth taking.

Experienced NEDs cite contributing to strategic success, enjoying new challenges and the feeling that they have made a difference as key motivators and almost invariably describe the work as tremendously rewarding.

## Links to reference materials for NEDs:

- For listed companies - [new FRC code, coming into force Jan 2019](#)
- For medium/small private companies - [a new Corporate Governance Code from the Quoted Company Alliance](#)
- For large non-listed companies - [Wates Principles published 2018](#)
- For charities - [the Charity Governance Code published end of 2017](#)



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