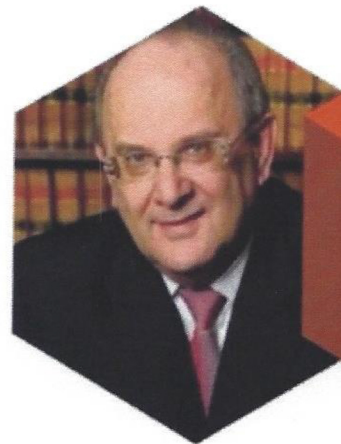


# Non-Executive Directors - Changing Expectations



An internationally experienced Chairman and Non-Executive Director with a track record for delivering operational success spanning 25 years, Frank Lewis, explains the changing expectations surrounding the role of the Non-Executive Director, and how the role is increasingly becoming a full-time job.

Non-Executive Directors are working harder than ever, and the new corporate governance code has only made the job more onerous. At the same time, the vital role that NEDs play in being able to challenge the executive leadership team makes them fundamental to effective corporate governance.

The rise of the 'activist shareholder' means that they are increasingly ready to put directors under fire, and independent board members carry the same legal obligations as those who run the company on a full-time basis. Under Section 172 of the Companies Act, all directors are required to act in the best interests of the company and its stakeholders.

Shareholder expectations and the increasingly rigorous expectations of The UK Corporate Governance Code means the idea that a NED can simply turn up for board meetings is long gone. Independent board members now face a significant commitment in terms of both time and dedication when accepting a role, and that requirement should be a key factor when appointing a NED, both for the individual and the company they are potentially joining.

While a skill set that fits well with the existing members of the board and provides valuable additional experience should still be highly regarded, even the most talented candidate won't provide the required input and rigorous challenge that is required of them if they don't have the time to fully engage with the role.

As a NED, you should be constantly challenging the board. By asking apparently simple questions about the business, you can greatly help an executive team to refocus on the important, rather than simply the urgent. Similarly, this approach is key to challenging commercial ideas that can become entrenched, a 'we have always done it this way' mentality. It is vital that these challenges remain constructive and are delivered in a positive way. It's easy to criticise, but you risk losing the respect of the executive leadership team if you appear to be simply stating difficulties rather than providing constructive solutions. If you cannot do that, alongside adding good commercial judgement, I would suggest you shouldn't be on that board.

The same approach applies to business plans. Executive teams can be guilty of producing business plans where the goals are comfortable, rather than stretching. NEDs can push, interrogate and raise the performance bar. On the other hand, they can provide a valuable commercial reality check when they believe ambitions are unrealistic.

While good communication skills and the ability to manage and resolve conflict remain a key part of the role of a NED, the ability to challenge the executive team, and stand up to them in the case of differing opinions, is fundamental. NEDs should be able and willing to stand up to executives when required, with the conviction to say what needs saying.

The role of a NED is, fundamentally, to ensure that the business is well run, but not to run the business. When NEDs are able to deliver on these role requirements, their mix of independent insight and previous experience deliver an invaluable contribution to the board decision-making process and the overall effectiveness of a company's governance.