

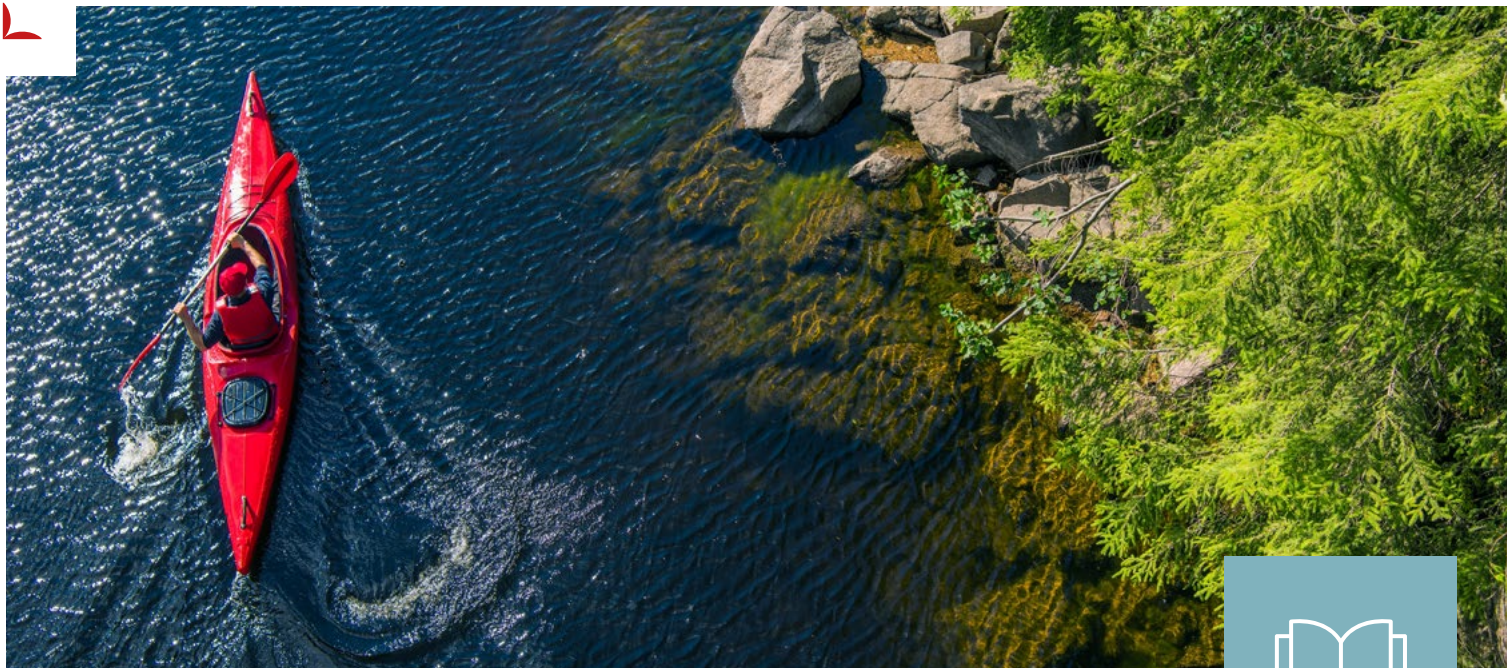
GERALD
EDELMAN



NEDs

Your essential guide to appointing
a non-executive director





INTRODUCTION

Whether you're an ambitious start-up, established SME or multinational corporation, the growth of every business depends on its ability to underpin the right commercial vision with strategic and objective thinking alongside the right financial controls.

More than that, exceptional organisations thrive because they continually challenge themselves and their people to achieve more. They fear the idea of treading water or wasting resources through inefficiencies, and they see the value of putting people and processes in place to stop that from happening.

When it comes to optimising performance across their company, business leaders must leave no stone unturned. Of course, it's easy for executive directors and senior managers to become blinkered by the day-to-day running of the business, and CEOs may also struggle to prevent what many call too much "Working In" as opposed to "Working On" from creeping into boardroom discussions. "Working In" can include being involved in internal politics or other conflicts of interest. That's why the impartial advice of a non-executive director (NED) often proves so valuable for a company with ambitions for long-term growth.


At Gerald Edelman, we regularly advise organisations looking to strengthen their board with a non-executive director. This short guide should prove useful if you're currently deciding whether a NED is a good option for your business and, if so, how to ensure you get the most out of the role.



Richard Kleiner

CEO

+44 (0)20 7299 1405

rkleiner@geraldedelman.com 

GERALD
EDELMAN 



Why might your business need a NED?

From navigating change and resolving structural issues to moving the business forward into the next stage of growth, there are many scenarios in which a company may benefit by appointing a non-executive director.

Smaller companies with fewer directors may need expert commercial advice across several areas of the business; whereas larger enterprises might reach a point whereby they require a fresh pair of eyes or an unbiased sounding board to oversee and, where appropriate, challenge the decisions made by the executive management team for the best interests of the business.

No matter the size of the organisation, the value of a NED stems from the fact they have no formal ties with the business through employment, management or investment. This enables them to orchestrate discussions with complete objectivity and impartiality, whilst also bringing new ideas and a different perspective on business issues.

In many ways, a NED embodies the voice of the business itself. That voice should be free to challenge decisions made by the CEO, CFO and other senior leaders, in a way that perhaps the executive team is reluctant to do so. Think of a NED as a critical friend that doesn't shirk away from telling the truth when it really matters. Is your boardroom currently lacking that critical edge?

The value of board experience

53% of NEDs in the UK serve as executives in other companies¹ – which tends to benefit clients by giving them access to new and different ways of thinking and a broad network of professional specialists.

¹Source: SS Board Index Survey, 2020

Common scenarios for appointing a non-executive director

Scenario #1 | Supporting business owners and executives

A great NED brings discipline and direction to the boardroom. They act as an independent advisor that scrutinises internal policies, protocols and plans laid out by the executive team, helping to pinpoint inefficiencies and identify and evaluate opportunities for growth across the organisation.

Scenario #2 | Mentoring start-ups and fledgling businesses

A business doesn't need to be large to see excellent returns from a NED role. Naturally gifted entrepreneurs in the early stages of their business lifecycle often benefit greatly from the guidance of a seasoned advisor who has navigated the commercial journey many times before.

Scenario #3 | Prioritising corporate governance and control

Once a business reaches a certain size, governance plays a much more important role in achieving sustainable growth. Having an external influence that is transparent and puts pressure on people to organise, deliver and accept accountability for corporate practices can make a huge difference in sustaining growth.

Think of a NED as a critical friend that doesn't shirk away from telling the truth when it really matters.





10 key characteristics to look for in a NED

1. Commercial awareness

A non-executive director should have the business acumen to unravel a wide range of commercial challenges and enhance the impact of key functions such as HR, business development and marketing from a broader strategic level.

2. Experience

A NED should be able to demonstrate significant experience and success throughout their career. This experience is crucial to their impact as a commercial advisor as it allows them to share different ideas which may improve productivity and shape strategies to achieve stronger growth over the long term.

3. Impartiality

One of the core purposes of a NED role is to provide strategic advice as the objective and impartial voice of the business. By contrast, the executive team may find it more difficult to remain impartial or fail to see things solely from the business' point of view.

4. Challenge

Whilst a good NED always seeks to build a positive relationship with the executive team, they are also there to challenge other board members and pinpoint areas for improvement across the business.

5. Financial astuteness

Much of the work that a NED carries out is geared towards improving the company's financial performance. This is why a background in financial planning or accountancy can be a plus for businesses aiming to maximise their bottom line.

6. Emotional intelligence

A key part of a NED's role is being able to confront delicate issues with both sensitivity, assertiveness and resilience. They should help instill the appropriate culture at board level based on open communication and transparency when navigating through business issues. A NED needs to be a good listener, quickly understand the corporate and board culture, and be able to adapt and challenge accordingly.

One of the core purposes of a NED role is to provide strategic advice as the objective and impartial voice of the business

7. Gravitas

Along with their experience, NED should inspire trust in the executive management team through their ability to express ideas clearly and succinctly. Their presence should command respect in the boardroom based on their impartiality and acceptance that they are “the voice of the business”.

8. Strength of personality

Enthusiasm is an integral part of success for a non-executive director. If you don't feel they are actively engaged with your business, or they are struggling to engage with the executive team, they may not be the right person for the role.

9. Integrity

As the voice of the business, NEDs must be able to deliver their opinions with integrity and confidence. In turn, this makes it far easier to facilitate debate and ensure any disagreements are resolved in a respectful manner.

10. Ability to engage

NEDs need the ability to engage with roles across every level of the organisation, whether that's the CEO, the executive team or otherwise.

Much of the work that a NED carries out is geared towards improving the company's financial performance





Developing a healthy board dynamic

Great boardroom cultures are born by design, not chance; yet all too often companies lack the right dynamic at board level to optimise decision-making and engage everyone at the table with a collective vision for success.

Before appointing a non-executive director, business owners and controlling shareholders must understand that the role is intended to challenge existing mindsets and assumptions. A NED is there to keep the executive team on their toes, not to simply nod along with senior leaders.

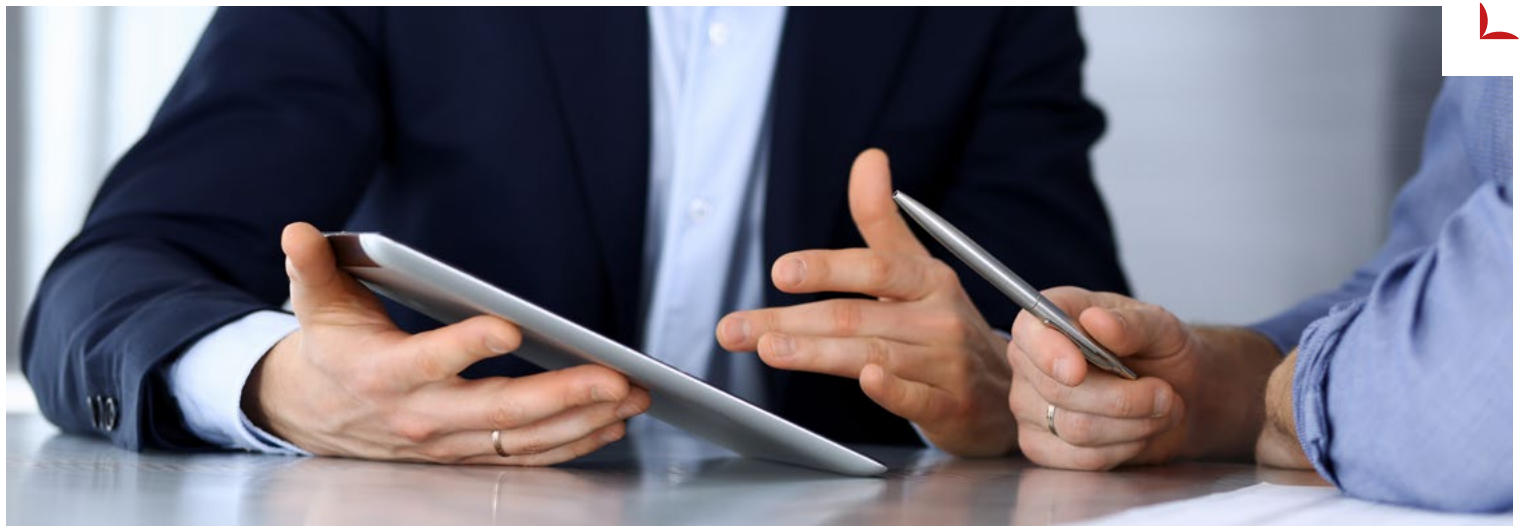
In fact, healthy disagreements are a positive sign that indicates diversity of thought and the freedom to share new ideas. To achieve this, a NED should be allowed to encourage debate and inspire chemistry between board members, whilst at the same time keeping people's feet to the fire and preventing the sway of 'group think'. Ultimately, it's in this type of open, honest boardroom culture that great business decisions are made.

Accountability and trust

Trust is key to developing a successful board dynamic. That's why it can be an advantage if the NED is already familiar with the business through a previous legal, financial or advisory capacity. In these cases, a trusting professional relationship has already been established, which leaves more time for setting and delivering initial objectives.

Experienced NEDs also recognise the value of taking minutes and how this can help shape a productive relationship with the company board. By keeping a tight rein on individual responsibilities and actions to be completed in between meetings, it becomes much easier to instill discipline, focus and engagement across the senior team.

Remember that the role of a NED is to ensure every member of the board is pointing in the right direction and engaged in what's best for the company. That means being prepared to challenge ideas and hold people accountable when things don't go to plan. For any business that wishes to drive productivity, this is the only way to resolve inefficiencies and maximise their competitive advantages.



Understanding the investment

Cost is a central factor when considering NED candidates and investment in the role will naturally depend on company size, the time commitment required and the perceived value to the business.

The first step is to put together a detailed specification for the role that aligns with business objectives and aspirations. This will help determine a budget for hiring, as well as giving prospective candidates a clear understanding of the business' current position, remuneration and time commitments.

NEDs are usually retained on a part-time basis and may only visit the company once a month to conduct a board meeting or evaluate strategies directly with the CEO. However, most business leaders recognise that the ongoing value a NED delivers through their commercial experience and strategic expertise can save the company a significant amount, particularly when planning out structural changes, transactions, corporate governance or business expansion.

Cultural fit is crucial

Ideally, your NED should offer a trial period so that both sides have a chance to determine whether the relationship will prove a good cultural fit within the first two or three months.

NEDs are usually retained on a part-time basis and may only visit the company once a month to conduct a board meeting or evaluate strategies directly with the CEO



Is a NED the perfect role to drive your business growth?

There's plenty to consider when appointing a non-executive director, which is why it always pays to talk through your situation with an expert advisor that has walked the path many times before.

Many of our senior partners here at Gerald Edelman have substantial experience in performing NED roles across a wide range of industries, including professional services, hospitality, retail, media, digital technology and business services to name just a few.

Clients often engage our services in tax planning, auditing and compliance before deciding to develop that relationship into a NED position. Even when this isn't the case, our expertise as commercial advisors

enable us to add significant value when supporting the board to take effective decisions and optimise financial performance – and we can do the same for your business.


Get in touch today at hello@geraldedelman.com to arrange a free, no-obligation consultation with one of our friendly advisors and find out more about appointing a non-executive director.



Richard Kleiner

CEO

+44 (0)20 7299 1405




rkleiner@geraldedelman.com 

MEET RICHARD





City of London Office

 73 Cornhill, London, EC3V 3QQ  +44 (0)20 7299 1400  hello@geraldedelman.com

