



# First Time Guide for Non-Executive Directors

Sam Allen Associates

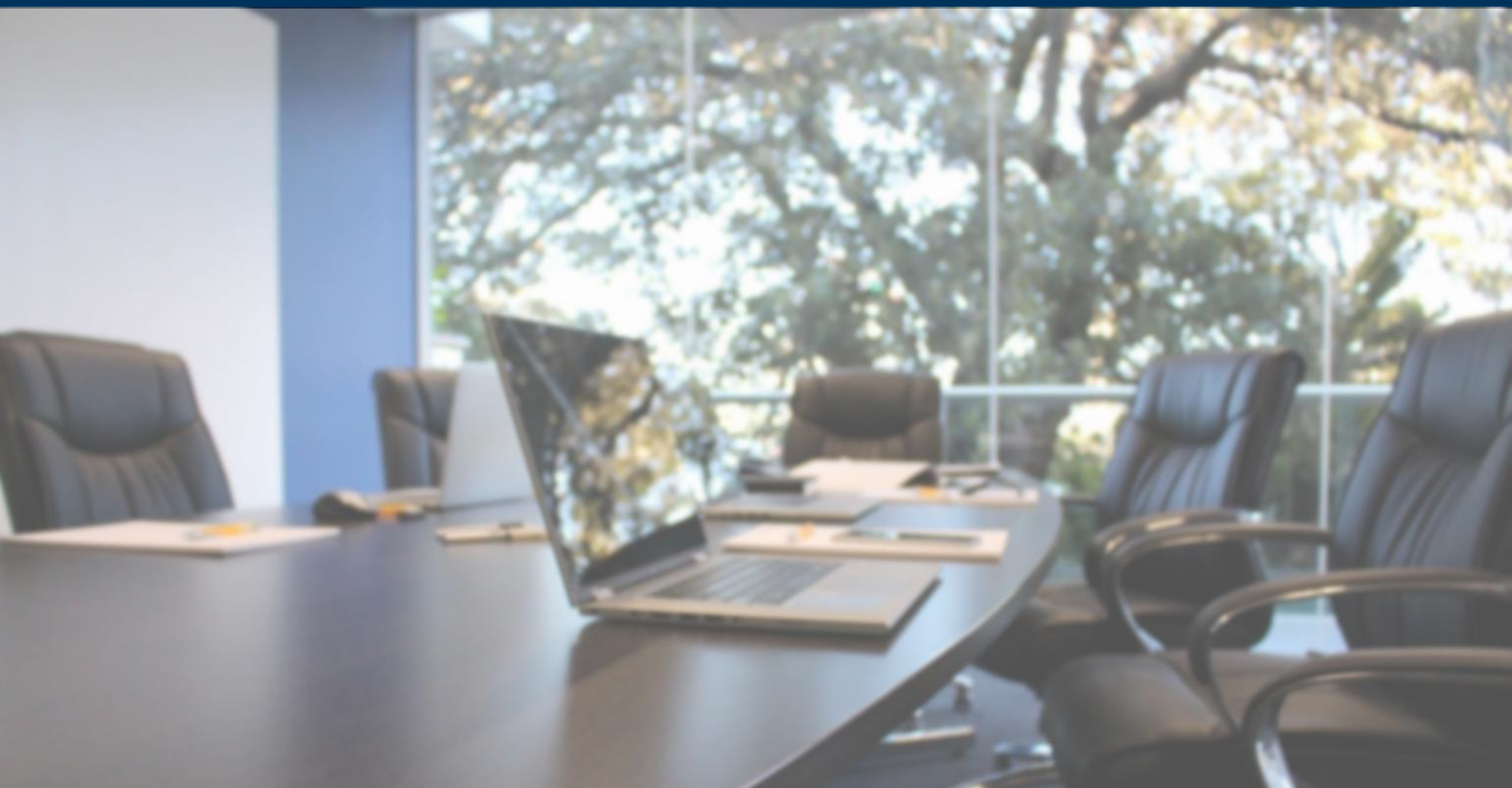


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## Advice for first time Non-Executive Directors

The role of the Non-Executive Director has never been more vital; to advise, support, challenge, and guide organisations. Not only this, but Boards are also changing, and are increasingly keen to recruit NEDs with an ever-widening variety of skills and backgrounds, offering a multitude of opportunities for Executives. SAA recognise that at any point in your career it is important to have access to the right information and guidance. Whether you are looking to secure your first NED role along with your Executive career, or you are looking to retire and build a portfolio, we thought it may be helpful to outline some key steps that could help you on this journey.

SAA has an extensive network and we have taken the opportunity to speak to current Chairs and NEDs to get their advice on how to build a successful Non-Executive career. These are the themes that emerged:

## **As a NED it is essential to gain the necessary governance knowledge, and maintain it**

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Boards are coming under increasing scrutiny, both from regulators and institutions so it is crucial that all NEDs understand their legal responsibilities as a director of an entity and are also well versed in the latest Corporate Governance requirements.

The key areas that all NEDs need to be confident in are:

- Knowledge and understanding of the **latest Corporate Governance Code and requirements**. Understanding the responsibilities and functions of the Board and its committees.
- It is important to **keep current in your specialist knowledge and skills**, as this is likely to have been the key reason for your appointment to the Board and will be your main contribution.
- All NEDs are required to thoroughly **understand the business and contribute to reviewing and giving feedback on its strategy, as well as oversee its performance**. To help with this, every NED, regardless of their specific areas of specialism, would benefit from being fluent in all areas of financial reporting (if this is not their discipline), as well as gaining deep knowledge and understanding of the business, the industry and the regulatory environment (if appropriate).

To help with the above, we have put together a list of links containing some key reading for NEDs (see Appendix 1). There are also a number of NED courses that will provide you with the necessary theoretical knowledge (see Appendix 2).

## First time NEDs will need to consider how they will transition to the new role

There are key differences in how NEDs operate compared to their counterparts on the Executive team, and a number of the characteristics of effective NEDs that differ from effective Executives:

**Personal style:** NEDs are appointed to offer insight and share their experience with the Board. They need to advise and support the executive and constructively challenge where necessary. NEDs advise rather than direct; ask questions rather than set out action plans. The ability to gain credibility quickly, as well as form strong and open relationships with the other Board members will be key to success. It is the quality (rather than quantity) of the NED's contribution that matters, so good listening skills are a must have for successful NEDs.

**Time commitments:** NEDs should be willing and able to put in the time and effort necessary to scrutinise and understand the information provided prior to Board meetings, ensuring they understand the key issues and ask the right questions. It is important to keep in mind that time commitments may increase significantly due to a variety of circumstances (M&A activity, IPO, macroeconomic disruption etc.) and be prepared to accommodate the increase in time commitments.

## Selecting the right first NED role or forming the right portfolio is crucial to a successful plural career

Notwithstanding the fact that NEDs can hold multiple roles at once, it is still crucial to make sure you pick roles in industries / brands / businesses which you are passionate about. Keep focussed on your key skills and what your main contributions to a Board will be and select a sector / company where you can add value. Other key things to do:

- Do your due diligence. It is crucial to understand the journey, ambitions, and strategy of the business before joining. If your role will involve sitting on or Chairing a committee, make sure you have a thorough understanding of the challenges and history. You may want to ask for a call with the company's auditors before formally signing the contract.
- Pick a business with a well-regarded Chairman and a collegiate Board so you can learn from your colleagues and contribute effectively.
- Be mindful of conflict – every NED role you accept is likely to rule out or severely restrict the possibility of accepting further roles in the same sector, so it is important to choose carefully.

- Ensure there is a balance of benefits – you should get as much from the board in terms of experience and learnings as you give to the board by sharing your own expertise.

### **Securing your first NED appointment can be challenging and can take time. Here are some things that may help:**

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- Build and maintain your network. A lot of first time NED roles are secured through recommendations rather than through headhunters, so make sure you have a broad and current professional network. It would also be useful to make sure you build and maintain relationships with regulators, banks, and auditors. Having a ‘mentor’ who has a successful plural career can be very helpful.
- Create a visible profile – engage in conferences, give speeches, and write articles where appropriate.
- Identify and contact the Executive Search professionals that handle NED roles which you would be interested in and make sure you are on their radar (for a list of headhunters specialising in NED appointments, see Appendix 3).
- Invest the time to prepare in advance – taking a course or participating in a seminar will allow you to gain crucial knowledge. It will also demonstrate your commitment to succeeding as a NED (for a list of seminars and courses, see Appendix 2).
- Maintain outstanding knowledge and performance in your specific field or executive role. Being able to demonstrate your ability to deliver, as well as continuously learn and improve will be key.



## Creating a NED CV – showcasing your skills in the best way

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The role of an NED is different to any executive role, so you may want to re-think your CV and bring out the skills that would make you a valuable contributor to a Board. Some principles to keep in mind:

- Think about your **competencies**, rather than just focussing on your achievements. What would be your unique contribution to the Board?
- If you are targeting a particular business, is the Board in need of competencies and experience that you can provide? The required competencies will differ by business, but some common competencies are:
  - Sector experience
  - Listed experience (for a plc)
  - Experience with international markets
  - Experience in regulated businesses
  - Functional experience, e.g. finance, marketing, HR
  - Digital transformation experience
- Chairs tend to form Boards where all required competencies are represented and there is limited duplication. If your core competencies overlap with many other people on the Board, it may be challenging to secure an appointment on that particular Board.
- Keep the **overboarding guidelines** in mind. The rules on overboarding are getting stricter. Ordinarily, an individual in an executive role can only hold one Non-Executive Board role at the same time. For plural NEDs, the 5-points system is commonly used to prevent overboarding. According to this system, a plural NED should limit the number of board appointments to a total of 5 public company roles (one point each), with a Non-Executive Chair role counting as two board roles (i.e. 2 points).
- There are calls to reduce the number of points allowed to 4, while some businesses will count private company Board appointments as well as public ones.

- Due to the over-boarding guidelines, it is important to think about how many Charity/Pro Bono/Volunteer non-executive roles you choose to undertake and include in your CV. It can be beneficial to include these on the CV to showcase your non-executive experience, however, it is important to ensure that you do not come across as being over-boarded.



## Example Interview Questions for a first time NED interview

Key themes will be covered in an interview regarding a Non-Executive Directorship, and may include:

### The Company

- What do you know about the company? What do you know about the existing strategy – opportunities, challenges, and risks?  
*Demonstrate your research into the organisation– Who are the shareholders? Which other organisations do the shareholders back? Have you experienced the customer journey, the competitors' customer journey, undertaken site visits etc (if appropriate).*
- What is the external landscape in which company operates? Who are competitors? What impact have recent economic or geopolitical events had?  
*Be prepared to make observations about the business.*

## The Role of a NED

- What do you consider to be the role of a Non-Executive Director?  
*Protecting interests of shareholders and the wider stakeholder community*
- Why do you believe you would make an effective Non-Executive Director as this point in your career?
- What do you believe are the criteria that make an effective Non-Executive Director?
- What is the change in behaviour and style of operating you believe you may have to make from being an Executive to being a Non-Executive Director?
- Are you well versed with the corporate governance code and are you clear on your responsibilities/obligations? Do you have a view on forthcoming changes / additions to the code that are being proposed by the FRC? What are key themes?
- What do you think our key stakeholders, investors and clients expect from the board?
- What do you believe are the characteristics of an effective board?
- In your view, what constitutes a diverse board of directors? And what are the benefits of ensuring this?
- What role do you feel NEDs should have in relation to business strategy? (*i.e. oversight rather than content creation*). Examples of working at a strategic level (*your experience in being able to stop yourself from being drawn into the day-to-day management*).
- How do you feel you could have an effective relationship that would add value to Executive Directors?
- What is your expectation of the Chairman and other Board members?
- In your opinion, what conditions are absolutely necessary to ensure good governance?



- What/who has been the most effective Non-Executive Director you have seen in operation and why? What/who has been the least effective NED you have witnessed and why?
- Do you have any reservations about becoming an NED?
- Is there any personal development you think you may need to become an effective NED?

## What You Can Bring / USP

- What key experiences and qualities, both professional and personal, do you believe will add value to our Board?
- Any specific experiences or skills that are pertinent to the business at present? e.g., M&A, dealing with activist shareholder etc.
- How have you influenced change or challenged executives in the past in a constructive and value-add way?

## Due diligence

- Accessing recent trading updates
- Prior to signing – ask to talk to external auditors to understand any concerns or issues
- Ensure you meet the CFO as part of the hiring process
- Ensure you receive an induction when starting in the role
- Offer to sign NDA prior to signing if the company believes there are any material factors that you should be aware of

## Appendix I

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### Key Reading

[Corporate Governance Code](#)

[The Chartered Governance Institute – Director’s Duties](#)

[The Institute of Directors – Good Governance Publications](#)

[Corporate Governance and Reporting – EY’s guidance and thought](#)

[KPMG – Hitting the Ground Running – Becoming a Non-Executive](#)

[The Chartered Governance Institute Report: A View at the Top: Boardroom Trends in Britain’s Top 100 Companies](#)

### Key Reports on Board Diversity

[Hampton Alexander Review](#)

[Parker Review](#)

[The Institute of Chartered Accountants in England and Wales – The Higgs Report: Review of the role and effectiveness of Non-Executive Directors](#)

## Appendix II

### Annual NED Programmes, Networks and Seminars

Organisation / Business School (click organisation for link)	Programs / Events
The Financial Times	The Financial Times NED Diploma, a formally accredited six-month course delivered through a combination of tutor-led workshops and online learning.
Cranfield Business School	The Non-Executive Directors' Seminar: a guide to a comprehensive understanding of the role of a non-executive director, current governance responsibilities, and how to secure a non-executive position.
The Non-Executive Directors' Association ('NEDA')	Individual Training and Courses; Remuneration Committee Training, NED Training and Certification Programme, The Essential Training Course of Non-Executive Directors.
Institute of Directors (IoD)	Open Courses; Role of the Non-Executive Director, Role of the Chair.
ICSA: The Governance Institute	Non-Executive Directors' Programme, one day course covering all aspects of the modern NEDs role.
Institute of Chartered Accountants in England and Wales (ICAEW)	NED training and certification programme; covers the role of NEDs, NEDs and the Board, director duties and responsibilities, role of chair, updates on corporate governance, business strategy and risk.
IMD Business School	High Performance Boards (HPB); board member training for issue related to supervisory board performance and effectiveness.
INSEAD, Chair INSEAD, Owners	Leading from the Chair; focuses on key role of the Chair in leading and relies on exchange of ideas among participants with relevant experience. Value Creation for Owners and Directors; designed to develop the skills and knowledge for highly effective ownership and board membership.
<a href="http://Intouchnetworks.com">Intouchnetworks.com</a>	Events and Webinars; moving to a NED career, roles and responsibilities, corporate governance and risk management.
<a href="#">KPMG Connect on Board</a>	Connect-on-Board is a platform designed for current and aspiring Non-Executive Directors (NEDs) looking for NED roles and organisations who are seeking candidates for NED positions.
<a href="#">Nurole</a>	News and guides for information on Board-related topics.
<a href="#">Women on Boards</a>	Women-on-Boards is a global membership organisation and community of women corporate directors, which spans in the UK and other international locations.
<a href="#">Chapter Zero</a>	Chapter Zero is the Directors' Climate Forum. It is a network of company chairs, and NEDs, committed to developing knowledge of the implications of climate change for UK business.

## Appendix III

Leading Consultants within UK Executive Search firms for NED Appointments

*Confidential: No reference to information contained in this list without prior discussion with Sam Allen Associates*

Firm	Contact	Title
<a href="#">Director Bank</a>	Graham Jones	Director
<a href="#">Egon Zehnder</a>	Jill Ader David Kidd Ashley Summerfield	Senior Advisor Practice Group Lead Partner, Board Consulting
<a href="#">Heidrick &amp; Struggles</a>	Will Moynahan Kit Bingham	Partner, London Partner, Head of Board Practice
<a href="#">Inzito</a>	Carol Leonard	Head of Board Practice
<a href="#">Korn Ferry</a>	Richard Emerton Doug McAllister Oliver Pawle Dominic Schofield	Managing Partner, Board EMEA Senior Client Partner, Board Chairman, Board Practice Senior Client Partner, Board
<a href="#">Lygon</a>	Patricia Tehan	Founding Partner
<a href="#">MWM</a>	Anna Mann Michael Reyner	Founding Partner Senior Partner
<a href="#">Odgers</a>	Virginia Bottomley Susanne Thorning-Lund	Chair, Board Practice Partner, Chair & Board Practice
<a href="#">Russell Reynolds</a>	Jim Hinds Hetty Pye Julia Budd Laura Sanderson	MD EMEA, Board Practice & Consumer MD Board Partner, Board Co-Leader Board Practice, EMEA
<a href="#">Spencer Stuart</a>	Katherine Moos Tessa Bamford Catherine Bright	Co-lead, Board Practice Lead, UK Board Practice Member, Board Practice