

What makes for a truly outstanding Non-Executive director ?

Description

Non-executive directors (NED) play an increasingly key role on boards of directors. Non-executive directors perform a critical role in providing an independent objective and external perspective in the boardroom – their constructive challenge of executive directors is a key factor in both ensuring the highest standards of corporate governance but importantly in improving organisational performance and maximising value for all shareholders & stakeholders. A non-executive director is expected to focus on board matters and not stray onto executive territory – thus providing an independent view of the organisation that is independent of the day-to-day running of the organisation and brings

- Independence & Impartiality
- Wide industry & sector experience
- Specialist knowledge
- Personal qualities

Two common types of non-executive directors consist of the “Watchdog” NED and the “Sounding board” NED. Watchdog NEDs aggressively question, challenge and monitor management. Top-notch watchdog directors have an instinctive feel for just the right question to get to the heart of the matter. The most effective watchdogs know how to make their points in a constructive way rather than combative way. They appreciate the difference between oversight & management – focusing their concerns on substantive issues rather than wallowing in the minutiae. On the other hand, Sounding-board directors draw on their personal knowledge & experience to provide management with advice and differing perspectives. Excellent sounding-board directors foster a constructive working relationship with management generally characterised by their ability to offer honest feedback and contrary views tactfully, without making the CEO feel defensive. Most directors are naturally inclined towards one role or the other. Often, those with financial/legal backgrounds feel more comfortable as watchdogs, while former executives feel at ease in the sounding board role. The very best NEDs actually play both switching effortlessly between both during a single meeting. It’s critical for boards to recognise that both roles are important and then to ensure that the board composition has a sensible balance between the two.

The most effective Non-Executive Directors have not only the experience and capabilities required by the particular Board, but just as importantly the right character. This involves five key elements (‘the 5 Cs of character’):

- the right catalyst or motivations
- commitment and engagement
- a challenging and independent mind-set
- a collaborative and constructive style
- above all, real courage to remain focused on what is right for the organisation and not to worry about personal reputation.

Date Created

14/07/2016