

Age and the Non-Executive Director

Since the UK government launched its review of corporate boardrooms in February 2011, much has been written about the need for diversity – not just of gender, but of background and thinking, to avoid ‘groupthink’ among non-executive directors. But in order to widen the pool effectively, are companies actively bringing down the age at which they would consider appointing someone to that position? Dina Medland looks at the realities and the concerns on issues around age and the non-executive director.

A taboo is something “prohibited or restricted by social custom” – and talking about age in the UK’s boardrooms has been taboo until very recently. The assumption has long been that grey hair equates to the experience necessary to contribute effectively in the boardroom.

Headhunters remain divided on the issue of age, partly because they reflect their clients and also, it seems, because they are unclear as to whether their role is to lead, or follow the trend. Some are adamant that there is good reason why non-executives have been and should be, in their mid to late 50s – while others are keen to champion much younger appointments.

At executive search firm Hanson Green, founding director Peter Waine says: “It’s extremely rare to be a non-executive under 40 (years of age) and the earliest most people get there is at around 49-50. A first-time appointment to a FTSE 350 board is often between the ages of 53 and 60. They’re just not going to have enough *gravitas* under 50 for the position.” He maintains that those aspiring non-executives who are in their early 40s would do best to “wait seven or eight years until they are better rounded and ready (for the job)”.

At Iddas, which provides individual and team development for boards and senior directors, chairman Helen Pitcher says: “Boardrooms will need to widen the age range of their non-executives. Whereas even five years ago the average age of someone going on a board might have been in their 60s, things have changed. Typically now non-executives are between 45-55 – 10 years younger than it used to be – and we have a few very young ones and some of the older ‘grandees’ with long-standing established City connections.”

Iddas has noted a marked trend among non-executives towards younger professionals who are making a deliberate choice to abandon corporate life and pursue a non-executives portfolio. Often, it suggests in a recent report, they have “reached senior executive positions relatively early in their careers and want a change of lifestyle.”

Julie Chakraverty had an executive career in investment banking, specialising in fixed income, derivatives and risk management, when she moved to a portfolio career. Her first non-executive

position at the age of 39 was with Paternoster, the UK insurance company chaired by Ron Sandler, followed by one at Aberdeen Asset Management. She says: “Younger people do initially need to bring a specific skillset to demonstrate their ability for the role. Age shouldn’t be a barrier, just as it shouldn’t be an automatic qualification – it is just one attribute.” Ms Chakraverty adds: “The best boards are effective teams and the chairman is critical in bringing together the right breadth and balance.”

But while the market for non-executive training and education is getting younger and is buoyant, a look at the age breakdown of those holding non-executive positions on FTSE-100 boards on December 15 2011 yields some interesting insights. There are 55 directors aged between 35 and 45 years of age, but if you take out executive directors, chief executives, chief finance officers and finance directors, you are left with just 18 individuals. The same exercise* conducted on the same day for FTSE 350 companies comes up with 219 directors and with the same exclusions leaves just 64 non-executives aged between 35 and 45.

Being a chief finance officer is a common route to becoming a non-executive, and their prevalence tends to contribute to lowering the age level, say headhunters. “CFOs often combine financial acumen with general commercial skills, and CEOs are also likely to make good non-executives,” says Mr Waine.

Marianne Abib-Pech, who held a global CFO role at the age of 34, as well as several FD roles, has been exploring entering the world of the non-executive director at a company. She says: “I’ve asked myself if I’m too young, and I just don’t think that’s the case – what people should see is the experience. I had the best training at GE, which taught me what matters. It was a culture designed to maximise potential, and make sure you are always stretched out of your comfort zone.”

Learning to be a non-executive director after being in executive roles is increasingly being offered by companies as a means of trying to widen the pool of non-executives available. At Iddas, Ms Pitcher coaches executives on how to deal with non-executives as well as coaching non-executives themselves, as well as aspiring non-executives, on the role and its requirements.

She also points out that many of the individuals she has coached are women. “Women won’t put themselves forward unless they feel they are qualified, and understand the governance responsibility. Very few men will do that – they tend to say: ‘Oh I had an hour’s briefing from the company secretary.’”

While more young women may be doing their “homework”, the government’s target following the review by Lord Davies remains for 25 per cent of boards to be female by 2015, suggesting that non-executives will have to get younger. Katushka Giltsoff of executive search firm The Miles Partnership

says: “The investment management industry is asking chairman and non-executives to address this issue. An average non-executive age of 57 doesn’t reflect society, and it needs to come down by at least a decade.”

The contrast between public company boards and the boards of private equity firms is also striking, with the latter often made up of people in their 30s. At 3i, communications director Patrick Dunne, who frequently writes and advises on the boardroom, says: “Boards should be less concerned with age and more with the insight individuals bring. At 39, you could have accumulated an interesting range of experiences and the nature of a particular business may well be geared towards a younger market.”

It is all about the importance of “dialogue” in the boardroom, says Mr Dunne. Lowering the age of non-executives is also about giving people within organisations the opportunities to develop their potential. “If you really want to develop people, then not giving them that experience until they are in their 50s is just mistaken,” he says.

Einstein was 26 when he came up with the theory of relativity, points out Mr Dunne – and it might be that we need to re-think long-standing assumptions around age and the ability to make a positive contribution.

** A search on Boardex, courtesy Iddas.*