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Non-Executive directors (NEDs) just got interesting?

The world of the NED has been moving at a pace, the traditional view of a NED; ex-top executive, one or two board positions after retiring and aged in 'his' 60s, is still with us, but there is a marked trend towards, younger professionals, who are making a deliberate choice to abandon corporate life and pursue an NED portfolio and who have reached senior executive positions relatively early in their careers and want a change of lifestyle.

This trend has been articulated in the recently published IDDAS NED's Perspective Report, which is the third in the IDDAS Board Dynamics series. These Reports provide a unique insight into the Board world, with the previous two Reports giving the Chairman's Perspective and a Females FTSE 100 Perspective on Boards.

This powerful triangulation of Reports provides a real sense of how the Board works and what it is like to be on a Board; 'hearing' directly from NEDs, Chairman and FTSE 100 female Directors the reality of the Boardroom. The most recent NED Perspective Report has given a number of insights and views, for example.

- The majority of NEDs are reluctant to have compulsory quotas introduced to increase the numbers of women on boards, but recognise the need for change
- A third think the level of remuneration for NEDs is too low given the increased workload and greater risk to corporate reputations now involved with the role. However, most acknowledged they were well rewarded and that too much focus on financial reward could compromise independence
- NEDs see challenge in the boardroom as vital to their position, however they agree this should come with an equal measure of support – a balance they sometimes find difficult
- The lifestyle and practical changes between executive and NED roles are vast. As well as stepping back and accepting less control, NEDs commented on the lack of administrative support they were used to in their corporate careers
- NEDs have mixed views on whether those from outside the corporate world such as media, HR or academics should be considered for NED roles
- Many said that the board should not be a team, rather that they should learn to understand each other and work effectively, which should be done outside the boardroom

The full report consists of a wonderful array of quotes directly from the NEDs and we hear the 'real voices' of their motivation, frustration and excitement. In particular, I was stuck by the sense of the 'Board' not being viewed as a team, but as a collection of individuals who meet in a common space, the inference being that being a 'Team' takes away objectivity and is too cosy. This provided a fascinating insight which got me thinking of how we define this Boardroom space. How can we start to provide the 'Board' with the sense of their own worth as a 'Team', based on the definition of a high performing team, as needing, a common vision, values and strategy; constructive, creative, challenge and

debate, which surely is a prime function and description of an effective Board?

Potentially, this misunderstanding of what a team is, could well be at the core of how we develop effective challenge and behavioural frameworks for the 'Board Team' to become most effective. We may need to re-calibrate this space in a different way from traditional 'team working' and be more cognisant of the different perspectives that the constituent cohorts bring to the Board. Certainly the NEDs are coming to this 'team space' with a clear and increasingly demanding 'governance' perspective and a keen eye on their duties and responsibilities as a NED, which are increasingly in the spotlight. The Executive Team, additionally brings a set of perspectives and energies which are closely linked to their central individual values and 'status', to which any 'threat' is likely to elicit a strong reaction.

One of the key developments emerging from neuroscience research is the impact that threats and anxiety can have on our power for rational deliberation and perspective. As the brain is threatened it becomes overwhelmed and reverts to a short term protective mode, with a shortening of horizons and acute awareness of the immediate, at the expense of the longer term. The Chairman's role is to 'orchestrate' this space and develop a coherent and robust atmosphere of Trust, Challenge, Vision and Coherence, which is quite a balancing act.

There are many artful Chairmen who able to 'pull' this off, but one of the aspects of our Chairman's Research was how little Development and Support Chairman had received to achieve this level, most having got there through a process of previous experience, trial and error.

Some of the aspects of this balancing act have been identified by the Financial Reporting Council (FRC) in their 'Guidance on Board Effectiveness', which identifies the need for appropriate decision making frameworks and the creation of an atmosphere of effective challenge towards strategy and the risk model of the organisation. The refining of this 'Board Team' space is overdue, the challenge is for Boards to more clearly understand their own interpersonal dynamics and create an open and recognised decision making framework which stands the test of tough times. The FRC guidance describes the dangers of 'group think', and a casual and untested decision making process which can be overrun by events.

Additionally, the IDDAS Chairman's Report and the FTSE 100 Female Directors Report, along with other reports in this area have identified the 'female' approach to challenge and decision making, which is less directly confrontational, more systematic and less ego driven, as a positive influence on Board performance.

It is likely, that as we drive toward the achievement of the Lord Davies Report targets of 25% females on FTSE 100 Boards by 2015, there will be an updraft of females onto Public quoted Boards and also onto the organisation's Executive Committee, which the Davies Report rightly identifies as the feedstock for Board Directors of the future.

So, it is my hope, that as Boards review their performance and fitness for purpose for the future that we will see both the desire for; and increased capability, to deliver an open and interactive 'Team Space' environment which leads progressively to enhanced Board Effectiveness.

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