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January 26, 2012 10:45 am

NON-EXECUTIVES NEED TO FIND A VOICE

By Dina Medland

It can be a great career move – a fast-rising or senior executive seeks to broaden their experience by becoming a non-executive director at another business. They are hired to make a significant contribution – but end up saying little or nothing around the board table.

The problem of the “silent non-executive” is all too real in UK boardrooms. Some headhunters are quick to blame the phenomenon on a poor executive search process by someone else. But it is far more complicated than that, and highlights the effort and input required of non-executives if they are to be successful.

Sir Philip Hampton, chairman of the Royal Bank of Scotland, says: “It’s perhaps the most common problem in boards that aren’t working well. The whole idea of independent, at-a-distance non-executives is that they can often ask basic questions that the expert executives have, unwisely, stopped asking.

“It’s a key role of the chairman to have a culture where the ‘big dumb’ questions on risks and opportunities can be asked. They are often the most important.”

There is disagreement among headhunters over whether it is the role of the chairman or the company secretary to establish why someone remains silent at the boardroom table. Many believe that it is up to the chairman to ensure that each non-executive is contributing effectively.

But Ben Mathews, company secretary at Rio Tinto, speaking in a personal capacity, says there is also a role for the company secretary: “We are the friend, trusted adviser, interloper and ultimately, the hirer and firer of the non-executive. Balance, diplomacy and tact are required.

“But frankly, if a non-executive is not performing, it’s the company secretary’s role to make this clear to the chairman or the senior independent director.”

Of silent non-executives, he says: “Any director who has any fear of asking questions, however idiotic, does not merit being on the board. Directors should never be afraid of asking ‘dumb’ questions.

“If the directors of some of the now failed financial institutions had asked dumb questions about some of the mergers and acquisition proposals or other opportunities put forward by the management team, the disaster that befell them – and their shareholders as a result – might not have happened.

“The chairman’s role is to be absolutely confident that he has the right skills around the boardroom table for robust challenge and constructive engagement and to solicit everyone’s input. A consensual approach is required, as confrontation will not help. Nor

will humiliation. If any member of the management team seeks to rubbish a particular question from an inquiring non-executive, the chairman should be asking questions about the role that management is playing.”

The urge to ask questions in the boardroom is often blocked by ego, and a fear of looking foolish. Kit Bingham, head of the chair and non-executive director practice at Odgers Berndtson, the executive search firm, says: “Ego is not the friend of the non-executive. The best will leave their ego behind. It’s important that they are happy to run the risk of asking the stupid question because it may well be the one that needs asking.”

In fast-moving sectors, such as financial services and technology, non-executives might run the risk of being left behind in terms of their knowledge. At search firm Hedley May, partner Anthony May stresses that it can be very important for companies to make sure their non-executives have access to the chief risk officer to give them a more complete picture.

Jonathan Day, partner in the CEO and board practice at search firm Heidrick & Struggles, warns that non-executives in new roles might find “the knowledge you have painstakingly acquired today isn’t valuable tomorrow”. They might need to take more time over the information they are given, and those providing the information need to ensure it is well presented in board packs.

He says: “You have to make sure the board agenda isn’t overcrowded – if people are looking at the clock waiting to leave for the airport, clashes can occur,” he says.

Mr Day also points to the option of taking time out of board meetings for strategy retreats, as a way of ensuring the “silent NED” is given another forum in which to ask vital questions.

Board evaluation offers one way of uncovering and dealing with silent board members. Andrew Lowenthal, co-head of the global board practice at search firm Egon Zehnder, says: “The board effectiveness review put in by the Higgs Report has morphed much more into board behaviour and the contributions of each board member. But not every board uses external reviewers.”

Ken Olisa, chairman of Restoration Partners and a non-executive at Thomson Reuters, points out that there can be more than one reason for board members’ silence. “The silent NED in the boardroom is a dead NED and is a waste of a board seat.

“But there are several categories of silent NED. They may be deeply insecure about speaking in front of colleagues, they may speak a great deal outside the boardroom but be quiet within it, in which case their silence may be a manifestation of supreme arrogance. “Or they might be as cowed by the language as anything else – although this is not likely on a more ‘traditional’ British company board.”

To complicate matters further, there might be a strong cultural factor contributing to some instances of silence in the boardroom. Murray Steele, who delivers non-executive director programmes for the Financial Times Non-Executive Directors’ Club, says: “The zone of uncomfortable debate is where you want to be in the boardroom, but it isn’t one where people always go readily.

“There is great reputation and great ego and a national British cultural thing about embarrassment. You can see it in [the popular BBC programme] Strictly Come Dancing – the crowd always boos when the judges give a low mark. But no feedback, no progress.”

For more on being a non-executive director, join the FT Non-Executive Directors’ Club: www.non-execs.com

