

THE BIG IDEA

GET AHEAD, BE A NED

With increased accountability and expectations, Chris Evans explores the pros and cons of being a NED

The government bailout of banks during the financial crisis understandably increased scrutiny of executive board members in financial services. Now senior non-executive directors (NEDs) are also being subject to regulatory pre-approval, the FCA's and PRA's

new conduct rules and the presumption of responsibility. Soon standard NEDs will be too.

As a result, it's proving "a challenge to get people to join financial services firms," concedes one company secretary in a recent research study from consultancy firm Huntswood.

"With the knowledge that if anything happens on their watch [as a NED], there is the possibility that they could be personally fined, have their reputation sullied and even end up in prison. This may lead to NEDs being even more cautious about the types of firms they want to join and those already in place considering their position," warns Phil Festa,

director of non-executive engagement at Huntswood.

The concern is that if the pool of talent diminishes, then boards could be left in inexperienced and unskilled hands at a time when the right candidates are desperately needed to handle these troubled waters.

There are, of course, great benefits to being a NED. Aside from monetary gain, there's the chance to learn about a new sector, develop your skills, profile and credibility and gain increased leadership skills

"NEDs are the long-term custodians of the organisation because executives come and go, as do investors," insists Gerry

THERE ARE GREAT BENEFITS TO BEING A NED: MONETARY GAIN, LEARNING ABOUT A NEW SECTOR, DEVELOPING SKILLS, PROFILE AND CREDIBILITY AND GAINING LEADERSHIP SKILLS

Brown (pictured, right), author of *The Independent Director: The Non-Executive Director's Guide to Effective Board Presence*.

Brown believes key personal skills required of a NED include independence, good business judgement and leadership, particularly for the chairman.

"Cultural flexibility is also important, especially as most financial services companies are international," Brown insists.

"Then you've got things like integrity and listening to executives – not just lecturing – and being able to communicate with and understand people at all levels of the company."

On the professional side, NEDs are usually recruited for their particular skills, whether it's technical knowledge, strategic abilities or problem solving.

As for duties, these will differ considerably depending on the sector. "Being a NED at a bank is totally different to being one at an investment management

company," admits Oliver Parry, head of corporate governance at the Institute of Directors.

However, across the sectors there are certain requirements that remain the same. The need to challenge executives on their decisions, while at the same time empathise with them, so they turn to you with any issues.

"It could be they're finding it difficult to recruit a finance director or need an accountant or lawyer for advice and you have plenty of contacts who could help," explains

Brown. "Or you could have experience of a region the company is looking to expand into, and so you could be a useful sounding board."

There has never been a greater need for NEDs and so encouraging aspiring candidates to see through the potential

pitfalls is vital. Both Parry and Brown believe this can be helped through a proper interview process and professional training and development.

"They also need at least a year's induction to be fully acquainted

with the company," insists Parry. "Imagine you're a NED at HSBC, a global monster of a business, you'd need that time to properly understand the challenges and opportunities. "But once grasped you can make a real impact and the rewards can be immense."

NEDs with tech skills are particularly valuable in this age. A number of financial services firms are weighed down by legacy IT systems. Tech-savvy NEDs, particularly chief information officers, can help board members understand their own IT stragies and offer independent advice on ways of automating their systems.

