

# The Independent Director: The Non-Executive Director's Guide to Effective Board Presence



Gerry Brown

Palgrave Macmillan  
Houndsmills, Basingstoke, Hampshire RG21 6XS.

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Greater corporate scandal frequency and business world where buck often apparently doesn't actually stop at the top fuels perceptions that rewards don't come with responsibility & that executive supervision is often extremely lax. Popular belief that it's jobs for the boys drawn from the Old Boy network for non-exec board appointments compounds public & press cynicism about the contemporary realities of the business governance, strategy and regulation.

According to Gerry Brown in his new book *The Independent Director: The Non-Executive Director's Guide to Effective Board Presence* things don't have to be that way. Indeed, if the business world is to regain public confidence, it has to be seen to be narrowing the gap

between the interests of those at the top of an organization and interests of the organization, shareholders and the public.

Brown succinctly outlines eight real immediately available strategic and supervisory benefits Independent Directors offer to shareholders, pension funds, investors, management & the public alike right now. Independent directors are often expected to chair at least one board committee. In order to do so, they need to develop expertise in the committee's area of focus. Audit committee chairmen must be qualified accountants; remuneration committee chairmen must be familiar with the issues around remuneration and so on.

As well as overseeing formal due diligence, independent directors are expected to scrutinize valuations, consider the strategic importance and value of any new acquisition, advise on the competencies of its management team, and consider any broader business issues.

Also, independent directors should be able to analyse the company's current strategic position, understand key strategic issues (including marketing, financial, operational and human resources issues, and the relative merits of mergers and acquisitions and alliances or partnerships), be able to develop strategic options, assist in the choice of a strategy, and then monitor its progress.

The directors should be familiar with human resources management, including appraisal, recruitment, selection, training and development, and remuneration for the executive team in particular. They should also be financially literate and be able to understand cash flow and liquidity, debt-to-equity ratios, profit forecasts, capital requirements, financial controls, bank support, and insurance.

Directors need to be aware of how corporate governance has evolved and be familiar with the relevant codes. They should be directly involved in a range of issues, including directors' remuneration, shareholder relations, and in particular relations with institutional shareholders, audit, and reporting requirements.

Among the roles independent directors are expected to play are those of sounding board, counsellor, challenger, facilitator, and coach to the CEO and other senior executives. They are there to assist the executive team, but not follow them blindly and must be prepared to stand up and be counted if they disagree fundamentally with what the executives propose to do.

Independent directors oversee the relationship between shareholders and management, acting as a bridge between investors and management. This means understanding shareholders and building personal relationships with them. It includes monitoring investor communications and taking appropriate account of different shareholder perspectives on the company's strategy and business issues, for example executive remuneration. Supervising exit strategies and change of control of companies require special attention.

The Independent Director is hugely timely, and contains a wealth of guidance and case studies built on decades of real market experience. Brown's immediately implementable, tried tested and proven best practice not only grows shareholder value, but also reveals how to deliver sustainable strategic business development while ensuring credible and verifiable corporate governance.

Written by a practitioner, with the help of 30 experienced industrialists, *The Independent Director* provides a fascinating and honest account of the opportunities and pitfalls of the life as an Independent Director. A must read for the corporate world.