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No Room for Passengers

The role of an Independent Director requires much more than assessing governance and legal issues.

Gerry Brown, Criticaleye Board Mentor, outlines what it takes to be a genuine custodian of a business

In the wake of the financial crash of 2008, there came the rallying cry for better oversight and governance to prevent such a meltdown ever happening again.

It forms part of a long, somewhat predictable pattern in the history of corporate governance. In 2002, the Sarbanes-Oxley Act in the US was supposed to cleanse wrong-doing in public companies after the fraudulent activities of executives at Enron and WorldCom, as well as the creative accounting of tech companies. Step back a decade earlier and The Cadbury Report in the UK was launched in the wake of the implosion at trading conglomerate Polly Peck.

While it's only right to keep looking for ways to protect stakeholders, the various international responses to sharpen governance suggests that rules, guidelines and codes of conduct will only go so far.

For **Gerry Brown**, Criticaleye Board Mentor and Chairman of private equity firm Novaquest Capital Management, there is a strong case for more challenge in the boardroom. When a company collapses, Gerry says there is a clear question that needs to be asked: "What were the NEDs doing? What were the boards of these companies doing to prevent these scandals with all of their consequences for investors, employees and society?" All too often, it seems the answer is not enough.

It's this perceived lack of pushback and curiosity in the boardroom that inspired Gerry to write his new book, *The Independent Director: The Non-executive Director's Guide to Effective Board Presence*. Drawing on his extensive executive and portfolio career, which spans publically listed, private and PE-backed businesses across multiple sectors, he argues that every member of the board has to make real contributions to increase shareholder value.

Gerry suggests that the term 'non-executive director' fails to adequately define the role. "It sends all the wrong signals," he says. "I prefer to call the position 'Independent Director', as it's what the job should be about." ▶

Problems occur, Gerry suggests, when NEDs confuse objectivity and impartiality with a lack of engagement and accountability. “Why is it that Independent Directors are not more involved themselves in strategy formulation and options? If you asked them to describe one of the most important jobs of the board, it’s more than likely they’d reply ‘strategy.’”

Executives may recoil at the idea of Independent Directors becoming too involved in the business. A good chairman, however, will steer conversations in a way that encourages different perspectives to be given due consideration without operational lines being compromised.

Gerry refers back to his time at global construction company, Keller. It was at

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a point when steps needed to be taken to improve health and safety, so an Independent Director with significant experience in the business was tasked with leading a sub-committee which resulted in major changes across the organisation.

“It was very much about the business; not just about checking a board report on risk management. The directors were involved in looking at what potentially can go wrong in a company and made sure the executives had plans to deal with it.

“To me, that is what proactive risk management is all about and that is what Independent Directors should be doing.”

In PE-backed companies, there is scope for a chairman to have deeper involvement in the business. At chilled food distributor NFT, which conducted a management buy-out in 2006 from Northern Foods and was sold last year to EmergeVest for over £60 million, Gerry had significant scope, as Chairman, to work with the management team to decide how to drive growth.

“We developed a focused strategy, prioritising our expertise in chilled foods and growing our market share. We worked with retailers and also manufacturers so that we could offer complete supply-chain

solutions. By doing those things, among others, we became very successful.”

He says the biggest skill an Independent Director has to master is understanding how to influence. “When people ask me what my job is about primarily, I say it’s opening minds. An important aspect of the Independent Director and Chairman’s job is to get the board to effectively see all the possibilities, options and alternatives.”

Executive teams often fail because they get too bogged down in the operational side of the business, trying to deliver on short-term, quarterly targets. The Independent Director, argues Gerry, will try and make them see the bigger picture, whether that’s how to respond to technological change, taking international opportunities or devising better risk management practices.

As Gerry says: “The Independent Director is the real custodian of the business – not the executive directors, because they come and go.”

And that’s why there can’t be any passengers in the boardroom. ■

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“Gerry’s book highlights how the key skills required to be a great independent director are also to be found in great executive teams. When we work with executive teams, there are two core questions we put to CEOs: Are the executives too focused on details and the day-to-day? How strong are their influencing skills?”

I think the point Gerry is rightly making is that the most effective teams are able to challenge themselves. In my view, the best boards and executive teams will ensure that enough time is created and investment made to enhance the quality of their thinking. In a shifting world, you need to reflect on how fast your business model is changing in order to adapt for the future.”



Matthew Blagg
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To find out more about Gerry’s book, *The Independent Director*, click [here](#)



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Gerry Brown is a Criticaleye [Board Mentor](#) and Chairman of Novaquest Capital Management, a private equity firm focused on life sciences. Prior to this, he was Chairman of NFT Distribution and Senior Independent Director of Keller.

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