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BOARD APPOINTMENT

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Boards today are expected to be more engaged, more knowledgeable, and more effective than ever, so getting the right composition is critical. There has to be a broad range of skills, knowledge, backgrounds, and business acumen to avoid groupthink, promote diversity of thought, and reflect the needs of stakeholders and customers.

It is important to ensure the board has a broad perspective, is able to offer constructive challenge, and has a robust debate. To do that, there has to be a rigorous ongoing process in place that will identify individuals who will challenge the status quo, bring new perspectives, and enhance collective knowledge.

A nomination committee often sits alongside, or is even combined with, the remuneration committee and is there to evaluate a firm's board of directors and evaluate the skills and characteristics required of board candidates and ensure all the necessary skills are present on the board. It is essential that it has formal and transparent procedures for making recommendations on appointments and re-appointments to the board.

Questions for the nominations committee

- How balanced is the current board? Is there true diversity of thought?
- Is there fair representation of gender, ethnicity, age, and sexual orientation on the board?
- Is the board too comfortable, and do we have groupthink?
- Are we able to provide enough challenge from a broad knowledge perspective?
- In terms of succession planning which board members are due to finish their rotation, and what skills do new appointees need to have?
- Are the skill sets clearly defined?
- Are there any knowledge gaps or skills that need to be filled or areas that need to be improved?
- What are the likely business challenges facing the organisation and does the board have the collective skills to engage effectively with the executive team? For example, digitalisation, the impact of artificial intelligence on talent management, client engagement through social media.
- What areas for improvement did the last board review highlight and what skills could enhance the board's performance?

The board review process also plays a role as well as the board appraisals conducted by the senior independent director (SID) and chair. Both should identify any skills gaps and also strengths of the board. The chair should also be mindful of future challenges the board may face and ensure the individuals will be able to contribute fully and add value.

Once the need for a particular skill set has been identified, a specific job specification/candidate profile should be created to outline the criteria. Applicants, whether from a direct advertisement or search firm, should be asked to fill out an application form against each criterion to demonstrate their suitability, or at the very least provide a covering letter and CV. The latter however may well lead to greater subjectivity in the process, influenced by personal bias and feelings.

It is essential that a fair and transparent interview process is created so that each candidate can demonstrate their suitability for the role. Prior to the interview, check if any reasonable adjustments are necessary. It is preferable to have a balanced interview panel to eradicate any potential bias and

avoid the human trait of opting for the individuals most like us or those individuals we feel comfortable with, as this is often the least beneficial person to appoint and will not improve diversity of thought. The panel should consist of the chair, SID, or chair of the remuneration/nominations committee and chair/member of the relevant committee such as audit and risk/finance depending on the skills requirement. Wherever possible, there should be a range of gender and ethnicity, and reflect both actual diversity of personality, ethnicity, and so on, as well as diversity of thinking.

Prior to the interviews, there should be a pre-interview briefing session to make the interviewers more aware of their own and others' biases, and pre-prepared questions should be assigned so that each candidate is interviewed in the same way. It is also important to remember to give candidates plenty of time to answer, with enough allocated time for their questions at the end. Try to avoid a common pitfall, namely too much input from the panellists and not enough from the interviewee.

A scoring system (where 5 is optimal and 1 is meets criteria) should be used so that results can be compared at the end of the session.

Notes should be collected at the end of each interview so that the company secretary can give constructive feedback to the candidates.

Interview questions for the potential NED individual

- If this is a first-time NED appointment, does the potential board member understand the boundaries and clear responsibility of a NED versus an executive?
- How do you handle conflict?
- What are the three key skills you feel would add value to our board?
- How would you ensure you have enough information to provide effective executive oversight without overstepping the mark with the management team?
- How would your colleagues describe your communication style?
- How strong is your network and how could you use your connectivity as a resource benefit for the board and the organisation?
- What do you think is the best way a NED can contribute to an organisation?
- Give an example of strategic input that has fundamentally added value to a project or organisation.

- Describe the main characteristics of effective governance present in well-performing boards.
- The time commitment is X. Are you able to commit to it?
- What do you think are the characteristics and traits of a great board member?

Following the update of the UK Corporate Governance Code in 2018, it is also the responsibility of a board to ensure the corporate culture is aligned to the business strategy and promotes diversity. In this regard board members have a role to play in the board appointment process.

Questions a board member should ask about potential board members and the board

- Are we independent, or is there an element of groupthink in our decision-making process?
- What skills are we missing?
- How would this appointment challenge us and add value?
- Is our board truly diverse?
- How can I help this individual settle in and contribute as quickly as possible?
- Is the process fair, transparent, and reflective of our values?

Questions a board member should ask themselves during a board appointment process

- What are my biases and how can I challenge them?
- What can I learn from this individual that will make me a better board member?
- How can I work more effectively with a colleague who may well be different to me?
- When did I last attend a subcommittee meeting to learn more about it?

Finding your first NED role

Once you have decided that you would like to become an NED, it is the start of what can be a fairly long journey as, although progress has been made,

there is still a long way to go before boards really reflect the customer base and society they represent. It is also not for the faint-hearted, and you must ensure you understand and accept the legal duties and liabilities and the due diligence you should carry out before accepting a position on a board, as the Companies Act 2006 does not differentiate between executive and non-executive directors.

Your NED/board profile is different to your executive CV and should reflect your commercial and business acumen, and how you would add value to a board rather than be a chronological list of your experience. It should illustrate your strengths and outline your experience of interaction at a senior level.

You need to reflect on the kind of boards you would be most suitable for and be realistic in your expectations. Sector expertise and connectivity are often key, as is the size of an organisation. You also need to think of your time commitments as this can vary enormously from board to board and also where the organisation is in its life cycle. You may also be called in when unexpected challenges arise.

There are many places to look for a NED role, and rightly or wrongly, it is still often your network which will provide the opportunity, so make sure you do invest time in it.

Competition is fierce and you will need to demonstrate how you are different and why the panel should choose you over the other candidates. Preparation is key. Learning your sales pitch will make you more comfortable and appear self-assured, which in turn will inspire confidence in the interview panel. Think about your communication style and interpersonal skills. Believe it or not, 55% of the interview is conducted without a word being said. Thirty-eight per cent is your tone and only 7% is what you actually say.

Questions to ask yourself

- What are my five key skills I can offer to a board?
- How do I evaluate risk?
- What sectors are relevant? Where I can use my experience?
- How much time can I commit? Do I have time to read the papers and prepare for every meeting?
- What locations are best for me?

- Do I understand my legal duties and liabilities?
- Do I understand the difference between an executive and non-executive and where is the line?
- Can I add value to this board?