

MASTERCLASS

# From MP to NED



Beverly Landais provides some pointers on how to launch your next career as a non-executive director

**FOUR THINGS YOU WILL LEARN FROM THIS MASTERCLASS:**

- 1 How to get the right fit between the firm and its NEDs
- 2 The characteristics of successful NEDs
- 3 How to create a pipeline of NED opportunities
- 4 How to plan for a secure financial future as a NED

Smart boards are always seeking ways to gain competitive advantage. You can't help but notice the increasing number of non-executive directors (NEDs) being recruited to the boards of UK companies. This is with

good reason. As the economy continues to recover, the strategic decisions taken now will have a profound influence over which businesses rise with the tide.

There is an increased recognition that the perspective, wisdom and know-how of seasoned NEDs can make a significant contribution to developing a winning strategy. Let's consider what it takes to ensure the right fit between an organisation and the experience and motivations of particular NEDs. After that, we will look at what would-be NEDs, particularly those in

professional services, should be doing right now to create a pipeline of opportunities for when the time comes.

**NED characteristics**

According to John Jeffcock, a director at Winmark NED Network, the most successful NEDs need to have the following four common characteristics.

1. **Judgement, integrity and self-belief** – NEDs need to be confident in what they know and comfortable with what they don't know. Being ready to ask questions on anything that doesn't make sense to you and stand your ground when others try and close down a line of questioning is important.
2. **Strong interpersonal or social skills** – knowing who to listen to. Don't be isolated within top-level management;

**“Bear in mind any potential conflict of interest with your current role”**

## HOW TO GET STARTED AS A NON-EXECUTIVE DIRECTOR

### Do

- ✓ Tell people that you are looking for a role – they may not think of you as a potential NED if they don't know you are looking.
- ✓ Make sure you really understand the role, your responsibilities and the liabilities involved. After all, it is your reputation on the line.
- ✓ Ensure you can put in the necessary time to be effective, as being a NED is a serious undertaking these days.
- ✓ Try to find someone who is already an experienced NED who would be prepared to mentor/sponsor you; just an hour's meeting every couple of months would be invaluable.

### Don't

- ✗ Be put off by initial rejection; every role depends at least as much on the chemistry between the board members as on their individual skills and experience. If you don't get a role, it doesn't mean that you wouldn't be a good NED, it just means you're not right for that particular board.
- ✗ Become a NED if you are not ready to become a 'critical friend' to the executive rather than driving the business – it will not end happily!

those at the coal face can also contribute fresh thinking. Look for opportunities to chat with non-executives/non-board members. Also, remember that you want people to listen to you, so be prepared.

3. **Great antennae** – for example, knowing where to look in the board pack, what to ask when touring the company offices or sites, or spotting issues with the CEO.
4. **Very good at managing conflict** – either around the boardroom table or in a transaction environment.

### Getting started

Gaining a NED role is a highly desirable option for managing partners and other senior executives and partners who are considering their futures as they move towards retirement. Yet, there are many challenges in transitioning to this role, as busy professionals are often so preoccupied with the demands of their business that they hardly get time to develop broad-based experience, let alone grow their network.

It can also be a long journey to the right position. It is vital to start thinking about NED roles at least a couple of years before you actually want to get involved. Bear in

mind any potential conflict of interest with your current role.

One of the key challenges for law and accountancy firm professionals is that the advisory nature of much of what they do means they have less opportunities to gain experience in executive director or operational management roles. A breadth of operational experience is often required to gain a NED role on a FTSE-level board.

## “A breadth of operational experience is often required to gain a NED role on a FTSE-level board”

Another issue is that it is often said that boards don't need NEDs who are lawyers because they can always buy in these skills. On the other hand, not-for-profits and start-ups will often welcome such expertise. Most law firms have established pro bono programmes which might include NED-type roles, which can help with the transition for partners and enable them to gain wider board experience.

Every board needs somebody who can oversee and challenge the accounting function and/or the auditors, so accountants are in much demand in certain sectors. ICAEW members should consider joining the ICAEW's Non-Executive Director Special Interest Group (NEDSIG).

To maximise the chances of finding the right NED appointment, develop a broad skills base through being interested in different things. Volunteer for business working parties that stretch your capabilities beyond your day job. Non-executive director search companies look for 10-plus years of board experience in a candidate. This can be achieved, for example, by getting on your school's board or becoming a charity trustee.

Success in obtaining a NED role requires unpacking the breadth of skills and experience that you have acquired across your career. This must be reframed to highlight how you will add value in a boardroom. For example:

1. Which sectors, industries and business challenges do you understand as a result of providing professional advice? This could be as varied as: working in Eastern Europe; planning a successful merger or acquisition; or developing a risk mitigation strategy around a complex legal or financial issue.
2. Many accountants and lawyers have extensive experience of advising boards or have sat on boards as a company secretary. These roles provide unique insights into the challenges boards deal with on a daily basis and the collegiate environment of the boardroom. All of this is valuable proxy board experience, which can be used to demonstrate readiness to join a board.
3. A final question to consider is: have you been involved in running your partnership and/or dealing with internal operational issues? If so, bring it out.

Don't forget to use LinkedIn strategically. Your network makes you powerful, so work at it. Subscribing to quality business management publications and websites will improve your knowledge and broaden your mind. Case studies and thought

**TOP TIPS FOR PLANNING FOR A SECURE FINANCIAL FUTURE**

- ✓ Start with an expenditure analysis so that you know what you need. Include capital expenditure for cars and holidays in your budget. Don't forget to allow for your additional expenditure such as travel and training/learning costs not met by your board.
- ✓ Look at your cashflow, perhaps from your existing investment portfolio, pensions in payment or deposit interest, while also considering transitioning from a monthly salary to irregular (often quarterly) NED or consultancy fees.
- ✓ Consider how to unwind single stock exposure from former executive positions tactfully and tactically, while also ensuring there is sufficient 'skin in the game' with your new company. Volatile equity markets and longstanding career and emotional ties to stock do not make this process easy.
- ✓ Contemplate the timing of taking benefits from pensions, whether to draw or defer the state pension (it is best to obtain a state pension forecast), cogitate on the merits of auto-enrolment and take appropriate action. Taking tax-free cash from pensions and considering reinvestment options at current low interest rates should be examined very carefully, together with an evaluation of how the new rules on flexible drawdown (effective from 6 April 2015) might affect your strategy.
- ✓ Lump sum death benefits from pensions are paid tax free before drawing down on them up to the age of 75, while there is also the potential for a 55 per cent tax charge in some cases. Reflect carefully on whether to draw income and tax-free cash from pensions and how this affects death benefits and overall inheritance tax and gifting planning.
- ✓ Consider revising your plan for death; it is never a pleasant task but it is necessary. Updating your wills as you enter this phase could be time well spent.
- ✓ Investigate ongoing protection requirements (life cover and critical illness), as these are unlikely to be provided to NEDs. These, however, may not be needed if sufficient assets have been accrued and liabilities negated. Medical cover is also a big issue and certainly not without cost.

*Note: Contributed by Ian McNally, director at Saunderson House*

leadership articles from top management consultants and business schools can add richness and depth to your thinking.

**Transitioning to NED**

There are a range of challenges that people face in developing a portfolio career that includes NED appointments. These involve navigating the personal financial issues that arise with the change from having a paid full-time role, as well as practical concerns such as how to learn to let go and give up executive responsibilities.

**Financial planning for your NED role**

Before you can start to think about your future roles, you need to be sure of your

financial position and how you might need to cut your cloth in future. This applies to whether you're building up a portfolio of remunerative roles or a combination of trustee, pro bono and salaried positions. (See box: Top tips for planning for a secure financial future)

**Support and resources**

The FT Non-Executive Directors' Club offers opportunities for networking, a range of workshops and courses and some great editorial content designed to make delegates more informed and more effective NEDs, including the FT Non-Executive Director Diploma. It also provides members with details of every publicly-available NED and charity trustee appointments.

Women can access specific assistance and help from Women on Boards UK to prepare for a portfolio career that includes NED roles. It provides workshops, online resources and a vacancy listing service. Articles on the website provide advice in areas such as how to prepare a board-ready CV; apply for a board role; prepare for a board interview; and convince your manager that an NED role will be good for the firm as well as for you.

"The single most important thing for most women starting out on their NED career is to tell people in your network that you are looking for a role and ask for their help and advice on where your skills might be best used," says Rowena Ironside, chair of Women on Boards. "Also, make sure you target organisations which are doing something you care about. This passion will help you get the role and ensure you enjoy it."

**"Get on your school's board or become a charity trustee"**

**Adding value**

The key role of every board and NED is:

- effective governance and risk management;
- clarity and insight on strategy and key choices;
- performance oversight and challenge;
- board and executive committee succession planning; and
- stakeholder management and relationships.

If you can add significant value in half of these areas and provide wise counsel on the others, you will be a welcome member of any board. <sup>mp</sup>

*Beverly Landais is the marketing and BD director at Saunderson House (www.saundersonhouse.co.uk) and a trustee on the board of the Chartered Management Institute. Saunderson House is a strategic partner to the Winmark NED Network and sponsors the FT NED Club's 'So you want to be a NED' workshops.*