

What does the **Non-Executive Team** actually do?

A brief note about the Non-executive team

For many organisations Non-Executive Directors (NEDs) are hired for their specialist knowledge, background, contacts or even title; all too often the particular roles are badly defined if they are defined at all. The Higgs Report gives roles and responsibilities but no structure, whilst Turnbull sees the NEDs as a means of mitigating risk. This section provides some structure to the Non-Executive Board.

The team may be made up of four individuals: a Chairman to ensure co-ordination, a member looking ahead and around collecting intelligence, another ensuring that the products and services are delivered to an appropriate standard and a fourth member who oversees the audit to ensure that recorded and reported activities are legal and compliant.

A brief note about management

Most studies of business identify strategy and tactics as the management foci; strategic management is well into the future and can be changed (many consultancies profit quite handsomely from continual strategic reviews and revisions) whilst tactical management is immediate – ‘made a mistake, who can I phone?’. In reality management normally happens two weeks to six months ahead – ***intelligent management*** – something rarely, if ever, mentioned in the text books or at post graduate level; and it is at this level of management that the NEDs can really come into their own.

A brief note about people

Numerous studies of psychometrics and personalities through the ages have identified four basic types: people who go against the tide (entrepreneur), people who stand in the tide (deliverer), people who go with the tide (regulator) and those on the beach observing what’s happening (author). To get the best out of someone an organisation will play to their strengths; so in the corporate world the Company Chairman acts as the regulator, the MD as the deliverer and the CEO as the entrepreneur (see pages 2, 3 and 4). Here we look at the NEDs who support the CEO to ensure a sound strategic intent whilst flagging up the weak signals that point to competitive activity or market opportunity.

The **Chairman of the Non-executive Directors**

As with all board roles there is an element of tension divided between supporting a sound future for the organisation (looking forward) and, at the same time ensuring compliance (what has been). The key elements that make up the NED Chairman’s responsibilities are: **to support and challenge the agreed strategy**, to advise and manage the **standards of conduct** of the board and **to co-ordinate the activities of the NED team** as a whole. The strategic intent directs this person to support and challenge the CEO in particular

One possible candidate for such a role could be the Managing Director of a similar, non-competitive organisation who is normally very much focused on delivery; in this Non-Executive role the individual would serve to strengthen strategic awareness from a very practical perspective and act as a reminder for sound governance – aspects that then be taken back to strengthen the NED’s own company.

The NED responsible for **Intelligence**

This post is charged with providing intelligence by **scanning competitive activity** and **market activity** to pick out the **weak signals** that point to subtle changes (such as an improved competitive product) that demand a rapid and proactive response (intelligent management), rather than a late knee-jerk reaction which is an unsatisfactory way to manage any business. This post should support and challenge the CEO

The key strengths needed in this post are a significant number of contacts, the ability to assimilate a great deal of data, pick out the appropriate threads interpret their significance and then seek the evidence to build patterns and linkages. A possible candidate for this role could be the CEO, strategist or scenario planner from another organisation where the NED can take back a closer understanding of *intelligent management* to help keep the own strategic initiative of their own organisation firmly grounded in reality.

The NED **responsible for values**

This role is concerned with **consistency of delivery**, as perceived by the market. Perceived values are more influential than delivered values and if the products or services are technically excellent, but service and back-up do not meet expectation the sale, and more likely repeat sales, will be lost. The responsibility is to draw together the strands that encompass: **internal values, perceived quality** and **external communications** (PR etc) to ensure a **common message** with **consistency of delivery and relationships**; in short, reputation management

A suitable candidate could be the Marketing and Sales Director of a similar organisation who, like those noted above, could take a more focused approach to their role in their own company.

The NED responsible for **compliance**

The key elements that make up the role of the compliance NED are: **Ensuring internal policies are sound, supervising contracts and sub-contracts, critically evaluating cost management, auditing internal systems** and **intelligence** (which links to the NED mapping the changing world) and ensures **monitoring and control mechanisms are fit for purpose**; in short, ensuring that resources are properly used in the pursuance of the corporate mission and not being diverted.

The post supports and challenges the Company Chairman although managed through the NED Chairman, who supports the CEO. A possible candidate for this role could be the Company Secretary of a similar company who has strength and experience in compliance, and also in how to properly support a Company Chairman

Team Structure

Whilst Turnbull gives the NEDs an overall brief to mitigate risk, Higgs and Cadbury offer some very definite posts. In particular:

The NED Chairman, has the role to oversee strategy and codes of conduct (Cadbury) – coordinate, advise, support and challenge whilst keeping structure and order within the NED team

The NED responsible for mapping the changing world keeps a very close eye on what is happening strategically in the marketplace to develop a clearer picture of the competition and changing customer expectation. This individual can readily compare the actual performance with the performance of other organisations and is ideally placed to chair the **remuneration committee** (Higgs) and to report on **performance** (Cadbury) – information gathering, trend analysis, moderation

The NED responsible for values has a very clear steer on expectations of people in the company and the ethics, culture and beliefs that guide the organisation. This post is well placed to chair the **nominations committee** (Higgs) and to oversee **key appointments** (Cadbury) – monitoring external impacts and relationships

The NED responsible for compliance can clearly see how well the company observes external regulation, best practice and internal policies. This person is best placed to chair the **audit committee** (Higgs) and to ensure best use of **resources** (Cadbury) – monitoring internal activities and compliance

Summary of the main relationships in the Non-Executive Board

