

# A neutral position

Anne Beitel explains how to find the right non-executive director for your company

As the business world becomes progressively more competitive, the demand for a high calibre of non-executive directors (NEDs) continues to grow.

So how do the two types of director, executive and non-executive, differ? Executive directors perform operational and strategic business functions such as: managing people; looking after assets; hiring and firing and entering into contracts. Executive directors are usually employed by the company and paid a salary, so are protected by employment law and are taxed through the PAYE (Pay As You Earn) system.

NEDs however, use their experience and expertise to provide independent advice and objectivity, and they usually have a role in monitoring executive management. A NED might be appointed to carry out a specialist role on a part-time basis or for their expertise in specific activities, such as strategy and contract negotiation. They may be regarded as employed by the business or self-employed under a contract for services, depending on the terms and conditions of engagement. NEDs usually work part-time, attending board meetings and spending time on specific projects whilst offering an objective view of the business in order to improve the board's effectiveness at relatively low cost and provide valuable business connections.

The purpose of a company board is to direct the organisation rather than manage it. An executive board will set company objectives and agree a strategy, which will help it to achieve its set targets. However, while all directors on the board are equal and carry the same legal responsibilities, a NED has the virtue of being able to stand back from the company, allowing them to contribute neutrally and serve as an external voice. It is this non-prejudice contribution that minimises potential conflicts of interest between executives and shareholders and is invaluable when making decisions



within the organisation. For instance, should two parties have conflicting views on whether to recruit a senior appointment externally or internally, a NED is well placed to lead with the best interests of the company because they are not involved in any operational aspects of the business. The role of the NED is to provide strategic guidance in order to support the company at all times, whereas an executive director is a full time employee who is involved in the operational strategy of the company. Often an NED will see risks and opportunities in the market place that are sometimes overlooked by the executive management and this is because they are not wrapped up in the day-to-day running of the business.

While NEDs are more important than ever for bringing in fresh, unbiased guidance to companies, finding the perfect NED who will fit well with the company board and culture can be challenging. Often companies will approach senior level professionals that have extensive knowledge not only of the industry, but also the competition. This invaluable information and expertise is a great asset for companies who wish to enhance its market intelligence. For executives wishing to take their first step towards a NED role, securing that first position may be slightly challenging but it is possible that the opportunity may come through networking or personal contacts. Making contacts aware of the aspiration to become a NED may open

up windows of opportunity. Of course, in addition to networking, recruitment companies with specialist capabilities in non-executive placements will assist in the placement of relevant positions.

The pool of potential NEDs in the UK is not only extensive but, with an ageing population, it is set to grow. Retired professionals, self-employed directors, interim managers and experienced industry experts present ideal NED material. This is because they can be flexible with their time and dedicate their specialised knowledge to a company in order to address key business challenges or developments involving change, for example. However, selecting the right candidate for a particular company requires certain expertise. NED candidates should have a strong and lengthy track record in the relevant market sector, or in one that presents good opportunity for synergy and knowledge transfer into the company. It is also important that the NED is able to commit several days a month to the board and understand the issues and challenges facing the organisation.

Despite the specific nature of each and every NED role, the selection process does not have to be either long or laborious, in fact bearing in mind that most businesses are looking for a NED to help with a specific business problem, the faster the right appointment can be made, the sooner the business problem can be addressed. Whatever your approach is to acquiring a suitable NED you must ensure that your process of finding one supports your business objective and can be achieved in a timely manner. ■

Anne Beitel is managing director at Executives Online, a fast-track headhunting company, with a Global Talent Bank of senior executives containing candidates all of whom have 20+ years' various corporate experience. For further information, visit: [www.executivesonline.co.uk](http://www.executivesonline.co.uk).

**Finding the perfect NED who will fit well with the company board and culture can be challenging**



Anne Beitel