

Challenging the norm

Non-executive directors can provide a fresh perspective on business growth, competitive advantage and management choices. **Fiona Haran** reports on the recruitment process



Sheffield Forgemasters chief executive David Bond (left) with new chair Tim Fraser

Today's increasingly complex business landscape, challenged by political and economic uncertainty, regulatory changes and rapid shifts in technology has placed considerable pressure on senior leaders to meet current demands.

Many are turning to non-executive directors to support and mentor the management team and to promote the success of the company. Non-executive directors (NEDs) are independent advisers and members of the board primarily responsible for reviewing and approving the strategic plan and holding the executive team to account.

The rationale for appointing a non-executive director depends on the size and growth stage of a company, according to Lee Bhandal, managing partner of Parkinson Lee executive search in Rotherham.

"We've seen a lot of owner-managed organisations that have got to a certain size and want to push to that next level," he says. "For instance, they might have got to £10m turnover and grown from zero to 80 people, but they've got big aspirations to develop further and bring in some private equity money, expand internationally or hire a senior executive leadership team so that a person can step back and retire."

The type of business and the sector it sits in (private or public) will usually dictate how NEDs are appointed. For example, some can be found through recommendation or an executive team's contact book, while others follow a more formal route.

Explaining the approach Parkinson Lee takes, Bhandal says: "The NED recruitment process isn't much different from any other executive search. There aren't hundreds of relevant NEDs sat on recruitment databases. We need to go and find them proactively; quite often to very specific and demanding client briefs.

"We would do a full search process, which would include our partners and in-house research team taking a detailed brief on why a business wants to bring on a non-executive – deep diving into the experience required, sector, and cultural fit. We would then undertake full market mapping, coupled with reviewing our existing networks in order to identify a list of suitable NEDs to headhunt."

A typical non-executive salary here in the north can range from £17,000 to £50,000 per annum, depending on company size and sector – although some roles can pay significantly more, says Bhandal.

The timeframe for a non-executive placement tends to be three to five years. Within that period, companies would look for particular skills and attributes. "They want individuals who can challenge and support a board," says Bhandal. "They also want more rounded leaders with strong communication skills and the ability to influence."

An increasing number of companies are seeking more diverse boards, to enhance their corporate culture and performance. Bhandal says: "Diversity, particularly in PLCs, larger organisations and also charities, is key. When we speak to clients, one of the first things they say is 'we need a diverse board', whether it be in terms of ethnicity or gender. They understand that in a modern working environment, they need to reflect their employees and customers."

Entering the field

Sheffield Forgemasters, a global leader in steel production and engineering, recently appointed Tim Fraser as its new chair and non-executive director. Fraser took up the position in February following Colin Smith – a former Rolls-Royce group president – who had announced plans to step down after five years with the company. ►

Recruiting non-executives

PEOPLE

Fraser has spent 20 years in both operational and senior leadership roles at the Ministry of Defence, most recently as the vice-chair of the defence staff. He also completed 40 years in the Royal Navy.

This is Fraser's first non-executive role, having worked with and observed numerous NEDs throughout his career. He tells *Insider*: "In my former role, I sat on the defence board and internal boards where we had non-executive directors, so I had a lot of exposure to what they added.

"Sheffield Forgemasters is very important in terms of the products it makes for UK government and defence, which I had some knowledge of," he adds. "But also, the size of the business and the possibilities that are presented by going into government ownership provide a real opportunity to invest in the workforce and to develop the business not only in the defence market, but also in more commercial areas such as clean energy and offshore wind."

The public sector status of Sheffield Forgemasters meant that the recruitment process took a formal approach. "They advertised the role on the Cabinet Office's website and then employed a headhunter to carry out the process which involved telephone interviews, a shortlist and in-person interviews," says Fraser. "That was useful for the company to see who would apply and what sort of experience and expertise they might have and how well that fitted with the job description."



"They want individuals who can challenge and support a board."

Lee Bhandal
Parkinson Lee

Fraser believes that non-executives can make a real difference to leadership teams. He says: "While the executives are running the business on a day-to-day basis, non-executives are setting the strategic direction. They bring a wealth of talent and expertise in specific areas."

The new role has been a "positive experience" so far, says Fraser. "I didn't know the board beforehand, but I knew the company and they've been very welcoming.

"It's as I hoped it would be: the right balance between engagement with the team but not the full-time job that I'd done before."

Skills alignment

Joanne Hosker is part of BGF Talent Network, which is operated by private equity firm Business Growth Fund. It is one of the largest groups of board-level executives in the UK and Ireland, providing scale-ups with access to non-executive chairs and directors.

No matter what size a business is, Hosker says the rationale for taking on a non-executive remains the same: "To benefit from experience, input, challenge and objectivity, and to find someone who can influence the future direction of the business."

To achieve these goals, Hosker highlights a number of attributes that businesses should look for in a candidate, including

pace and dynamism, emotional intelligence, a complementary skillset and specific business model experience.

She tells *Insider*: "A non-executive whose skills, capability and experience align with the company's scale-up plan all contribute to a strong leadership team. Look at where the business is aiming to be in two to three years' time, and the elements that need to be delivered to achieve that growth."

Identifying any knowledge gaps in the business that could be filled by a non-executive is key, she adds: "Look around the management team and assess who can bring their skills and experiences to each element, be that international expansion, building a new manufacturing facility and transferring production, identifying, making and integrating acquisitions, or targeting larger customers and order values."

Besides technical know-how, the importance of strong interpersonal skills should never be underestimated, Hosker says. "As people are the bedrock of success, a non-executive must have strong people skills and an ability to inspire and lead. Investing time and commitment is therefore invaluable to ensure their leadership and coaching skills are fit for purpose."

A common mistake business owners can make when taking on a non-executive is not assessing candidates in enough detail, she says: "Interviews are a notoriously unsuccessful way of assessing future performance. Recommendations from others are always useful, but you need to understand the previous situation they were successfully operating in. Is it similar to yours? Was the business at a similar stage? How do ways of working and cultures align across the businesses? What impact did they have and what results did they deliver? And are these similar to what you are looking for this leader to deliver in your business?"

"Taking references is imperative, but they are only valuable if the questions are specific to the attributes, skills and behaviours you have identified as essential for this role."

■ **The 2022 UK Spencer Stuart Board Index found that 77 per cent of boards are composed solely of independent non-executive directors. The average tenure of NEDs is around 4.3 years. The average age increased slightly from 59.8 in 2021 to 59.9 in 2022.**



"Look at where the business is aiming to be in two to three years' time."

Joanne Hosker
BGF Talent Network