



FINDING THE RIGHT NON-EXECUTIVE DIRECTOR

This paper provides a quick-guide to enable executive directors and recruiters to ask the right questions and use sensible processes for identifying and selecting a new non-executive director.

Step 1 - Define the Characteristics of the Role

Before you start the process of looking for someone you should clear answers to these questions – they might be asked by a candidate!

- Why do you need an independent director?
- What experience is mandatory? Desirable?
- What director qualities have worked well in the past?
- What mistakes do you not want to repeat?
- Who will be threatened by the appointment?
- What balance of experience is required vis-a-vis other directors?

Step 2 - Define the Specific Role

- What technical or functional areas do you need to address?
- How much time from the non-exec is realistically required?
- Does the position have future potential as Chairman or an executive role?
- What sub-functions within the Board are required?
- Remuneration? Benefits?

Step 3 - Describe Your Company and Its Board Personality

The ideal candidate will not only provide you with the technical, industry or functional expertise you seek, but also fit within the Board team. You should be able to candidly describe for candidates the following points about the company:

- Strengths and weaknesses
- What outsiders (shareholders/investors/competitors) are saying
- History of the Board and directors
- Likely strategic challenges
- Reactions to previous appointments and any turmoil within the Board

Step 4 - Prepare the Specification

- Circulate the requirements to all directors
- Prepare measures of success
- What do you want to know from referees?
- Develop an independent review process for assessing candidates

Step 5 - The Search

- What are cost-effective ways to advertise the position?
- Can you achieve your objectives without a search firm?
- What are the benefits and costs of using a search firm?
- Networking to find candidates
- Other sources
- Finding out about the candidates on the 'grapevine'

Step 6 - Selection

- Rank your selection criteria
- Shortlist candidates against this ranking
- Follow intuition, positive and negative
- Interview at least three candidates
- Interview in formal and informal settings
- Ask the candidate to qualify themselves
- Selection discussion should be at Board level and minuted

Step 7 - Appointment

- Is this an independent appointment?
- How will you be judged in the press? Internally?
- Are you looking forward to working with the appointee?
- Timing the announcement

Step 8 - Getting Started

- Formal induction process
- Performance evaluation and success measures
- Informal induction process

Conclusions

- Complacency is no longer an option
- Selecting friends, relatives and multi-board sitters - not a good idea!
- The best candidates can be those with no previous non-executive experience
- Diversity is politically correct and probably good for your company
- Finding qualified candidates will take initiative and patience
- Convincing the right candidate that you are a desirable company can be a challenge - given recent litigation and potential liability
- Having no director is better than the wrong one

This paper is a summary of the presentation by **Betty Thayer, Chief Executive of exec-appointments.com** at the Institute of Directors conference, 'The Effective Non-Executive Director', 20 March 2003.