
Accelerating board impact for new directors

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Almost
a quarter
of newly appointed¹
NEDs to the
FTSE 350 never
have sat on a
public board before

Much has changed since the Cadbury Committee presented the UK's first code of corporate governance and defined the responsibility of boards of directors as just that: "the governance of the company." Nowadays, with even greater scrutiny from shareholders, activists, regulators and the public, boards and their non-executive directors (NEDs) are held ever more responsible for the performance of the businesses they oversee.

These pressures, at least in part, have contributed to the increasing breadth of recent non-executive appointments. Russell Reynolds Associates has regularly reported on the improving demographic diversity and rise in subject experts in risk and digital on boards. More and more, FTSE appointments are going to first-time non-executive directors in order for boards to find the experience they seek.

Clearly, a new class of non-executive director is forming, and there never has been a greater imperative to bring these individuals' potential contributions to bear sooner and more effectively. So, what are the leading boards doing to help their new directors contribute meaningfully to board discussions as soon as possible?

Russell Reynolds Associates' BoardFutures™ Survey

Russell Reynolds Associates interviewed 45 non-executive directors who had joined a FTSE 350 board within the last 18 months. We invited them to share their experience and offer recommendations for accelerating board impact for future new directors.

¹ Appointed 2015 year to date at 25 September 2015.

Summary of findings

31%

of boards did not have a formal induction programme

24%

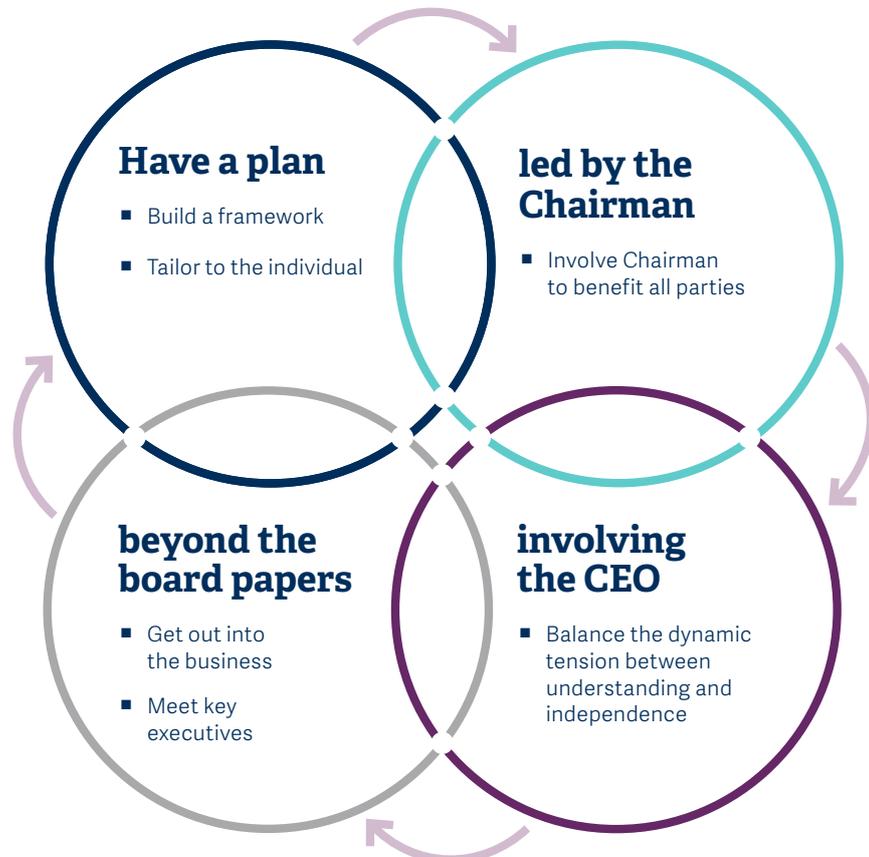
of directors said they were responsible for their own onboarding

“It took me seven to eight months, including two board meetings, to feel effective on the board. I think NEDs don’t feel comfortable until their third board meeting.”

Surprisingly, we found that while the role of the board, its composition and, indeed, the selection process have become more sophisticated over recent years, onboarding has not.

Non-executive directors highlighted much inconsistency from board to board, including ad hoc induction processes and limited sharing of best practices. In almost a quarter of cases, induction was left to the new directors themselves to organise, leaving their learning out of the understanding and control of the Chairman and CEO. Clearly, directors are resourceful and take their responsibilities seriously, but the danger is that the individual approach provides too limited a view of the myriad of risks faced by the company.

Here we outline four best practices, which, for relatively little effort, non-executive directors agreed could significantly shorten the time it takes to bring a newly appointed director up to speed.





Have a plan

Build a framework tailored to the individual

Each induction process should be tailored to the needs of the individual. Few boards had no induction process at all, but many ran only limited and generic programmes.

Non-executive directors told us that the best processes were those where the board had developed a clear framework that then was adapted to the new joiner's experience, the complexity of the business and the board's dynamics.

How to tailor your induction programme

Considerations for Chairmen and non-executive directors



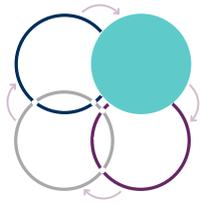
58%

of directors had their first board meeting within a month of being appointed

In highly regulated industries, boards should pay keen attention to onboarding those non-executive directors who will bring specific subject expertise in areas such as risk or cybersecurity. The best boards will be extremely thoughtful about offering new directors an induction that heightens absorption of their different accountabilities.

We heard of a handful of boards that select new directors far enough in advance of their official start date to allow for shadowing of board and committee meetings. We expect that it will become more common for boards to act in this way, incorporating onboarding into board succession planning, as new directors are increasingly expected to sit in board meetings soon after being appointed.

“The outgoing non-executive directors were joined six to nine months before they retired so the new directors could shadow them and observe at meetings. This joined-up process can help smooth the overlap.”



Led by the Chairman

Active Chairman involvement benefits all parties

56%

said director onboarding should be the Chairman's responsibility, although this was the case for only 24% of respondents

Non-executive directors told us that the process should be actively led by the Chairman; this is unsurprising given that the profile/experience of the Chairman often is the deciding factor in a non-executive director's choice to join the board.

Although the process frequently is coordinated by the Company Secretary, leadership from the Chairman in this key period signals to all directors (as well as to shareholders and regulators) the importance placed on board effectiveness and the new director's contribution.

Why should the Chairman provide focussed input for onboarding?

Benefits to Chairmen

- Investment in board development
- Full advantage from highly sought-after diversity
- Effective contribution from subject matter experts quickly (risk/cyber)
- Assurance that first-time non-executive directors develop as the Chairman wants them to



Benefits to non-executive directors

- Valuable insight into board dynamics and long-term company strategy
- Faster pace of onboarding
- More immediate feedback
- Mentoring
- Advice on the transition from an executive to a non-executive role

Only **38%**

of new directors had one-on-one follow-up discussions with the Chairman after their first six months

We were surprised to find that few new directors had one-on-one follow-up discussions with the Chairman to facilitate two-way feedback, though many cited the timing of the next formal board evaluation as a reasonable explanation.

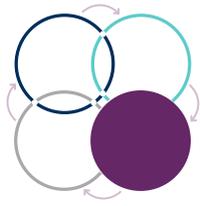
Onboarding in this regard is about developing new behaviours rather than learning new "things". While the range of "board readiness" courses aims to address this, the process of ensuring that these learnings are put into practice falls to the Chairman.

Mentorship makes a difference

"Role transition from executive to non-executive is very challenging. The independent director has to understand, discuss and be critical without taking over. It took me one and a half to two years to get accustomed to the role of a non-executive."

"The Chairman is vital when you join a board. If I'm not sure about something, I'll ring up the Chairman and ask him first."

"The Chairman is not distant or aloof; he is very personable. If I put my hand up, he's great. He's unobtrusive and is helpful in a 'light' way."



Involving the CEO

Balance the dynamic tension between understanding and independence

The CEO was actively involved in onboarding for only **20%** of cases

The relationship between the executive and the non-executive is a complex, fluid dynamic. There can be greater leeway for non-executive director involvement and access to the business during the onboarding process, provided it does not interfere too greatly or for too long.

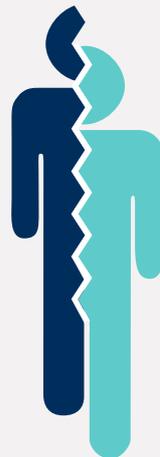
We found fewer CEOs were involved in onboarding than we had expected, given the important effect that the CEO has on a board dynamic and that many elements of best practice—such as site visits and access to management—are within the CEO's remit.

Again, the Chairman should show leadership here and encourage a balanced relationship between the Chairman and the non-executive director, whereas the CEO sees the non-executive director as a mentor and advisor, as well as an overseer.

Dynamic tension between understanding and independence

Non-executive directors

- Don't want to "go native"/lose independence
- BUT
- Do want to understand business issues in depth



CEOs

- Don't want organisation to spend time "babysitting" (self or other executives) or be "spied on"
- BUT
- Do value informed advice



Beyond the board papers

Board papers should fill in the gaps, not be the foundation of the process

90%

of NEDs believed that not all learning should come from board meetings

“The information you get is incidental to meeting the people.”

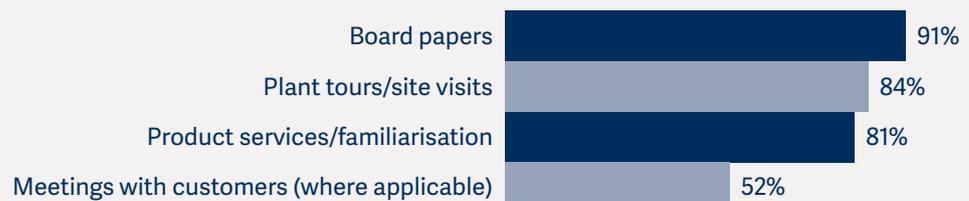
“One site visit is worth six meetings at the headquarters.”

While all those we spoke with agreed that the papers provided upon appointment were helpful, non-executive directors felt they learnt more about the board and the business at their first few meetings and visits to the company’s sites. Indeed, new directors usually had seen the annual reports and sought analyst views as part of their due diligence.

Those whose appointments came just before a strategy session told us that they felt they understood the company and were able to make confident, meaningful contributions in board discussions much sooner than on boards where there wasn’t a management strategy session for more than six months. Boards should consider the timing of their appointment processes and the meeting calendar.

Out and about

WHAT WERE THE MOST COMMON FAMILIARISATION PROCEDURES?



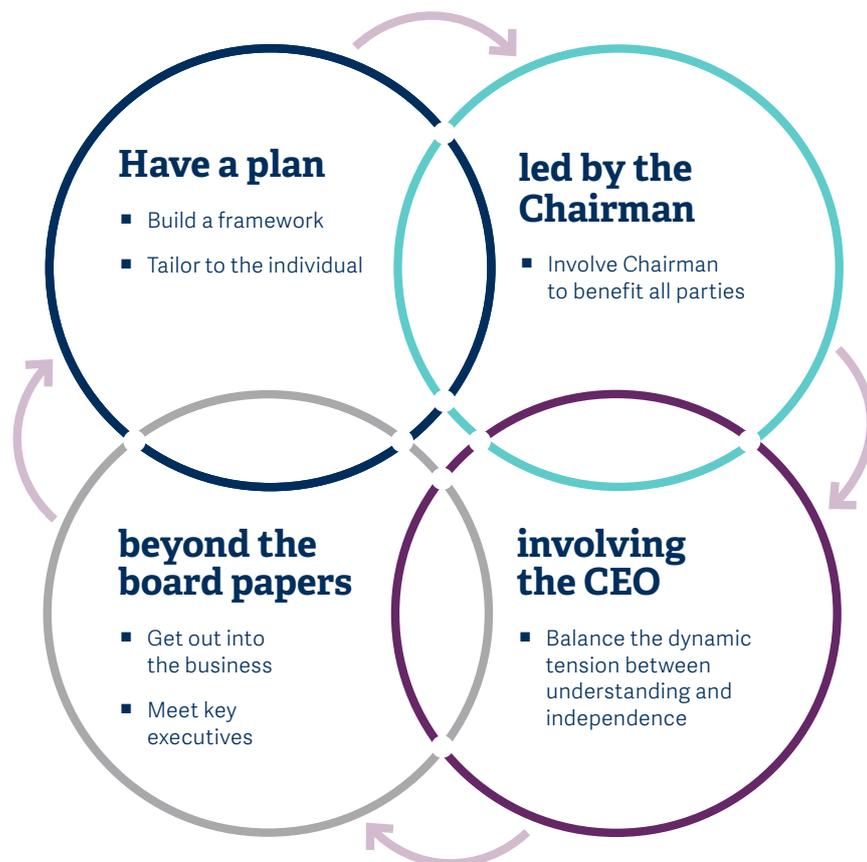
“In-depth discussions with the executives and management layers below them, primarily about how the company works, its culture and what makes it tick—this is paramount.”

“I recommend that NEDs get involved. But go one step further: Get involved with management and be a serious third party.”

“Make sure you schedule site visits to important operations, even if executives are reluctant.”

What does this mean?

None of the non-executive directors to whom we spoke believed the onboarding process needed to be completely abolished and redesigned from scratch—thoughtful tweaks and shifts in emphasis can bring structure and clarity to what traditionally may have been an ad hoc process.



There is one final point that we heard repeatedly from non-executive directors, both first-timers and experienced portfolio directors: Better onboarding allows boards to appoint the more diverse profiles they need to bring to the table, as their board grapples with the challenges of modern business.

We believe that boards (and Chairmen in particular) should be thinking differently about how they tackle this issue. As search advisors, we need to support Chairmen by applying new tools and techniques to assess first-time board candidates. Waiting for another board to take the risk on a first-time non-executive director means potentially missing out on talent and severely limiting the pool from which to choose.

Russell Reynolds Associates is a global leader in assessment, recruitment and succession planning for boards of directors, chief executive officers and key roles within the C-suite. With more than 370 consultants in 46 offices around the world, we work closely with public, private and nonprofit organisations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, environmental and political trends that are reshaping the global business environment. Find out more at www.russellreynolds.com. Follow us on Twitter: [@RRAAonLeadership](https://twitter.com/RRAAonLeadership).



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