

Get the group to think

Anthony Fitzsimmons is critical of the make-up of company boards, particularly the shortage of women and the wider competence of non-executive directors

Emmeline Pankhurst's victory a century ago gave women the right to stand for parliament as well as the vote. Now more women go to university than men; as doctors and lawyers they are on the cusp of outnumbering men. But women still struggle to win top jobs, including board roles. When we analysed FTSE 100 boards last year, we found 31 per cent of members were women. Only 7 per cent of chief executives (CEOs) were women. This social injustice generates justified anger that masks a board competence issue.

Three of the most important responsibilities of non-executive directors (NEDs) are to appoint the CEO; to provide constructive challenge to the CEO team; and to renew the board. Many on FTSE boards seem to believe that their intelligence, combined with financial literacy, is sufficient for these tasks, but these are no substitute for broader competence. Where NED teams lack relevant skills, knowledge, experience and perspectives, their challenges can only be based on logic and "common sense", often a proxy for prejudice and lazy thinking. Through ignorance, the intelligent leave important questions unasked and may be unable to distinguish a sound answer from plausible guff.

Boards such as these are kept blind to their weaknesses by overconfidence, the self-serving bias, groupthink, social silences and the cult of the gifted amateur, something that is still alive and kicking in the UK. The obliviousness of relatively homogeneous groups to their inadequacies is as predictable as its consequences can be devastating. Outsiders with access to insider knowledge can often see trouble incubating while leaders remain unaware of what is brewing under their noses.

What do FTSE100 boards look like? We found that most NED teams were dominated by current and former CEOs and chief financial officers, financiers and accountants. Half had no NED with obvious expertise in the company's main trade. Few had NEDs who displayed expertise in the core systems that underpin every organisation. Apart from companies for which IT was central to their trade, 70 per cent had no NED who claimed IT-related expertise. People with careers spent asking penetrating questions, such as journalists, lawyers and academics, were rare.

Every organisation ultimately runs on people but we found virtually no NEDs claiming a deep understanding of recruitment or of what makes people tick. This explains a troubling London School of Economics finding in its research

paper, *Head-Hunter Methods for CEO Selection*. The researchers interviewed a dozen senior board-level recruiters and discovered that nomination committee efforts to define the CEO role and person specification are regularly ignored because they are inadequate. The board-level people-skills gap we found explains why.

But that depressing finding contains the seeds of the solution. The latest Financial Reporting Council guidance on board effectiveness recommends that nomination committees ask themselves whether they take account of the technical skills and knowledge board committees need when recruiting board members. Self-aware boards will wish to appoint an NED

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competent in high-level recruitment and people management to chair the nomination committee. This individual might have a track record in recruiting or HR, perhaps a degree in psychology, and might well be a woman.

Such an NED will be competent to lead the nomination committee in exploring and cataloguing the diverse skills, knowledge, experience and perspectives the NED team really needs, as well as desirable and undesirable character traits. Comparing this template with the current board will reveal any weaknesses and provide a template for recruiting new members.

From there, the challenge is not a lack of people capable of filling the gaps. It is to persuade candidates that their skills and perspectives are valued and will be respected; that their new colleagues will listen to them and treat them as equals; that chairs will back them; and that it is worth applying. Boards fitting current stereotypes should expect to be tested on this, especially by women. ■



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