

Becoming an outstanding non-executive Board member¹

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The non-executive director (NED) role is very particular. As a NED you share responsibility for an organisation from which you are distanced – in place and time. You contribute to decisions prepared by professionals whom you may not always know well on topics with which you may not be familiar. You are expected to support proposals prepared by the Executive, but you also have supervisory responsibilities and need to exercise independent judgment. And you work with colleagues whom you see relatively infrequently.

Additionally, the profession of being a NED is constantly changing as expectations of accountability rise, a new generation of NEDs joins the Board, and new issues need to be addressed.

The experienced Board member knows what is expected, how you can and should prepare, and how you can inform yourself. You learn when you can intervene most effectively and when you had better remain silent. The company will offer know-how and opportunities to meet staff. And there are many networks and organisations which can help you deepen your understanding across the range of Board work. With an appetite for learning and dedication you can become a good Board member.

However, sometimes you see a master at work in the Boardroom. Someone who – seemingly without effort – regularly introduces new and relevant perspectives and insights, is able to manage a crisis or take the sting out of a difficult issue, enables decisions to be taken at the right moment, and enriches and raises the quality of the conversation at the Board table. You immediately recognise this person as an outstanding NED.

In our work with newly appointed NEDs – often from a non-traditional background in the sense that they have not been an executive Board member

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themselves – we have become increasingly interested in understanding the qualities and competences of the outstanding NED.

The understanding of ‘outstanding’ becomes clearer when compared to ‘good’ and ‘less good.’ In this paper, therefore, we first describe four key aspects of the NED role and then identify what makes the difference between ‘unsatisfactory,’ ‘good’ and consistently ‘outstanding’ contributions. Finally, we summarise these in a competence matrix.

Being able to describe effective behaviours is not the same as always being able to demonstrate them. That certainly applies to us. However, understanding what makes the master in the Boardroom inspires us and will, we hope, help a new NED contribute more quickly, stimulate the experienced NED to continue aiming for the best, and enrich the discussions during Board evaluations. Everything begins with observing and recognising.

We have been Board members for the past 12 to 15 years, serving 15 companies and organisations, including 10 listed businesses. These companies are based in the Netherlands, the United Kingdom, France, Italy and Switzerland. The sectors include energy, transport, real estate, capital goods, retail, biopharma, technology, financial services and private equity. Some of these businesses are public sector organisations and some have a majority shareholder. Additionally, we serve or have served on the Boards of 16 not for profit organisations, usually with a cultural or social purpose.

1. Four aspects of the NED role

Understanding and effectively fulfilling the NED role starts with clarity about the most important aspects.

In this paper we do not focus on the formal and regulatory aspects of the role, as we assume that these will be well understood. We have tried to define the aspects of the role that will determine the NED’s effectiveness in the Boardroom.

These aspects apply to all aspects of the Board’s work, in the full Board and in its Committees. They do not cover the additional qualities required from Chairs, whether of the Board or of a Committee.



The four aspects are:

- A good understanding of the **Role** helps you position yourself appropriately within the Board and versus the Executive
- Good **Relationships** help you improve your understanding of what is going on and build a basis for trust and influence
- The depth and breadth of your **Understanding of the business** and issues across the Board agenda provide the substance for your role and impact
- The effectiveness of your **Style** determines your ultimate impact and contribution.

These four aspects are complementary and cumulative. For instance, a NED may fully understand the role, have generally good relationships with the Board and the Executive and provide useful insights, but may still only have a limited influence due to a hesitant or critical style. Or a NED with a useful new perspective is not understood because she has not earned the trust that may make colleagues more receptive to a different point of view.

Each of the four aspects brings its particular challenges. Below we describe a number of these challenges, with particular points of attention for the new NED and examples from our own experience.

(i) Role

The role requires finding the right balance between the formal supervisory role and a broader, flexible, fit for purpose support of the Executive. It is also important to find the right balance between evaluating the short term needs of the business and promoting its longer term continuity, while bearing in mind relevant external developments and stakeholders. The challenge is to make wise and independent judgments, based on less information than available to the Executive, and with less information than the NED is used to having at his fingertips in an executive capacity.

For the new NED – frequently still an active executive – it can be a real challenge to appreciate the difference between executive and non-executive



responsibilities. It is the difference between telling someone what to do and offering options for consideration.

Example 1

Looking back, a NED illustrated this as follows: “ At the request of the Chair I had prepared a proposal to set up a CSR Committee. When we met to discuss this, I saw that he had crossed out some words in my mail. They were the word “should.” After replacing them with “could,” the proposal was sent to the Executive. I only needed to learn this lesson once.”

(ii) *Relationships*

Relationships are as important in the NED role as in every leadership role. They build the trust you need to be ‘heard’ and to influence. They are also an essential source of learning and new insights. This is even more important in a role with structurally less information. The challenge is to broaden and deepen these relationships – with NED colleagues and the Chair in particular, the Executive, within the company and with stakeholders – in a situation where there are fewer opportunities for interaction than in other leadership roles. This challenge has increased recently with fewer opportunities for physical Board meetings.

The outstanding NED builds trust with colleagues and with the Executive. This requires genuine interest in the people involved and understanding for the situation in which they find themselves, without in any way compromising a position of complete independence.

One of our most important recommendations to new NEDs is to develop these relationships proactively, albeit always transparently and with the Chair’s support. This is even more important for the NED with a non-traditional background. It is his or her responsibility to nurture understanding for a new perspective. It helps to build trust to keep the full Board informed of conversations conducted outside the Board, whether internally or externally.

Example 2

A Chair had introduced the practice of an informal dinner with NEDs before the Board meeting. Often there was no specific agenda or preparation, giving the opportunity to discuss whatever was on colleagues’ minds, whether current issues or complex topics. This led to widely shared trust and openness, which subsequently proved essential when designing a new remuneration system with the Executive.



Example 3

During a Board meeting, a NED became entangled in a detailed discussion with the CFO, in which colleagues did not participate. At a certain point the NED decided it would be more productive to pursue the discussion bilaterally. After the meeting it appeared that colleagues shared her view. The conversation in the Board would have been much more productive if she had discussed her concerns with colleagues before the meeting.



(iii) Understanding the business

The nature of the depth and breadth of understanding of the business will vary by type of business or Committee, but your legitimacy as a NED is ultimately determined by the substance of your contribution to the Board discussion. This is especially true for major decisions such as strategic choices or key appointments.

The NED is expected to look to the longer term, the broader context, and the most important opportunities, risks and relevant external developments. Ideally, some Board members have directly relevant knowledge and experience. However, the challenge is to understand complex issues and to contribute relevant, intriguing and new insights, also regarding topics which are new to you.

The outstanding NED shares his or her experience in a way that increases colleagues' understanding of the issues to be addressed. Specific and relevant examples, references to recognizable trends, and generating options increase the solution space.

Sometimes NEDs with a non-traditional background are appointed in order to contribute specific expertise, for instance in the areas of digital transformation or sustainability. Our advice is to remain aware of your shared responsibility for the overall performance of the Board and not to limit your contribution to your areas of expertise.

Example 4

A relatively young digital expert is appointed to an international Board. His contributions to the digital strategy are much appreciated, also by the CIO, but stay limited to that area. During the yearly Board evaluation process he is encouraged to contribute more broadly and colleagues are asked to engage with him more systematically. The new NED also agrees to report on his discussions with the CIO to the whole Board.

Example 5

Committees offer the opportunity to make significant contributions, even without a deep understanding of the sector. A relatively inexperienced NED appointed to a company with whose business she was not familiar accelerated her contribution to the Board by actively participating in the design of a new executive remuneration package.



(iv) *Style*

Good or less good Board dynamics determine the Board's ability to deploy its full potential and its relationship with the Executive. An individual NED's style and contribution to Board dynamics play a key role in determining his or her impact on the Board.

The challenge is to intervene in a way that improves the quality of the conversation and decision making and prevents unproductive discussions. This requires awareness of the collective purpose, listening actively and authentically to colleagues, being curious about what you do not understand, and honing your contributions to what the situation requires, not to your own priorities. It is important to be sensitive to the pressures on the Executive and to think in terms of options. Also, a positive tone is key to minimising the risk of unproductive defensive reactions.

We therefore advise the new NED to think as strategically about how they intervene as about what they want to say.

The best contributions add a relevant insight in a way that enriches the conversation. The outstanding NED creates space for new perspectives and considerations by showing respect and understanding for the proposal, contributes relevant new facts based on his or her own knowledge and experience, points to possibly visions of the future, and sketches relevant alternatives. Clear and concise contributions, personal authority combined with commitment and respect, and a calm tone all ensure that the outstanding NED is listened to and heard.

However, every NED and also a new NED can contribute to productive discussions by carefully chosen questions.

Example 6

Helpful questions

The ambition is impressive. What are the key requirements for success?

Is it too simple to ask why..... or how....?

Can you tell us more about how you see this, and what are your most important considerations?

How have you weighed the interests of the key stakeholders?

What has surprised you?

How do you think the market and investors will react?

How do you see the relevance of development A or B?
Did you seek the advice of external advisers and how has this been reflected in the proposals?

2. Typical NED behaviours

Each of the four aspects of the NED role is associated with recognisable, typical behaviours. Some are effective, others are not.

Both of us still regularly leave a Board meeting and think “I could have done this better.” The challenge is to develop awareness of what is effective and what is not, and to remain inspired by what “good” and “outstanding” look like. We have grouped the typical behaviours into three categories. These try to capture differences in attitude, intent and way of working.

(i) Below Expectations

This behaviour tends to result from a static interpretation of the role, apparently limited commitment and insight, and contributions that do not add to the conversation.

Very few Board members will be in this category because all are recruited with the potential to be good or outstanding. However, initially – often through lack of confidence – new Board members may show some behaviours in this category.

Example 7

A NED attends a Board meeting but has not read the documents, leading to time lost by the Executive’s unnecessary explanations. Another NED only repeats earlier questions in different words, meaning that no new information is added to the discussion.

(ii) Meeting expectations/good

This describes the behaviours of the committed, effective and appreciated NED.

Most Board members will be in this category on many if not all dimensions. This means that they contribute effectively across most aspects of Board work. The challenge for a new Board member is to have a good understanding of



‘what good looks like’ and to have these qualities and behaviours in mind to improve his or her way of working.

Example 8

The Board discusses a topic on which one Board member has significant experience. She shares the learning from that experience, offers a further exchange of views after the meeting, and positions this not as an instruction but as a consideration to improve the quality of the decision making.

(iii) Outstanding

This describes the behaviours of a Board member who is recognised to play a key and unique role on the Board.

Very few Board members will be in this category across all aspects of Board work, although several Board members may have a similar impact in certain aspects of Board work.

Relevance, flexibility and being ‘heard’ distinguish the outstanding Board member. The migration from ‘good’ to ‘outstanding’ is determined by:

- Level of respect and trust from other colleagues
- Consistency of relevant insights across the range of Board work
- Ability to respond constructively and creatively to dynamic and difficult situations.

Example 9

A company organises a Strategy away-day. The Chair asks the Executive to outline the process for key decisions. Aspects which require preparation are: the most important objectives and options, the underlying assumptions, perspectives on the competitive landscape, external input (if any) and the opportunity for Board members to feed in questions early in the process. By establishing a clear and shared approach to the Strategy day, the Board is able to discuss the strategic issues in depth.

Example 10

An unexpected takeover changes the competitive landscape dramatically and makes the company’s strategy more difficult to execute. The atmosphere around

the Board table is somewhat depressed. The Chair sees that the new situation could have a negative impact for some customers and asks “How could we turn this into an opportunity?” The mood shifts. That was an outstanding intervention.

The four aspects of the NED role and the three classifications of Board behaviour translate into the table below. We use this table to increase our own self-awareness and that of those whom we support in our coaching work.

The middle column describes the behaviours of the good Board member. This is flanked by the behaviours of the Board member who does not (yet) fulfil the role adequately and the behaviours of the outstanding Board member.

Very few Board members will always be in one column. Even during a single meeting you can see yourself or colleagues move between columns.



Classifications of Board Behaviours

| | Below expectations | Meets expectations/Good | Outstanding |
|---|---|--|---|
| Understanding complexity of Role | <ul style="list-style-type: none">. Tends to assume an executive role with directive style. Difficulty in finding balance between support and challenge. Either too passive, or contributing on every point. Multitasking during meetings. Not always available. Not or ill prepared | <ul style="list-style-type: none">. Understands own, Chair, CEO, ExCo and colleagues' roles. Understands pressures on CEO and Chair. Good balance between:<ul style="list-style-type: none">--- support and challenge --- business today and business of future--- required tempo and quality of Board decision making processes. Readily available for ad hoc (e.g. recruitment and crisis) meetings. Engaged across full range of Board and Committee issues | <ul style="list-style-type: none">. Anticipates/articulates changing expectations of own, Chair, CEO and colleagues' roles. Role model for support and challenge. Preserves/appropriately adjusts tempo and quality of Board decision making processes (also under pressure). Pro-active in Board and Committee debates; source of continuous improvement and new insights |

| | | | |
|---|--|--|--|
| <p>Quality of underlying Relationships</p> | <ul style="list-style-type: none"> . Limits contact to formal meetings . Limited curiosity to meet company employees . Focused on own agenda . Creates and maintains existence of subgroups within the Board . Does not share information | <ul style="list-style-type: none"> . Builds transparent informal individual relationships with Board colleagues and ExCo . Builds sense of collective purpose and partnership . Seeks to understand individual motivations, concerns and biases . Learns from colleagues . Trusted . Able to influence . Supports integration of new colleagues . Seeks opportunities to meet company employees and stakeholders | <ul style="list-style-type: none"> . Dedicates time to building relationships and trust outside meetings . Trusted counsellor of Chair, CEO and colleagues . Advice regularly sought outside meetings . Deep understanding of key people, top team dynamics and company culture . Facilitates feedback within the Board and with the CEO as appropriate |
|---|--|--|--|

| | | | |
|--|---|---|---|
| <p>Depth and Range of Contributions</p> | <ul style="list-style-type: none"> . Limited understanding of company performance, sector dynamics, and challenges . Limited evidence of preparation for/ reflection on Board materials . Focuses on specific area of expertise (functional or type e.g. digital/ESG) . Limited engagement with overall outcomes . Uses meeting time for factual understanding | <ul style="list-style-type: none"> . Adequate understanding of company performance, sector dynamics, and challenges . Builds on Board materials to focus and enrich discussions . Seen to add value across full range of Board responsibilities . Contributes new perspectives, relevant experience, best practices, external speakers and other external input . Ensures appropriate attention to stakeholders and able engage with them as appropriate . Balances short term and long term requirements and opportunities . Suggests relevant Board learning and agenda topics . Seen to support and embody agreed priorities e.g. diversity, sustainability . Source of helpful contacts to Executive and Board | <ul style="list-style-type: none"> . Deep understanding of company performance, sector dynamics and challenges, and people . Helps to continually improve Board materials . Recognized authority on key business and people issues and source of advice to Chair . Regular source of new insights, perspectives, improvement opportunities, and helpful contacts. . Facilitates effective Board processes e.g. information rich decisions, successful Strategy days . Able to engage effectively with shareholders and other stakeholders |
|--|---|---|---|



| | | | |
|-------------------------------|---|---|---|
| <p>Effectiveness of Style</p> | <ul style="list-style-type: none"> . Limited engagement . Tends to be directive, emotional, personal . Difficulty in finding right level of abstraction, narrowing the discussions . Longwinded, leading to inefficient use of limited time . Merely echoes others' points of view | <ul style="list-style-type: none"> . Highly engaged . Self-confident but low ego . Positive, curious, humble, courageous . Builds trust through proactively reaching out and transparency of motivation . Focuses on moving conversation forward . Situationally aware e.g. more formal when required . Builds on colleagues' comments, integrating new perspectives . Aware of underlying dynamics and tailors contribution accordingly . Contributes to desired 'tone at the top' . Maintains composure in conflict situations . Actively includes input by new colleagues | <ul style="list-style-type: none"> . Seen as role model . Clear, strong and effectively direct . Builds confidence while remaining vigilant . Shares experience in compelling way . Able to translate concerns into appropriate next steps for the Board . Speaks in terms of solutions and opportunities rather than problems . Able to defuse conflicts, create space for new solutions and move conversation forward . Supports the optimal speed for board decision processes |
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3. Looking forward

We wanted to develop a framework to help new Board members understand what is effective and what is not effective in the Board room. We identified four key aspects of the Board role and described the behaviours which distinguish the outstanding Board member from the good or less effective Board member.

Looking forward, we see an important link to the yearly Board self-evaluation process.

Board evaluations have become an integral part of a Board's work. They offer the opportunity to discuss the collective achievements of the Board, explore improvement opportunities and agree appropriate actions.

Systematic feedback to the individual Board member remains, however, relatively underdeveloped as a Board process. We hope that our framework will help individual Board members become more aware how their behaviour impacts the Board's collective performance.

The example of the master inspires improved performance in all domains, also in the Boardroom.