Board's Eye View

An occasional review of all things board

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FTSE 100 – saying goodbye to long-serving NEDs?

The number of non-executives who have served for more than nine years at FTSE 100 companies has dropped by more than a quarter since February, according to analysis by the Financial Times. It was discovered that just 73 directors currently serve beyond this point, down from 97 identified in a report by Cranfield University.

C-suite churn reaches post-financial crisis peak

FTSE 100 chief executives and finance directors are changing jobs more frequently than at any stage since the beginning of the financial crisis, according to research by KPMG. Churn among FTSE 100 CEOs was 23% in 2013/14, up from 14% the previous year, while turnover for FTSE 100 CFOs was even higher – up 24% compared to 13% the preceding year. *"There may well have been a period of battening down the hatches and perhaps now, with a different strategy and a different outlook, people are starting to look around,"* says KPMG Partner David Ellis.

FTSE 350 companies on the naughty step . . .

Eight FTSE 350 companies have received more than 15% shareholder dissent on pay for two consecutive years, the National Association of Pension Funds has revealed. *"To receive significant shareholder dissent on remuneration one year might be regarded as misfortune, but to do so a second year really does not reflect well,"* said Will Pomroy, NAPF's Policy Lead.

The Age of Disruption

The latest edition of Observe, the Odgers Berndtson global magazine, takes disruption as its theme. Few industries are immune from the impact of new technology, ranging from changing consumer behaviour to the emergence of new fundraising platforms. In a series of articles, Observe takes an in-depth look at some of the new technologies set to reshape our world, such as 4D printing (yes 4D!), driverless cars and carbon nanotubes, as well as sectors undergoing the greatest disruption, for example education and healthcare. The edition also looks at some of the common trends affecting organisations and individuals across all markets and sectors. Kim Taylor McDonald describes a 'flat world' in which the ability to forge collaborative endeavours will be central to success. Dave Coplin, who holds the fabulous job title of Chief Envisioning Officer at Microsoft UK, holds out that predicting future developments in a disruptive age requires a combination of alchemy and a pinball machine. Download Observe here.

Observe in focus – on the road to a driverless future?

Rodney O'Neal, the recently retired CEO of Delphi Automotive, certainly thinks so. In an exclusive interview in Observe, Odgers Berndtson's global magazine, Rodney makes the case for driverless cars, but on one condition – financial viability. *"Technically it is not an issue,"* he says. *"The question is, does it create value for investors, does the world really want it, is it relevant and can you pay for it? It has become a social question, a legal question, and that becomes a financial question."* Read the full interview here.

Calling all engineers . . . the CEOs office awaits

A study of the world's 100 best-performing CEOs has found that 24 have undergraduate or graduate degrees in engineering. *"Studying engineering gives someone a practical, pragmatic orientation,"* says Nitin Nohria, Dean of Harvard Business School.

"Leapfrog succession" – a new trend in CEO appointments?

More and more CEOs are "leapfrog leaders," having been fast-tracked past more senior executives in the management hierarchy, according to research by Boston Consulting Group. The study cites Yahoo's appointment of Marissa Mayer, Burger King's appointment of Daniel Schwartz and Electronic Art's appointment of Andrew Wilson as having bypassed more senior internal candidates for the top job. BCG warn that fast-track CEO succession should be the product of a deliberate strategy, not out of desperation: *"If a leapfrog appointment is based on a compromise or is the 'least worst' option, the new CEO has clearly not been properly prepared for the role and might well flounder when taking office."*

NEDs – how many "hot baths" can one have?

In 1962 the conservative politician Lord Boothby compared being a NED to *"having a permanent hot bath – no effort of any kind is called for."* Today the role of the NED is much more onerous and much more time consuming – so much so that NEDs should sit on no more than four boards if they are to make a genuine contribution, according to research by Henley Business School. *"In every country we went to, three to four was the maximum in terms of the time needed to really deal with the issues that were underneath the surface,"* says Professor Andrew Kakabadse.

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Women on boards – target met – what's next?

The FTSE 100 has done it! Hurrah! Met Lord Davies' target of achieving 25% female board representation, that is. But most of the progress has come via non-executive appointments and concerns remain that the route to the top executive job remains obstacle-strewn for many women. The review will now focus on the proportion of women in the 50 best paid jobs in the organisation. Meanwhile, Odgers Berndtson continues to play its part. We are delighted to have received formal accreditation from the Department of Business, Innovation & Skills for the work we have done on supporting the appointment of women to the boards of FTSE 350 companies..

Who leads your investor engagement?

. . . if it's just your chair and SID, one of the world's largest fund managers has you in their sights. Vanguard, which controls over $3 trillion in assets, has announced plans to write to every US company it invests in to encourage the use of 'shareholder liaison committees.' *"Directors are standing in on behalf of owners – it is an important concept – and there are many directors who have never met an investor,"* said Vanguard CEO Bill McNabb.

Time for Internal Audit to join the culture club?

Culture is a vital factor in whether an organisation succeeds or fails. And many management books have been written on what this elusive thing called culture is, why it matters and how it can be changed. The Institute of Business Ethics has a new question: can you audit culture? And if so, what is the role of the internal audit department in doing so? A new paper explores this theme via six interviews with key individuals at companies such as Barclays, Airbus and John Lewis. More here.

Cyber-attacks: if you can't beat 'em, insure 'em . . .

Cyber-attacks are no joke – a UK government report estimates that cybercrime costs business £27 billion annually in the form of theft of confidential data. Numbers this large give board committees sleepless nights. For insurers of cyber risk, however, it's not all bad: the global insurance industry took in $2.5 billion last year in premiums on policies to protect companies from cyber losses, according to Lloyd's CEO Inga Beale. That was up from around $2 billion a year before, and less than $1 billion two years before that. *"Insurance used to be about concrete, protecting the loss of physical things. Now you have to get companies to insure against more intangible things,"* Beale said.

. . . and what about a board-level cyber security committee?

Betsy Atkins, an experienced non-executive director, has called for a defined board structure for monitoring and managing cyber risk in the business. *"It is crucial that the board require management to present their policies on cyber security,"* she says. *"Request that management write-up their security practices and standards, and their protocol for responding to a security breach. The board should be able to identify the manager responsible by title, and in what time frame they are to respond to an intrusion."*

The end of large severance pay? Shorter notice periods sought . . .

Excessive termination payments for executives who have underperformed have long caught the attention of the media and the public. But have institutional investors finally had enough of what is perceived by many as a reward for failure? Old Mutual Global Investors, which has about £5 billion in UK company shares, has warned it will vote against the payment packages for directors at listed groups that have not shortened notice periods to under a year by March 2016. Paul Emerton, head of UK stewardship and governance at OMGI, says: *"We think there is a structural flaw. Almost all company directors at listed UK-groups have 12-month contracts, when most people have three months or less. It means people are being paid for a failed performance in the past."*

CEO reputation – by the numbers

It pays to have a good reputation. But how much exactly? A study of more than 1,750 executives in 19 markets worldwide has found that 44% of a company's market value is attributable to its CEO's reputation. *"Although there are risks that come with public visibility, taking the CEO out from behind closed doors actually puts control of the CEO's and company's reputation in their own hands,"* the study said.

Leadership … with a hair-dryer

Amazon.com lists over 130,000 titles focused on leadership. Make that one more. Sir Alex Ferguson's 'Leading' will hit our shelves in September 2015. Co-written with Sir Michael Moritz, an early investor in Google, the book will distil the lessons learned from 38-record breaking years of football management. Fergie's one-to-one feedback sessions with players he perceived as underperforming were famously up-close and high-volume, the so-called hair-dryer treatment. A new technique for the executive appraisals process?

Booking now, Chair & NED lunch programme 2016

Quoted company directors will shortly receive an invite to our 2016 lunch programme. Held throughout the year, lunch in our Cannon Street offices provides an informal opportunity to network with your peers and discuss the critical business issues of the day. We like to keep the numbers down to ensure a lively discussion, and places fill up fast. Do please RSVP when the invite hits your inbox.