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Derek Higgs Esq
Non-Executive Directors Review
Room 2142
1 Victoria Street
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Dear Mr Higgs

I realise that the formal closing date for responses to the consultation exercise was Friday 6 September, but I nevertheless hope that it will be possible for you to take account of my comments. I apologise for the lateness of this response; for much of the last two months I have had to focus almost entirely on the problems of one of the companies of which I am Chairman, to the exclusion of almost anything else.

By way of background, I should explain that I am a Chartered Accountant, a business graduate (from INSEAD) and in my early 60s. Following a full time career climbing the corporate ladder in a number of demanding companies, I have spent the last twelve years operating on a "plural" basis as Chairman or Non-executive Director of a variety of organisations in business, the public sector and the voluntary sector. I have therefore had a significant amount of experience of the workings of non-executive directors.

In the time available, I do not propose to respond in detail to your consultation document. There are, however, three points I would like to make:-

1. There is a tendency to assume that non-executive directors can be expected to behave in a standard way, whereas they are merely human beings whose behaviour is conditioned by their own background and experiences, their personalities, and even their whims and preconceptions. It is really very difficult to get non-executive directors to behave in a common and consistent way because they often do not start with the same values or approach to the job. The problem becomes more

difficult the more widely spread the pool from which they are drawn; I have found that, taken as a whole, non-executive directors are less effective in the NHS than they are in the private sector. I think the only way this problem can be overcome in the long term is for there to be a formal process through which would-be non-executive directors are expected to go before they can be appointed to the Boards of companies, coupled with a continuing requirement for refresher training after appointment. I also think that companies need to be urged to spend more time on "training" their non-executive directors, and in getting them to agree to a common set of values and objectives.

2. There are many cases where non-executive director pressure results in the departure of an existing chairman and/or chief executive. In my experience, there is often a fear that non-executive director pressure on Boards is driven by the personal agenda of the non-executive director concerned, and their desire for personal advancement. I think it is very important that appointment as a non-executive director should not be seen as a possible stepping stone to becoming chairman, or even to taking an executive appointment within a company. I think, therefore, there should be a rule to the effect that no-one who has been a non-executive director of a company may become its chairman or take an executive position in that company unless they have been away from the company for at least three years.
3. A great deal of attention is paid to the appointment of non-executive directors, much less so to the departure process. I think there needs to be clearly published guidelines as to what the non-executive director should do in the event that he or she is unhappy with the way a company is being run, but is not able to gain the support of a majority of the Board for the action he or she proposes. The non-executive director concerned may well wish to leave the Board, but may not want to do so in a way that attracts adverse publicity on the company itself. In such circumstances, there needs to be a formal process in which a departing non-executive director has a meeting with the company's financial advisers and explains to them the reasons for his or her resignation. These advisers would probably include the merchant bank, the broker and the auditor.

I hope these comments are of some relevance to your Review, and would be happy to expand on anything I have said, if that is helpful to you.

Yours sincerely

Nicholas Ward