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The Nominations Committee: not so easy after all

On the face of it, the Nominations Committee should be the “easy” one: it’s simply about dealing with a handful of appointments a year (if that) isn’t it? And compared to the workload and exposure of other committees ...well...it’s a much better place to be! But it really isn’t that easy. The “NomCom” is all about people – and that’s always tricky. It’s then complicated by itself being a group of people who are a subset of the group it’s largely dealing with. how its role might develop.



What’s more, it’s pretty sensitive stuff that the Chairman might have to deal with offline unless the Committee consists just of a few trusted confidantes. So it becomes complicated! We quite often pick up on a general feeling of discomfort around the role and workings of nominations committees, either because it’s seen as the Inner Circle or simply a neglected Cinderella. Here are a few thoughts about both how the Committee needs to work and how its role might develop

Good practices to consider...

Recognising – in a discussion with the full Board – the obligations, difficulties and limitations of the Committee’s work so as to avoid an expectations gap. And if a closeted inner group is unavoidable, be clear about how it will report to, and when necessary involve, the rest of the board, so it won’t be seen as taking control.

Take the opportunity to think through how the Committee might be developed to have a greater purpose. The occasional director appointment isn’t enough to allow it to develop a proper rhythm of work, so see if you can find it a meaningful role that gets its members properly engaged. For example, some Nominations Committees are now extending their coverage to include questions such as leadership and talent development, in part to make sure internal succession doesn’t become a problem. And if other parts of the “people strategy” are not getting the right level of oversight, they may fit neatly onto the agenda too.

Things to avoid...

Treating the Nominations Committee as a problem that can be handled by good committee process. It’s not that simple. Moreover, there will be times when full transparency is distinctly unhelpful. Better to find a useful role that the Committee can actually do well, than to go through the motions in order simply to comply with governance requirements.

Defaulting to the “standard remit”. Just because the Code says its role is around appointments, that doesn’t mean to say it has to stop there. Of course, some will take the view that any other part of the people agenda should sit with the full Board. But there’s a lot of work to do in making sure that the “people” ground is well-covered, and it often makes sense to delegate some of that work to the Nominations Committee.

Good practices to consider...

Things to avoid...

Make sure that the committee's work on succession planning – for NEDs and the executives – is supported by good management work. It needs active and effective work by HR and the co sec team working together. Respective responsibilities must be clear, processes understood and followed, communication timely and effective. And timing is particularly of the essence when it comes to consulting investors.

Planning well ahead so the committee meeting schedule has a meaningful rhythm. The "pipeline" and the plans for filling it need to be developed over time and kept on top of. That probably means meetings every three or four months, even if some of them are short.

Planning with an eye on the longer term. What's needed today is not necessarily what's needed five years from now – let alone nine. So the committee needs to be tying in its succession plan to the strategy and anticipating what the business will look like – and then challenging each other about what sort of board will help that business succeed.

Skills assessment is systematic and tied into the succession plans. A target "skills and experience" matrix is mapped to an assessment of current board membership – executive and NED – in a structured way which reflects the specifics of the business.

Ensuring that rotation and succession plans don't lead to too many NEDs being replaced at once. That can lead to an abrupt change in the board dynamics as well as a sudden reduction in the board's knowledge of the business and thus its ability to offer insight and challenge.

Keeping an eye on the relative timing of CEO and Chairman changes. (The managed variety of change, not the under-a-bus variety.) It's sometimes hard to pin them down, but even if you can only get a broad range from one of them it will help the other to know what to avoid.

Thinking about the characters not just the experience. A well-grounded succession plan will look at styles of contribution, "leadership" (for committee chairing), analytical vs intuitive, provocative vs measured, thoughtful vs lively... Good boards are a mix of all these things.

Remembering how important humour can be for easing the discussion along. You need a mix of some who make the jokes, some who laugh at others' jokes, and not too many who frown on frivolity.

Disregarding the expertise available in the company. An experienced Head of HR should be well placed to help on appointment planning, skills identification and assessment, headhunter selection and liaison, and recruitment. If this isn't happening, it might mean you have the wrong Head of HR, but more likely it means that no-one has thought to ask.

Leaving things until the last minute. That's more likely to happen if the Committee is in the mode of meeting only "when required", or even with a routine of just a couple of times a year. The necessary work can't always be squeezed into a short time. And when this happens sequencing can become an issue with searches and appointments more likely to stack up.

Assessing "gaps" on what you know now – or on what you are about to lose. Filling a hole with a "like for like" replacement might be justified but it could also be a lost opportunity to adjust the balance toward what you need for the future.

Letting it all be informal. What's required is often quite a complex mix which needs careful thought and detailed plotting out. When the planning is done on the back of an envelope the perceived needs are more likely to keep changing with whim, fashion or passing circumstance.

Being wedded to fixed terms, so rotation dates are out of your control. Fixed terms are a useful starting point but it's too easy for chairmen to use them to avoid having difficult discussions with individual NEDs. Sometimes the board's needs no longer fit a pattern that was laid down years earlier, and if so the consequences have to be confronted.

Assuming that this is so obvious it doesn't need to be confronted. That's a well-proven way of letting things creep up on you, so you end up with both the Chairman and CEO changing within a short space of time.

Attaching too much weight to skills and professional profile – and neglecting to think about the make-up and mix. That analysis might be based on hunch and impressions – or on psychometric analysis. Attitudes vary – but at least it needs careful consideration of the balance.

Having too much of a good thing. Relentless playfulness can trivialise topics and become an irritation to those with a better sense of balance. Conducting all the interviews over well-lubricated dinners is a good way to overrate the value of someone's sense of humour.

Good practices to consider..

Working out what diversity means in the case of this board and this business – and how it can be used to bring insight from a range of different, but equally valid, perspectives. Diversity can be used to great benefit but it's a big, multi-faceted issue which needs quite careful thought.

Keeping a close eye on the induction of new NEDs. Yes, the practicalities need to be looked after by the company secretary. But the Committee should oversee the structure and the actual delivery, and get and give feedback on how both could be improved. Induction is a very important part of a director becoming effective quickly and the Nominations Committee has a responsibility to make sure it works.

As part of recruitment and induction, taking responsibility as a committee for making sure new directors (both non-executive and executive) know what it means to be on a board. Some will be old hands as NEDs, but others will only have experience of boards from their time as executives. And that means explaining not only the legal responsibilities but also the expectations of the Chairman, committee chairmen and executives. Most importantly, it means explaining about dynamics and board life. Every board is a unique social system and it can take quite a while for a newbie to figure out how it works.

Things to avoid...

Just thinking it's about targets for female directors. Apart from anything else, those targets are a means to an end, not an end in themselves. The real benefit to the Board is having a range of perspectives that help it in multiple ways: to see issues from the point of view of different stakeholders, to approach problems in different ways, to question the things that are taken for granted... and that's before thinking about diversity of expertise.

Leaving it in the hands of the company secretary without checking what actually happens. It's not a detailed, time-consuming discussion but it is needed: too often we see well-intentioned plans having little impact as the new NED struggles to find the time, gets frustrated at perceived disorganisation at the company end, or is caught up in an inflexible programme that can't be changed even if it isn't doing the job.

Just assuming that people will slot into it "just like that". They will be experienced in what they've done before but that's not the same. And the transition from executive to non-executive is a tricky one that doesn't come automatically to everyone. The Chairman has a big role in easing new directors into their roles but it shouldn't be left up to him or her. If the Nomination Committee was responsible for deciding that a candidate would be a good fit, then every member shares the responsibility for helping their chosen one settle in.

Board development - not board evaluation

Simmons & Simmons partner Charles Mayo talk to co-founder and director of Independent Audit Jonathan Hayward about board development: [watch podcast here](#).

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BOARD REVIEW

