

## **The Benefits of using successful consultants as Independent Directors**

### **What is the requirement for an Independent Director?**

An independent Director is required to broaden the skills, outlook and intellectual resources of a Board. In a closely held company they ensure that processes which are known to be best but are easily eroded by familiarity are preserved, so that the Board functions as a proper Board would, with the attendant benefits.

An independent Director should improve the quality, clarity and frequency of organisational decision making. They should reduce organisational risk by ensuring effective compliance and governance and they should broaden or enhance the strategic intent of the Board, its communication and implementation.

### **Why is a successful consultant a good solution for this requirement?**

This document will show how consultancy develops the skills and understanding required of a Director. These skills are practiced day after day with a variety of personalities in a variety of situations to provide a variety of solutions. The working practices, personal attributes and intellectual philosophy that are necessary to succeed in that environment are identical to those required by a good Independent Director.

The other traditional sources of Directors – individuals who have come through management, or from professional advisers – may not always have the same balance of skills. One group is skilled at making things happen but less practiced in doing so in the context of an arm's length relationship, while the other is adept at managing the Board process and relationships but has little practical experience of many aspects of company operations. The successful consultant is fortunate to have acquired both strengths as a result of their professional environment.

In order to analyse the requirements of a good Independent Director we have defined the primary Objective of an Independent director as:

1. To support and enhance the collective decision-making of the Board.

Furthermore, in order for that to be achieved three supporting Objectives are required:

2. To support and enhance the Board process.
3. To provide sound judgement in all matters of strategy, governance and compliance.
4. To successfully manage the relevant relationships.



## The ability to support and enhance the collective decision-making of the Board

Consultants frequently engage with Boards of directors during consulting projects; they may request specific guidance, propose solutions and seek approval from Directors and in so doing must ensure that their dealings are comprehensive and inclusive. Therefore they respect and understand the need for a Board to be seen as a united and cohesive organisation despite the potentially differing preferences and needs of its members. This expertise can be defined by the following subordinate requirements, all of which enable a board to attain the best levels of collective thinking:

1. **Best practice understanding from first principles.** A consultant can explain all the way from first principles why something is important, what it involves, what it inter-relates with and how it should be assessed.
2. **Structure.** No decision should be made without a larger structure – in this case an agreed view of what decisions need to be made at what points for what reasons; consultants are skilled at providing – and updating – that structure.
3. **Perception of symptoms.** Consultants have seen things go wrong in other situations and are keenly aware of the symptoms of failing customers, sales staff or new product lines for instance and as outsiders, they perceive these symptoms more quickly and clearly.
4. **Comparable experiences.** The ability to draw upon a vast range of comparable experiences not only speeds decision making, it can also reassure Boards dealing in areas with which they are less familiar.
5. **Independent viewpoint.** Consultants have an external and essentially virgin understanding of the company's environment – they are immune to blindness towards institutional bias and slow change and will not accept that a particular environment must be defined by its limitations.
6. **Unwillingness to conform without good reason.** Further to their independent viewpoint, a consultant cannot adopt an organisational prejudice and over-ride their own concerns, which reassures the Board that if they agree with something, it is only because it is right, not because of personalities or an inability to explain why they disagree.
7. **Ability to handle the complexity of some strategy issues.** Consultants frequently tackle complex issues of strategy which most businesses tackle once a year if at all, so their ability to undertake (and manage for others) these processes is much better developed through practice.
8. **Ability to explain some strategy issues to others – and enable them to handle that complexity.** Sharing a vision is a difficult task and a skill which is also rarely practiced; it is however a core competence for a consultant who can either do so themselves or mentor another director to take the lead.
9. **Ability to supply consistent criteria.** Consultants must define and then apply a set of organisational criteria in order to align their project correctly, which makes the confirmation and application of these criteria a core competence.



10. **Ability to visualise – and explain – the implementation and consequences of a decision.** Change – or deciding not to change - is not a frequent occurrence in most businesses and people by nature judge the future by the past; however consultants must enable a client to perceive the different paths that future could take and what they will look like, a skill which helps a Board place a decision in its wider context.
11. **Ability to predict comprehensively the potential consequences of a course of action.** Consultants, in acting as proponents and agents of change, must be constantly alive to the unintended consequences of the improvements they make – this familiarity with the all the ramifications of cause and effect equips them well to consider and evaluate all the results of a course of action, not just the desired ones.
12. **Confidence in control.** In order to impel a client to a considered decision, a consultant must manage the decision-making process, defining it, providing the required information and anticipating questions and concerns – a skill which is equally as essential to enable a Board to move swiftly yet allow due consideration.
13. **The Presentation of materials.** A consultant is skilled in defining and producing the most effective reports and other management tools which are essential for a Board to function.

### The ability to support and enhance the Board process

Defining, creating and operating a management process is a standard task for a consultant, which equips them well to investigate, define, enable and optimise the Board process. In addition the appointment of an independent Director gives a gravity and certainty to Board meetings which are all too easily postponed otherwise. A Board process will be more reliable, more effective and more transparent with the use of a consultant as Independent Director who can provide:

14. **Understanding of the Board processes.** Consultants are familiar with the intricacies of the actions required of a Board, and how they are best fulfilled.
15. **The ability to manage those processes.** Fulfilling the strategy, governance and compliance requirements is a tricky balancing act which consultants are well placed to manage by defining decision points (and their supporting detail) and applying frequently used facilitation skills.
16. **Documentary skills.** Consultants must be faultless in their note-taking and its conversion to completed documents in a suitable timeframe – this is the core of any consulting work, and as independent directors they can be relied upon to appropriately document the active decisions.
17. **Ensuring clarity and definitions.** It is impossible to provide consulting support without a commonly held understanding of the organisation; a consultant will strive to ensure the same in a Board context.
18. **Understanding the interplay between Directions and their Objectives.** Consultants have to be equally adept at stating how something should be done as well what it is that should be done; there is a fine line between Direction and management which needs to ensure



something is reasonable without excessive interference and this is a line consultants are accustomed to handling.

19. **Extraction of information.** Identifying what reports are required, analysed and presented in which fashion, is a core competence for consultants, who often suggest, define or produce those reports for their clients.
20. **Management of long-term programmes.** Ensuring that the impact and momentum of board level guidance is combined with attention to short-term issues requires the ability to keep multiple plans ticking over and updated.
21. **Management of timelines and phases.** Consultants are highly skilled in keeping timelines moving or shifting the focus of an organisation from one priority to another depending upon progress, which enables the board to take the appropriate viewpoint.
22. **Empathy with staff.** Knowing what can realistically be achieved and sympathising with the inherent obstacles a manager faces encourages them to accept change and guidance.
23. **Practical experience of how subordinates can be led, trained or changed.** Consultants know from daily investigation across a range of clients, what can be achieved by management and how, preventing unrealistic demands by a board which can harm the business.
24. **Compliance expertise (knowledge and process).** A sufficient level of understanding to confirm the level of knowledge and competence of management or advisers is reassuring when a Board must supervise OSH and other compliance issues.
25. **Governance expertise (knowledge and process).** Consultants frequently equip their clients to demand and achieve high levels of governance – that is seeing their Directions converted into action transparently, effectively and efficiently.
26. **Knowledge transfer.** No consulting project lasts forever and transferring skills and knowledge to the client is fundamental to maintaining consulting relationships, so this process is second nature to the successful consultant.
27. **Professional standards.** Working to consistent, comprehensive and rigorous professional standards is second nature for consultants who are only ever as good as their last project.
28. **Agenda management.** Consultants must successfully design, predict and manage an agenda every time they interact with a client - that is 50% of the working week – and this does not allow the same margin for error or inefficiency as day-to-day meetings with staff, suppliers or even customers – if a consulting meeting does not reach its objective no value has been delivered.

## The provision of sound judgement in all matters of strategy, governance and compliance

Consultants must continually exercise their judgment at a high level – and then explain that judgment and be held to it. They have to apply that judgment objectively, on behalf of others and in accordance with processes or criteria they have defined - and then demonstrate and communicate the output from those judgments. In doing so they have to establish those criteria (the BMC typically works on the total 24-month return for a minority shareholder) and define and apply a risk profile.

29. **Creates structure to provide context for decisions.** Consultants will not respond with snap subjective responses; their experience compels them to identify the structure of the issue being addressed and identify what the structure of the solution should be – not just answer the question and move on.
30. **Understanding based on first principles.** A consultant can explain at any time why, based on first principles, an issue should be investigated or pursued in a certain fashion, which makes their judgment consistent, comprehensive and appropriate.
31. **Independence of perception.** A consultant must maintain the independence of their perception in order to preserve their value to the client; in the same way they identify and avoid institutional assumptions in order to preserve their value as an Independent Director; they don't refute the established wisdom but they require it to be proven before it is applied.
32. **Skill in assessment.** In order to prescribe the most appropriate course of action, consultants must quickly and reliably assess the capabilities of their client's staff and systems; they have the same expertise in objective evaluation which a Director requires to pass valid comment on management proposals.
33. **Has own intellectual property.** Consultants have substantial toolboxes of suitable processes, skills or 'solutions in a box' which they can apply to decision making or if appropriate hand to management.
34. **Has imagination and decision-making skills.** Decision making requires the ability to separate identification with the outcomes from their assessment; consultants are accustomed to acting dispassionately.
35. **Practical experience of what can be achieved.** Having substantial experience of how to handle sales campaigns, substitute products or re-arrange reporting responsibilities, the judgment of a consultant incorporates a fair understanding of what is realistic.
36. **Credibility of experience and understanding.** The practical experience a consultant brings will add credibility to board decisions, particularly those which require change or conviction from management, making their successful outcome more likely.

## The ability to successfully manage the relevant relationships well

A Board is a collection of individuals which must function cohesively but draw upon the value of the different skills and approaches of its members. The independent Director must integrate with the daily contact of the executive Directors seamlessly and efficiently.

37. **Independence of perception.** Consultants sympathise without identifying with clients, ensuring that they understand their clients' position but do not adopt its assumptions, a skill which includes the honest ability to audit their own feelings or bias.
38. **Maintaining an 'arms length' relationship.** Avoiding personal identification with a client whilst winning their respect and enjoying their candour is a subtle skill requiring loyalty and firmness and a skill which few other than consultants develop to its higher levels.
39. **Managing timelines with sensitivity to organisational priorities.** Consultants delicately manage the balance between the long-term programmes of clients and their immediate needs (the 'Important' and 'Urgent') ensuring an appropriate blend of the two.
40. **Means to an end.** An active Board is a means to an end (for shareholders to make money) and consultants are always wary of the possibility of the system existing for its own sake and will ensure that what is done is only what needs to be done.
41. **Information provision.** Consultants have no information about a client at the start of a project and must extract the information they need in order to accomplish the project; as this information extraction can be onerous for the client, they are highly skilled in achieving it without resistance, resentment or delay.
42. **Morale management.** In advising a client there is a constant need to balance the requirements to persuade to action with the impact this may have on their morale and consultants are well versed in this skill of creating concern and action in a positive light.
43. **Management of the participation of individuals.** Boards do not exist in isolation and the management of staff affected by it is similar to managing the relationships with staff affected by consulting work, in that they must be told what they can and encouraged to support where they can without being able to impose any conditions.
44. **Managing multiple clients.** Most independent Directors must manage the needs of multiple Boards; planning their time and priorities to minimise conflict, maximise efficiency and achieve mental separation between each client – this is no different to the consultant who must manage the interest of 5-10 clients for the best.
45. **Humility.** A consultant is no better than their client, they just have a different set of skills to the client – in order to be a successful consultant you must have been humble throughout and in order to be a successful Director, you must be humble too.