

3.6 Executive Directors

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Members of the Management Team may be appointed to the Board once they are considered to be a driving force within the company and are key to its strategic development. This is an extremely important decision. As with all other appointments, once executed, it is difficult to reverse.

When deciding on whether to appoint an Executive Director to the Board, the Board needs to identify the specific benefits of that appointment, given that the Board can always ask members of the Management Team to attend Board meetings, as and when required.

Therefore, the key question to be asked is what added value will the appointment of the Executive Director bring to the Board.

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Role of the Executive Director

- Provide hands-on advice, experience and knowledge of the business as a member of the Board, to enable better decisions to be made in the interests of the company

Responsibilities of the Executive Director

- Support the Managing Director/ Chief Executive in the management of the company
- Provide first-hand, in-depth knowledge of the company
- Act in the best interests of the company as a whole
- Be fully informed with regard to all issues relevant to the work of the Board
- Participate in Board meetings and decision-making
- Remain detached from considerations of self-interest
- Be prepared to challenge opinions
- Maintain the confidentiality of information received
- Carry out functions with due skill, care and diligence
- Participate in the day-to-day management of the organisation

Insights and practical suggestions

Attributes of the potential Executive Director

- There are a number of desirable attributes for the potential Executive Director:
 - Comprehensive understanding of the company and its industry
 - Specific management and functional expertise
 - Demonstrated past success
 - Particular knowledge and experience which would be valued by the Board
 - Capacity as a strategic thinker and change agent
 - Objectivity and integrity
 - Excellent communication and decision-making skills
- Directors should only be appointed to the Board if they are seen to be drivers of growth of the business

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- Executive Directors should have a major personal stake in the long-run success of the company to ensure responsible action on behalf of shareholders

Induction

- An individual appointed to the Board should receive the appropriate induction in relation to the responsibilities of a Director. Subsequent training should be provided, particularly in relation to new laws and regulations

Other considerations

- Executive Directors are primarily involved in the running of the company. It can therefore be difficult for them, as Directors, to extract themselves from their business responsibilities and govern with an adequate degree of independence and objectivity
- The Chairperson should respect reporting lines when resolving issues with Executive Directors

Key legal considerations

- The term 'Executive Director' is not statutorily defined. It is understood in practice as meaning a Director who is an employee of the company and is, therefore, directly involved in its day-to-day management. S/he will be required to dedicate his/her full, or at least a substantial part of his/her, time and attention to managing the company

10 Questions a Board should consider before appointing an Executive Director:

- 1 What added value could the individual contribute, that cannot be obtained by his/her attendance at the Board meeting?
- 2 What have been the quality of the individual's contributions to the Board to date?
- 3 How will the individual's skills complement those of the existing Board members?
- 4 Does the individual have a clear strategic perspective on the future direction for the company?
- 5 How is the individual regarded by the members of the Board and the Management Team at present?
- 6 What is the relationship between this individual and the Managing Director/ Chief Executive?
- 7 What is the relationship between this individual and the existing Non Executive Directors?

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- 8 If this person was made a Director, how would it be perceived by the market?
- 9 Would appointment to the Board enhance this individual's contribution to the company?
- 10 If this individual is not appointed to the Board, what are the potential implications?