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The role of the Senior Independent Director

Based on the discussions of a recent Round Table held with experienced board directors **David Archer** and **Alex Cameron** look at the importance of the role played by a good SID.

The role of the Senior Independent Director (or SID) can make a potentially important contribution to the board but it is either under-valued or mis-understood. It was introduced by the Higgs review in 2003 and was included in the version of the UK Corporate Governance Code published in that year. It took time to get established, but a SID is now part of the governance system of most corporate boards, although less so on public sector and charity trustee boards. As is often the case with aspects of governance, it is perhaps in boards where they are not present that they are most needed.

A few weeks ago we gathered a group of experienced board members for a roundtable discussion about when and where a SID was of most value to a board. Some of the group had played the role of the SID for many years, and others had had occasion to value a SID's intervention in specific circumstances on their board.

We started the conversation by asking about the foundations for success.

What makes a SID successful in their role?

There was immediate consensus in the group that it all starts with strong relationships between the SID and the Chair. That doesn't mean that there is always agreement between these two roles. The SID is often expected to act as the counterpoint to the Chair in difficult situations, but in order for this to work there needs to be a high degree of trust and respect between the two individuals and mutual recognition of what the SID is there to do.

The SID can sometimes operate in ways which are akin to being a mentor to the Chair – the wise counsellor who can always deliver the difficult messages. But the SID also needs to be able to act as a lightning rod – picking up signs of emerging conflict or disquiet amongst fellow board members and giving voice to it at an appropriate time (particularly when the Chair is not responding to these tensions) so that issues don't fester.

People told us that as a SID they were careful to only deploy their resources and their influence in very particular circumstances, and for the rest of the time they behaved as any other non-exec board member. Of course this was apart from their specific role in running the annual Chair appraisal process.

This means that as SID you need to be ready, watching out for events that might trigger a need for your intervention. Typical

examples of this might be: at a time of succession planning for the Chair; in a situation where there is a breakdown of trust between board members; or where there are concerns about the Chair's performance.

This all means that an effective SID needs to be a good listener with high emotional intelligence. They will be someone everyone can talk to and will always be respected by the whole board. The sort of character who, when they speak, everyone listens.

A SID may also need to be the moral compass for the board in times of trouble. In practice, this could mean acting as the guardian of the company whistle-blowing procedure and bringing to the board any ethical issues that might arise from the way the executive is leading the organisation.

Where can it go wrong?

Because the SID's role is often poorly understood, someone can be appointed for the wrong reasons or with the wrong expectations. We heard of examples where a board had appointed a SID in name only and where the individual had taken the role for its presumed status and with the expectation of succeeding to the Chair role in the future. There are other examples where the SID has been appointed by a Chair as someone who wouldn't rock the boat or challenge their authority.

In some circumstances the role can be co-opted by others, such as when 'investor activists' push to make changes in the board or its strategy and try to use the SID as a vehicle to further that particular agenda.

Words of advice for someone taking on a SID role

First and foremost, the group emphasised the need to get to know your fellow board members and their concerns. Spend time meeting your colleagues on the board and key stakeholders/investor representatives, so if-and-when the situation arises where they want to approach you with a question or a worry you've already established the basis of a trusting relationship. It's also useful to ask the Chair directly why you were appointed as SID, and what their expectations are of the role – you don't have to agree but it's important to know!

With these as foundations, invest time in thinking through possible scenarios that may trigger your interventions. Explore what early warning signs you might need to address, and what questions you could ask to check out different perspectives on

any concerns being raised. This sort of preparation helps a SID be ready to act as the calm voice of reason at times when emotions might be running high.

And finally

A good SID is not ambitious. It's not a 'Deputy Chair' role, although in some boards these roles are combined. One of our roundtable participants described an effective SID as 'a capable but reluctant Chair' – able to take on a board leadership role but only when the situation demands it.



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