



REGENT'S UNIVERSITY
LONDON

Non-executive director survey 2013

June 1, 2013

Regent's Park
Inner Circle
London NW1 4NS

www.regents.ac.uk

Contents

I.	Executive summary	2
II.	Methodology.....	3
III.	Demographics	4
IV.	Survey results	6

Please contact Professor Jonathan Liu at LiuJ@regents.ac.uk for any aspects of the report and survey.

Please contact Chris Spencer-Phillips at chris@nonexecutivedirector.co.uk for matters relating to First Flight Non Executive Directors. Alternatively Chris can be contacted on 01797 270920. www.NonExecutiveDirector.co.uk

Executive summary

This report presents the results of a survey of non-executive directors of unlisted commercial companies in the UK. The survey was distributed electronically to approximately 600 members of a British executive placement firm. A total of 233 responses were received, of which 127 are presented in this report.

The vast majority of respondents were from small and medium-sized businesses with up to 250 employees. Respondents were also quite experienced: the majority of them had served for over six years as a non-executive director.

Key findings:

Performance

- Non-executive directors' views regarding the level of satisfaction with their practices are divergent:
- 44% of respondents did not believe they have adequate time to perform their role effectively while 37% held the opposing view
- 43% of respondents did not believe they have adequate incentives to perform their role effectively while 33% were neutral and 23% held the opposing view
- 40% of respondents believed they have sufficient knowledge of the company to perform their role effectively while 35% were neutral and 24% disagreed

Monitoring tasks

- 74% of respondents claimed they monitor that executive remuneration is not higher than necessary
- 56% of respondents claimed they ensure that executive directors do not abuse their position of power while 22% were neutral and 22% disagreed

Appointment

- Many non-executive directors are recruited through an informal recruitment process:
- 70% of respondents claimed they are recruited informally through personal contacts

Importance attached to employees' interests

- Non-executive directors attach somewhat little importance to the interests of employees:
- 50% of respondents stated that they agree with forced lay-offs if these are necessary to substantially improve earnings while 31% were neutral and 19% disagreed
- 43% of respondent stated that they agree with forced lay-offs even if there is no redundancy scheme for the personnel involved while 37% were neutral and 20% disagreed

Involvement in strategy

- Non-executive directors play a limited role in strategy development and execution:
- 81% of respondents agreed that they left execution of plans to executive director
- 48% claimed that they left initiation of new plans to executive directors

Reasons for resignation

- Many non-executive directors resign if they have no confidence in executive management:
- 89% of respondents believed they should resign if the company has violated company law in the UK and executive management will take no action to avoid recurrence
- 75% of respondents believed they should resign if measures which need to be taken to ensure the continuity of the company are not being undertaken, and they have no confidence in executive management taking adequate actions in the future

Methodology

A questionnaire was developed to ascertain opinions about key aspects concerning non-executive directors. Once constructed, the questionnaire was distributed electronically to approximately 600 members of a British executive placement firm. This resulted in 233 responses, of which 127 are presented in this report.

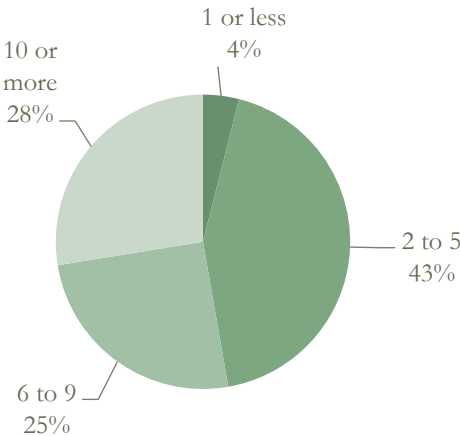
Questionnaire topics included:

- Performance
 - Appointment
 - Involvement in strategy
 - Monitoring tasks
 - Importance attached to employees' interests
 - Reasons for resignation
-

Demographics

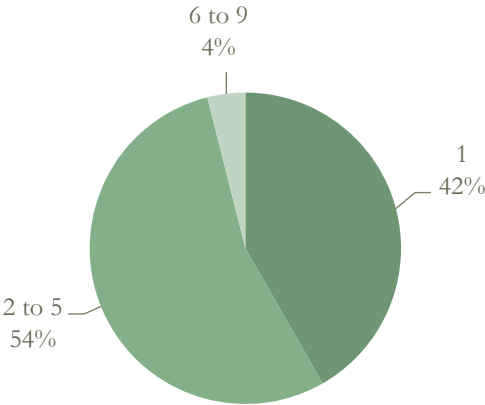
Survey responses are broken down by a number of demographic categories, as follows:

Years of experience



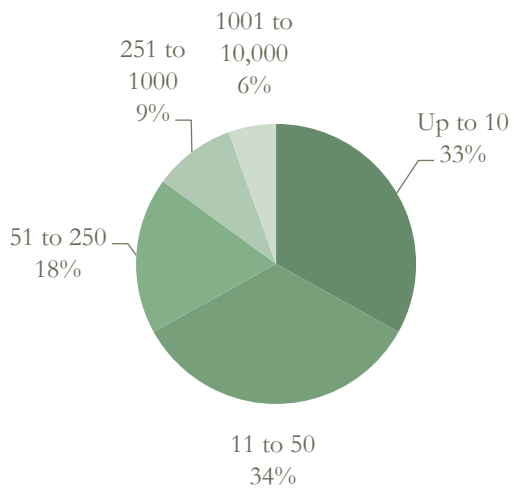
The non-executive directors participating in the research were quite experienced: only four per cent had served for less than one year as a non-executive director while approximately two fourths (43%) had served for two to five years, one fifth (25%) for six to nine years and nearly one third (28%) for more than ten years.

Directorships held



A majority of respondents were also quite experienced in terms of the number of directorships they held: over half (54%) served on more than two to five boards and a small percentage (4%) served on more than six boards. The remaining respondents (42%) served on only one board.

Size (by employees)



The vast majority of respondents (85%) were from small and medium-sized businesses: approximately one third (33%) from companies with up to ten employees, another third (34%) from companies with 11 to 50 employees and one fifth (18%) from companies with 51 to 250 employees. The remaining respondents were from large-sized businesses: 9% from companies with 251 to 1000 employees, and 6% from companies with 1001 to 10,000 employees.

Size (by turnover)

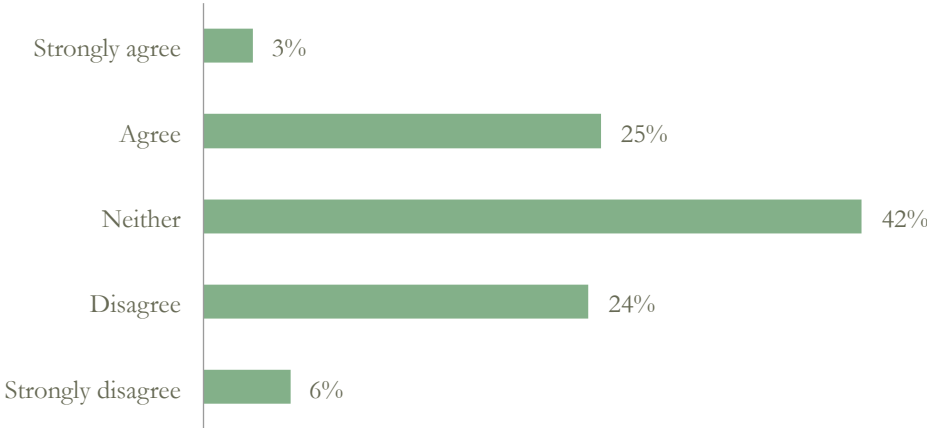
Survey results

Performance

Generally speaking, I am satisfied with the way non-executive directors are currently functioning

The participants' responses regarding the level of satisfaction with their practices were divergent: the results show a clear split between those who agreed or strongly agreed (approximately 28 per cent) and those who disagreed or strongly disagreed (approximately 30 per cent) that they are satisfied with the way non-executive directors are currently functioning.

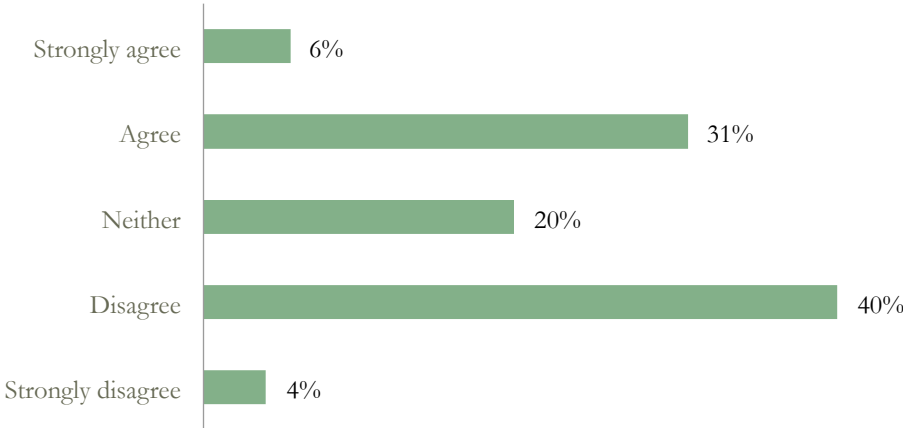
Chart A



Non-executive directors are given sufficient time to perform their role effectively

Insufficient time to perform their duties effectively seem to be a cause of respondents dissatisfaction with their practices: 44% of them did not believe they have adequate time to perform their role effectively. However, 20% of respondents were neutral and 37% held the opposing view.

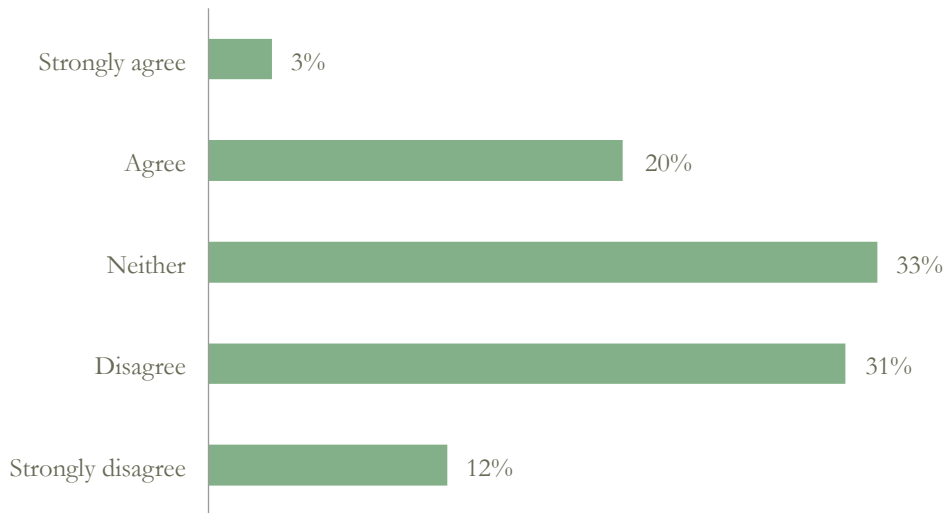
Chart B



Non-executive directors are appropriately incentivised to perform their role effectively

Inadequate incentives seem to be another cause of respondents' dissatisfaction with their own functioning: 43% of them did not believe they have adequate incentives to perform their role effectively. However, 33% of respondents were neutral and 23% held the opposing view.

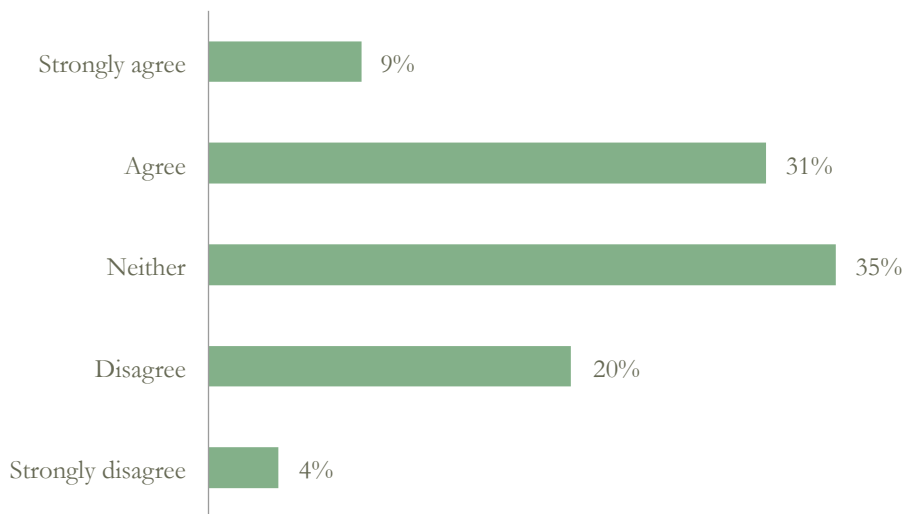
Chart C



Non-executive directors have adequate knowledge of the company to perform their role effectively

Regarding non-executives level of knowledge of the company, a majority of respondents (40%) agreed that they have sufficient knowledge of the company to perform their role effectively. However, 35% of respondents were neutral and 24% disagreed.

Chart D

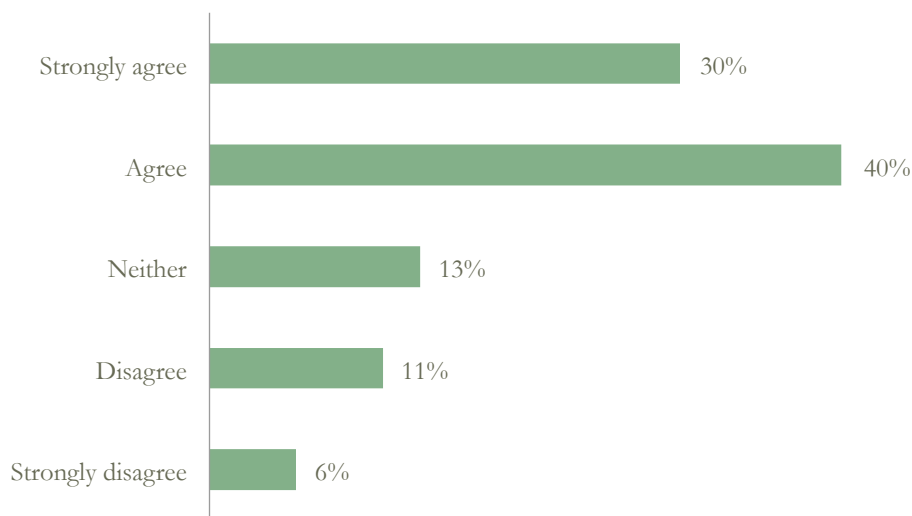


Appointment

Non-executive directors are recruited through an informal recruitment process based on personal and professional networks

According to the UK Corporate Governance Code (2012) there should be a formal and rigorous process for the appointment for the appointment of directors to boards. However, the results suggest that, notwithstanding this recommendation, many non-executive directors are being recruited informally through personal contacts: a strong majority of respondents (70%) agreed that non-executive directors are recruited informally through personal contacts. Of the remaining respondents, 13% were neutral and 17% disagreed.

Chart E

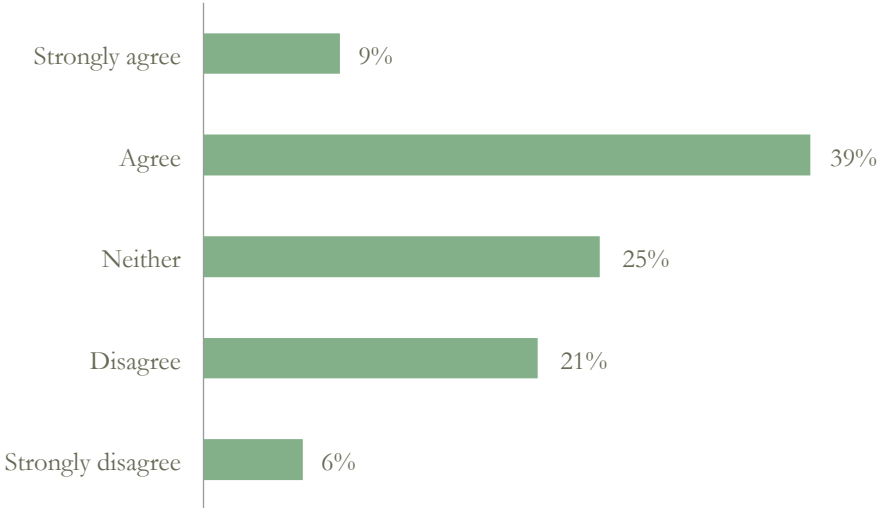


Involvement in strategy

Non-executive directors leave initiation of new plans to executive directors

Almost half of respondents (48%) agreed that they left initiation of new plans to executive directors. Of the remaining respondents, 25% were neutral and 27% disagreed.

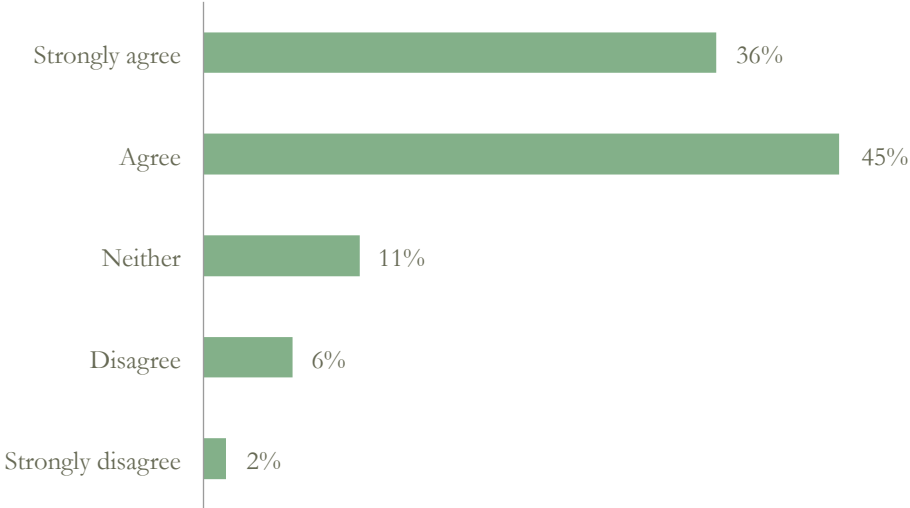
Chart F



Non-executive directors leave execution of plans to executive directors

Regarding the execution of plans, however, respondents were in strong agreement: 81% of them agreed that they left execution of plans to executive directors. Of the remaining respondents, 11% were neutral and 8% disagreed.

Chart G

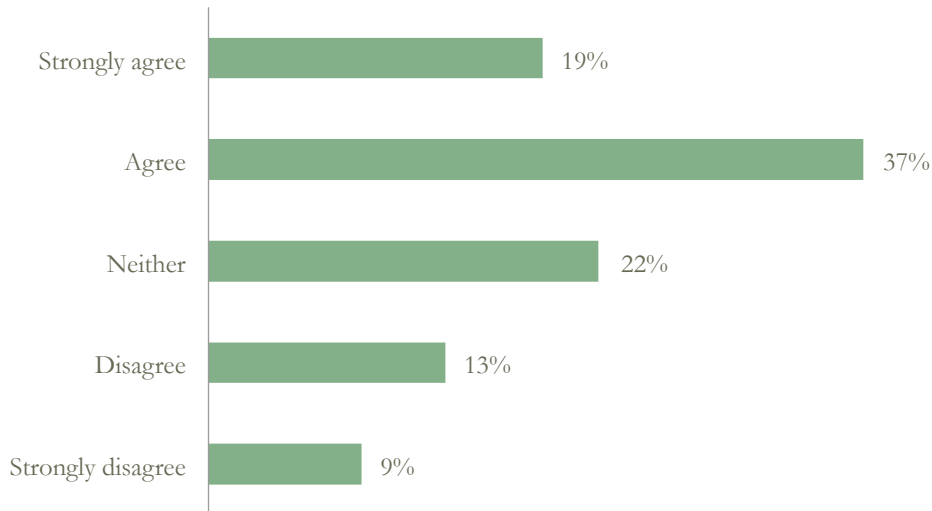


Monitoring tasks

Non-executive directors ensure that executive directors do not abuse their position of power (e.g. do not make improper use of corporate funds)

A majority (56%) of respondents agreed that non-executive directors ensure that executive directors do not abuse their position of power. Of the remaining respondents, 22% were neutral and 22% disagreed.

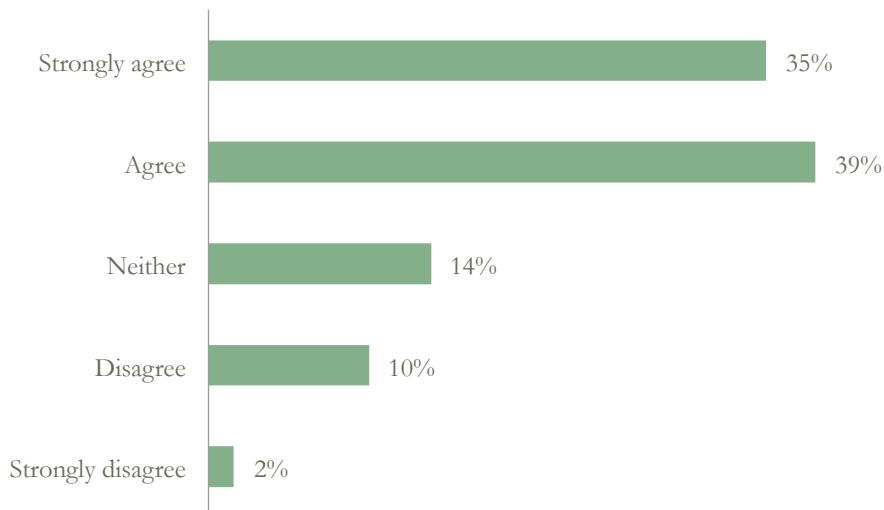
Chart H



Non-executive directors monitor that executive remuneration (including share options) is not higher than necessary

A substantial majority (74%) of respondents agreed that they monitor that executive remuneration is not higher than necessary. Of the remaining respondents, 14% were neutral and 12% disagreed.

Chart I

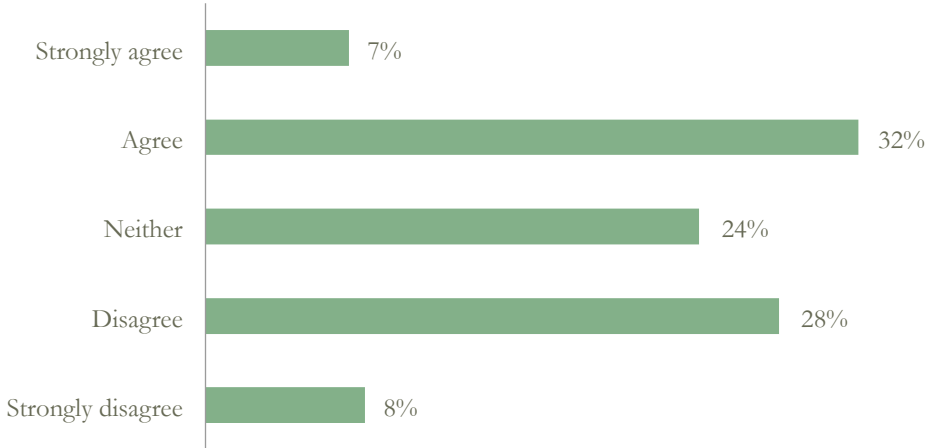


Employees' interests

Non-executive directors assure that there is a fair corporate wage policy for all levels

The participants' responses regarding whether they assure a fair wage for all levels were divergent: the results show a split between those who agreed or strongly agreed (approximately 39 per cent) and those who disagreed or strongly disagreed (approximately 36 per cent) that they assure a fair wage policy for all levels of the company.

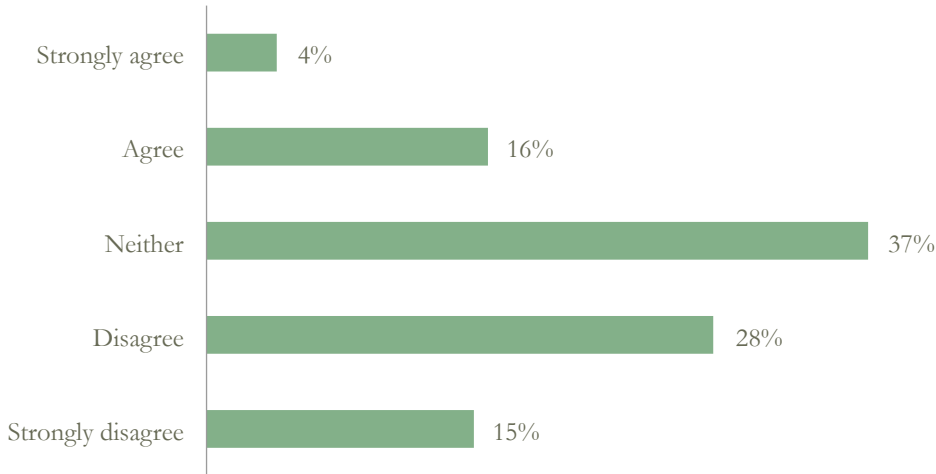
Chart J



Non-executive directors only agree with forced lay-offs if there is a redundancy scheme for the personnel involved

A small majority of respondents (43%) stated that they agree with forced lay-offs even if there is no redundancy scheme for the personnel involved. However, 37% were neutral and 20% disagreed.

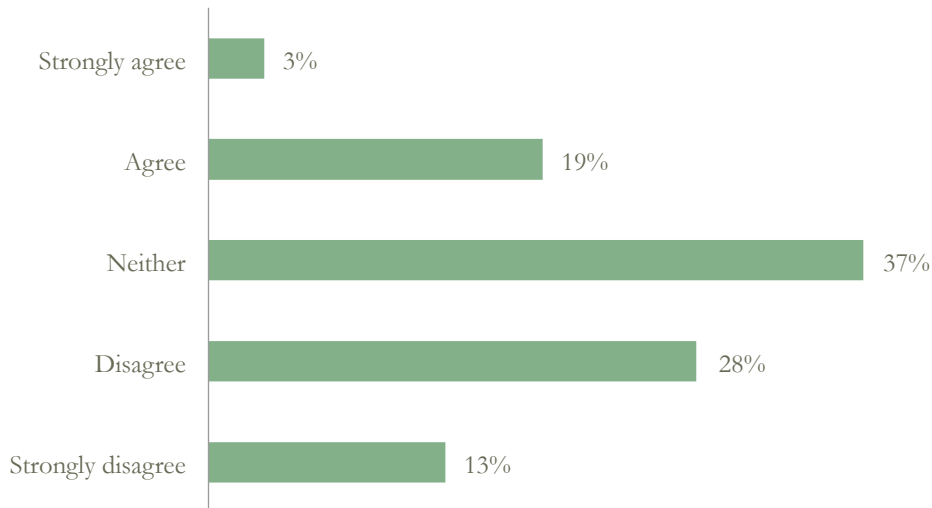
Chart K



Non-executive directors agree with forced lay-offs if these are necessary to prevent earnings-per-share dropping below a certain minimum level

A small majority of respondents (42%) stated that they disagreed with forced lay-offs aimed at preventing earnings-per-share dropping below a certain minimum level. However, 37% of respondents were neutral and 22% held the opposing view.

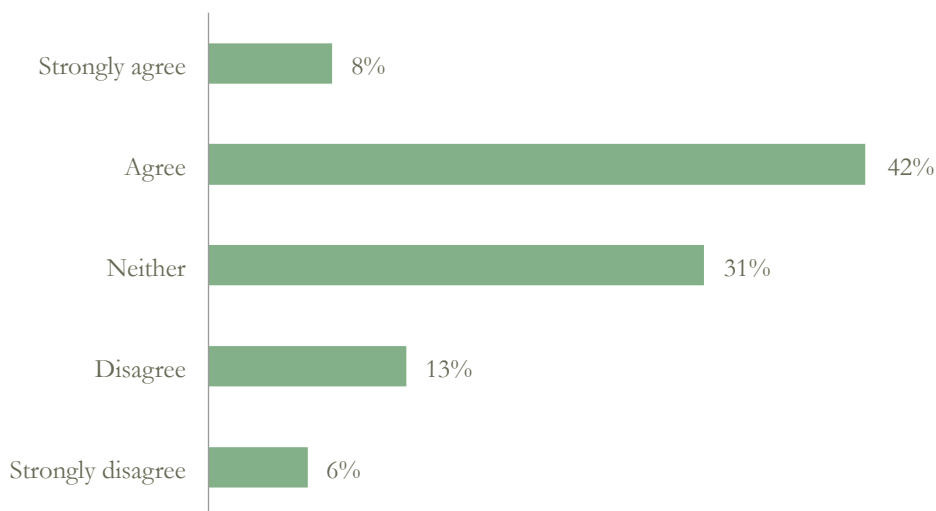
Chart L



Non-executive directors agree with forced lay-offs if these are necessary to substantially improve earnings

Half of respondent (50%) stated that they agree with forced lay-offs if these are necessary to substantially improve earnings. Of the remaining respondents, 31% were neutral and 19% disagreed.

Chart M

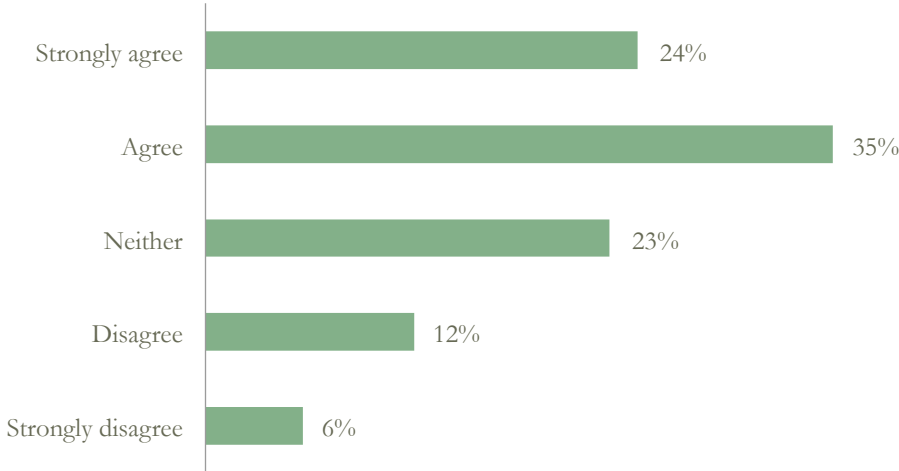


Reasons for resignation

Non-executive directors should resign if the company has violated company law in the UK

A majority of respondents (59%) agreed that they should resign if the company has violated company law in the UK. Of the remaining respondents, 23% were neutral and 18% disagreed.

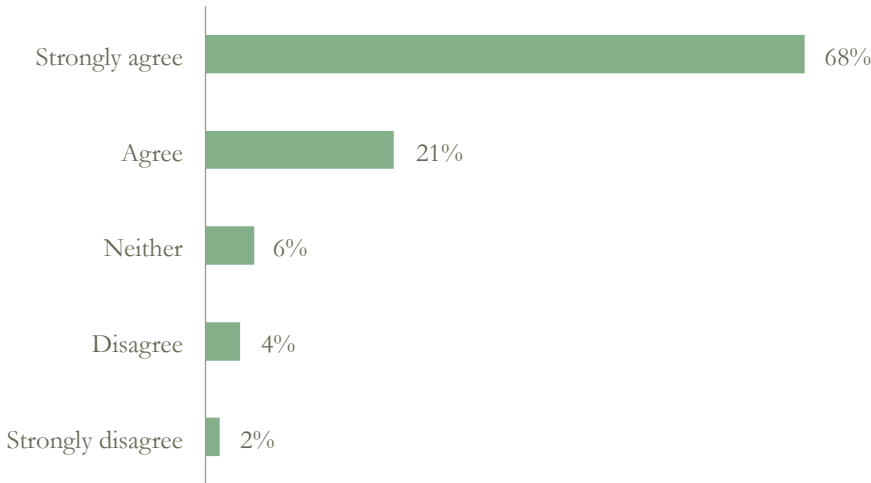
Chart N



Non-executive directors should resign if the company has violated company law in the UK and executive management will take no action to avoid recurrence

The vast majority of the respondents (89%) agreed that they should resign if the company has violated company law in the UK and executive management will take no action to avoid recurrence. Of the remaining respondents, 6% were neutral and 6% disagreed.

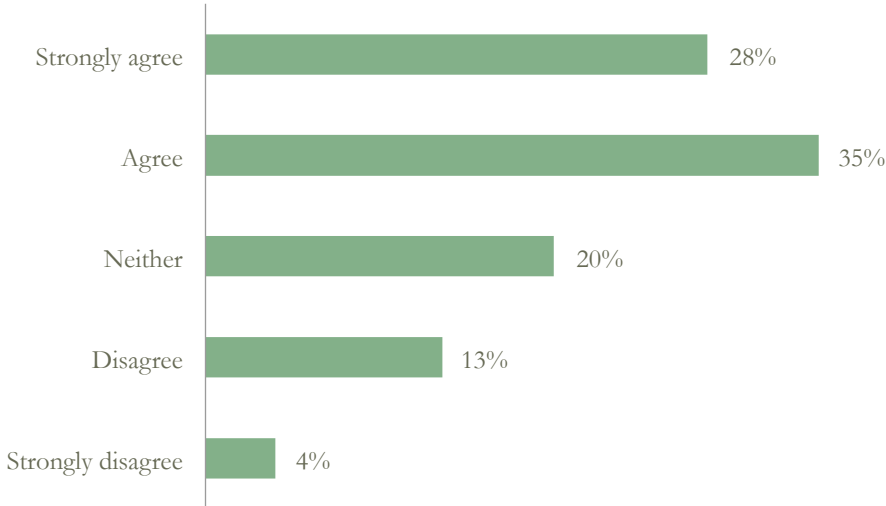
Chart O



Non-executive directors should resign if measures which need to be taken to ensure the continuity of the company are not being undertaken

A majority of the respondents (63%) agreed or that they should resign if measures which need to be taken to ensure the continuity of the company are not being undertaken. Of the remaining respondents, 20% were neutral and 17% disagreed.

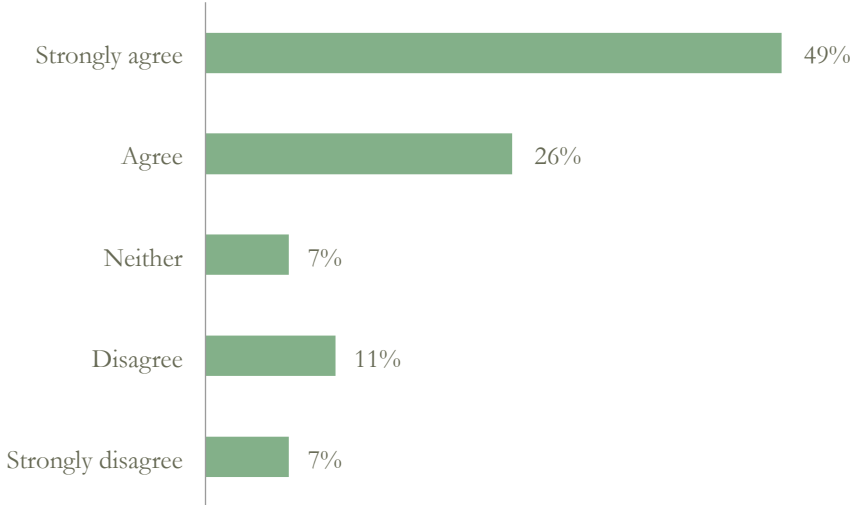
Chart P



Non-executive directors should resign if measures which need to be taken to ensure the continuity of the company are not being undertaken, and they have no confidence in executive management taking adequate actions in the future

A strong majority (75%) of the respondents agreed they should resign if measures which need to be taken to ensure the continuity of the company are not being undertaken, and they have no confidence in executive management taking adequate actions in the future. Of the remaining respondents, 7% were neutral and 18% disagreed.

Chart Q



Regent's University London

Inner Circle
Regent's Park
London, NW1 4NS
United Kingdom

Regent's University London is one of the UK's most respected private universities. Comprising of seven schools including a world-class conference centre, all within a superb central London campus. Regent's University offers undergraduate and postgraduate programmes of study to enable any individual to fulfill their academic and personal potential.

First Flight Non-Executive Directors

Maytham Oast
Rolvenden Layne
Cranbrook
Kent TN17 4QA

First Flight is the UK's only specialist provider of Chairs and Non-Executive Directors, providing a service to Companies that ensures they get the most effective Non Execs - not just a Non Exec but the best Non Exec. We work across all sectors and our main clients include AIM listed and FTSE SmallCap companies, unquoted companies, mutuals, Friendly Societies, family-owned companies, SMEs, young growth companies, Investment Trusts, not-for-profit organisations, UK subsidiaries of multinationals and Angel/VC/PE-backed companies.