

THE SKILLS AND QUALITIES OF A COMPANY DIRECTOR – Part 3

Jeremy Thorn, an experienced company Chairman and Director, looks at many of the requirements of being a Company Director, and most especially the qualities that may be required.

In Part 1 of this article, *'Becoming a Company Director'*, we looked at some very important basics. We examined some common misconceptions about being a director: for example, the different roles of a director and a shareholder, the need to consider a company's best interests as a legal entity in its own right and the relevance (or not) of limited liability. We also reviewed the possible components of a Board, different types of directors and some important practicalities, such as what should happen when a board might disagree.

In Part 2, we explored further the more practical duties of a company director: ie 'what has to be done'.

But what about the essential, practical *skills and qualities* that might make for a great Director? – the 'how' should the job be done'?

SKILLS AND QUALITIES REQUIRED OF A DIRECTOR

The official duties of a Director can appear quite onerous. Rather like those of a parent! But don't let such duties put you off? Of course any well-regulated society needs to constrain the duties of all sorts of people, including company directors. But if you apply common-sense and good judgement, you should find such a role to be one of the most fulfilling you may ever have! (I refer to being both a parent and a director, as it happens, but I refer specifically here to being a director! Though you may find it hard to spot the difference?)

There are clearly some very special qualities required of *all* directors, even though many others may be organisational specific. Here are some suggestions. Use them to develop yourself? Use them to strengthen your own Board?

I don't offer these in any special hierarchy of requirement, and some elements you may even disagree with! But if so, please don't ignore the rest?

i) 'Emotional Balance'

This quality can mean very different things to different people and, behaviourally, it may well employ a mix of many other more basic psychological constructs for experts to explore. Some readers may prefer the concept of 'Emotional Intelligence', others even 'Political Intelligence'; some may just call this 'Maturity' and others 'Interpersonal Skills'.

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Whatever the headline category you may prefer, at its heart and in this context, I mean specifically:

- the ability to listen to others and even challenge them constructively to establish their key points clearly, without jumping to premature conclusions, interrupting, ignoring them or closing down the discussion without a sound hearing;
- the ability to express oneself clearly, relevantly and factually, without being defensive or aggressive, while still being appropriately assertive;
- having a healthy 'self-concept' so you can take on board widely differing points of view from others without feeling personally diminished, threatened, 'put-upon', 'a victim' in the face of disagreement - or even a 'winner', coupled with a lack of personal bombast and frequent self-promotion, insincerity or immodesty;
- able to withstand reasonable challenges from colleagues (and even sustained disagreement when necessary), without taking this personally;
- willing to offer reasonable challenges (and even sustained disagreement) with due reason when necessary, without giving personal offence to others;
- possessing personal self-understanding that recognises our own individual strengths and weaknesses and our impact on others, with the ability to moderate our behaviour within reasonable limits as necessary without losing sight of core issues;
- the ability to tolerate ambiguity in establishing the facts, a willingness to seek out further information and to explore others' options which we may never have thought of ourselves;
- a willingness to find a valued and honest consensus, to help find a clear and agreed route forward that may be acceptable to all (even if with further contingent actions), without prejudicing agreed principles and personal values;
- a ready willingness to say 'I was wrong' when appropriate, in all honesty, without any sense of self-effacement or loss of self-esteem, having done all the above;
- a willingness to keep on learning and take on new views.

ii) 'Business Judgement'

This is another very difficult quality to define in the abstract, save that we often recognise it when we see it in practice! You might call this 'Strategic Awareness if you prefer, but I think this essential quality implies much more than this. It includes:

- the ability to attend to the relevant detail, without getting bogged down by it. To absorb a large amount of facts and be able to separate useful information from random or misleading data, or to lose sight of the end goal or purpose.
- the ability to rise above the detail, without ignoring it, to identify underlying trends and explore possible reasons for these. To be able to relate seemingly quite different pieces of information and to explore possibly useful linkages between them.
- to learn lessons from the past with an open mind, without being hooked on 'this is how have always done it';
- to keep in touch with the outside world, to be able to spot new trends, opportunities and threats, especially through developing and maintaining valued external business networks;
- to employ all the above qualities in separating what may be urgent from what may be important, and in securely identifying what may be relevant and what

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may be a 'wheel-spinner', or only a 'special interest' of possible value in due course - or not at all;

- to withhold premature judgement on any situation without getting as much information as possible from all sources in the time available;
- to make balanced decisions in the absence of *all* the information you would like, which may never be available! – and to put your organisation first in all your deliberations, not yourself, your prejudices or your own immediate interests.

iii) 'Business Awareness'

Unlike many owner-managers perhaps, I am firmly convinced that a new director does *not* need to be an 'expert' in the specific business. But the ability to learn is clearly vital, as is the wider understanding and experience of how businesses work.

Some of the essential components include, on both a tactical and strategic level:

- financial awareness. This does not mean every director needs to be a qualified accountant! But understanding the basics of a P&L, Balance Sheet and Cash Flow forecasts, the principles of budgeting and financial reporting, and even, with guidance, how investment decisions may be taken objectively, all seem fundamental as part of the essential language of business;
- additional functional expertise, whether of finance, operations, sales, marketing, purchasing, IT, HR or whatever, also seem to be critical. After all, executive directors need to be a 'director of something'!
- customer focus, whatever the job title, as customers drive all businesses! This may also include both strategic commercial awareness, and even political awareness, in terms of how your wider supply-chain works;
- corporate governance – or the awareness of good business practice, the responsibilities and reporting to stakeholders as appropriate and compliance with the law, and what to do when things may go wrong.

iv) 'Representational Qualities'

Directors do not/should not work in an organisational vacuum. They need to build their links with both all their other colleagues and the outside world too, as the most senior representatives of their company.

So related core skills might include:

- personal projection, which may include setting a solid and consistent example for colleagues internally, as well as networking confidently further afield;
- team building skills, which inevitably include clear communication skills, establishing core values and acting fairly while holding others to account, but also in giving reward where reward is due, and even seeking and promoting those who may be better than you in some areas, to strengthen the business;
- influencing skills and negotiating skills; which apply to all the above categories of course, but most especially in representing your company;

v) 'Problem Solving and Innovation'

Running a successful business is rarely about maintaining the *status quo*, but in seeking continuous improvement, finding better ways of doing things and maintaining and raising standards.

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Key qualities almost certainly include:

- setting high standards and helping others to achieve them;
- learning from the past, and also seeking novel solutions where appropriate, creativity, 'breaking the mould' and bringing in others' ideas without adopting a 'not invented here' approach;
- focus, drive and determination, the persistence to see things through, dealing with important matters first, and the resilience to overcome inevitable set-backs.

vi) 'Leadership'

The qualities required of a leader might fill several books! In my own experience, there is no universal quality (or set of qualities) that make a good leader as 'leadership' is often context-specific.

But if you can achieve i) to v) above, you will surely be well on the way to being a great leader as well as great director!

DIRECTORS v MANAGERS

Finally in this short series of three articles, what makes a Director' different from a 'Manager'? It is a great question for any director to ask!

In my judgement, there are at least two, very significant differences.

First, managers will have functional/departmental responsibilities, but directors are collectively responsible for the *whole* company. (So one of the very best qualifications for becoming a Director is to have had senior departmental responsibility in at least two different functions for preference – if possible!)

Managers must naturally take responsibility for their departments and may expect to be rewarded accordingly, but a director has to see, and be responsible for, a far wider picture. And there is no room for any petty functional jealousies and inter-departmental rivalries at Board level. A seriously divided board suggests a damaged company and wise Managing Directors and Chairmen will always want to ensure this never happens. Most especially, board-room disagreements must never be carried on outside the board.

Secondly, most managers in the end will have a tactical focus, at least day-to-day, but directors must add to this a far wider, strategic concern. An entirely tactical director may as well be a senior manager.

A tactical focus and attention to detail is of course laudable in any role, but a lack of strategic awareness at board-level as well may raise the question: why have a Board at all!

If you fear this may apply to your board, do start asking questions, such as:

- 'What is our overall purpose for this company?' What markets are we really in, and which ones do we want to be in?'
- 'What are our corporate goals, how will we know when we have reached them, and what will it look like when we get there?'

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- 'What are the values of our business, what sort of culture do we want to embed, and how will we know if we have achieved that?'
- 'Are we clear on our own strengths and weakness as a business and what are the external opportunities and threats we need to be aware of?'
- 'Do we know what our competitors are up to, our key suppliers and our core customers? What is happening to our core technology? What trends do we see happening to both supply and demand?'
- 'Do we have the right skills, the right people and the right resources? What do we need to do to get them?'

One of the greatest skills of a director is to ask the right questions. You don't need to have all the answers, but as a Board, you certainly have a unique opportunity to make sure that as a business, you find some.

I wish you all good fortune!



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Author of several prize-winning business books and a frequent speaker to the Academy for Chief Executives, Vistage and a wide range of other professional organisations on business matters, Jeremy is a past founding Chairman of a management consultancy business, past Managing Director of a large international engineering company which was one of the first ever accredited to the Investor In People standard, and a Fellow of the Royal Society of Arts.

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