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Executive Search & Board Advisory

THE EMERGENCE OF THE YOUNGER PROFESSIONAL DIRECTOR – IS IT IMPAIRING COMPANY GROWTH?



"Others have seen what is and asked why. I have seen what could be and asked why not" Pablo Picasso

A recently published Blenheim Partners Paper identified the emergence of a “Young Professional Director” in Australian Boardrooms and the potential issues this presented in terms of growth of Australian companies.

Participants in the study highlighted the trend in this new “professional class” of Directors being appointed to Boards. Characteristics of these Directors tended to be:

1. Lacking C-suite experience;
2. Lacking experience generally;
3. Appointed based on narrow, “demographic” notions of Board diversity; and,
4. Generally younger and less experienced than Board members have traditionally been.

The emergence of the “younger professional Director” was raised on enough occasions by participants to signal that it is a potential concern regarding the conscious or unconscious constraints that it places on decision-making processes in the Boardroom. These constraints will tend to be around willingness to embrace risk. If this is the case then risk aversion and

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conservatism may become a growing force on Boards as the “Young Professional Director” numbers grow. The concern will be that inherently growth and risk are business partners in themselves and if the risk appetite of a Board is significantly impaired, so too will be the growth prospects considered and approved.

This can very well result in investments in new ventures, M&A and R&D being reduced, pared back, deferred or not approved at all, leading to reduced competitiveness and retardation in the growth of Australian companies. The end result may very well be a question as to the ongoing viability of some of these Australian companies.

Why is this so? Some participants theorised that since many of these new professional Directors may need the money and must sit on multiple Boards to make ends meet, perhaps they can't afford to do anything controversial that might lead to an incident where they might put in jeopardy their Board role or, worse still, future roles. This results in over-concern with personal reputation and risk aversion when it comes to pursuing growth opportunities.

In essence this new breed of “Young Professional Director” were changing the nature of the role of Directors to one of a career, and as one participant in the study put it, “The day we went to career politicians, it became a problem, and the same applies to Directors.”

Some Directors even went so far to as suggest that the personal wealth of potential Directors might be used as a “litmus test” for determining their motivations for joining a Board. From this perspective, only potential Directors with considerable personal wealth gained from their experiences as company executives, investors and the like would qualify as having the right incentives, the courage to take risks, and the capacity to handle the consequences of failure.

“One Chairman said to me just the other day, ‘One of the things I look for when I look at Directors, is do they need the money, because if they really need the money, it's not the right job for them’.”

But there were some dissenting views on whether all Board Directors should have Executive experience, and whether this new breed of younger, professional Directors is necessarily a bad thing. For example it would be likely that the younger Director would be more knowledgeable of digital and social media than would be the older more traditional Director, an emerging requirement for company growth and success.

This does not mean that new or emerging Directors should be excluded from Board. Far from it because how else do they become a Director to start their career. There is room for “learners” on Boards and Boards should have the capacity to bring on such a person, young or otherwise. “What is essential is that the appropriate due diligence in the recruitment and selection process is performed on the potential new Board members to ascertain drivers and motivations of the individual to join the Board.

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Such a process will reduce many of the risks and concerns highlighted above” said Gregory Robinson, Managing Partner of Blenheim Partners.

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Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our clients come from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work is highly international with over 90% of our assignments global in scope.

Our team consists of senior Search Consultants, Human Resource Directors, Psychologists, Coaches and exceptionally experienced Researchers.

Our philosophy is to develop deep and committed relationships with a small number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

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