

HOW GOOD IS YOUR BOARD?

GEOFF RUDDICK OF INTERNATIONAL MANAGEMENT SERVICES EXAMINES THE MANY FACTORS BEHIND A SUCCESSFUL BOARD AND UNCOVERS WHAT MAKES A GOOD FUND DIRECTOR



Geoff Ruddick heads up the fund services division of International Management Services, a firm that specialises in fund governance and fiduciary services. He serves as an independent director to investment funds and has extensive knowledge of the commercial side of fund management as well as with corporate governance, compliance, corporate recovery, administration and audit.

HFMWeek (HFM): Split boards are gaining more and more traction, what is your perspective on them?

Geoff Ruddick (GR): Split boards have been the trend for the last couple of years now. Investors in particular are becoming increasingly interested in board composition and appointing directors with complementary skillsets from different service providers. My understanding is that an effective and diverse board requires competent individuals with complementary skillsets who can work collectively irrespective of whether they come from the same shop or not. The collaborative aspect is equally as important as the individual expertise. There should ultimately be synergies gained so that the board's collective value equates to more than the sum of its individual members. Good governance and the right board composition are key.

HFM: What are the most significant aspects to consider when constructing a board?

GR: Constructing an effective and diverse board does not have to be an arduous, time-consuming process, however, the decision should not be taken lightly. Given the directors are accountable for leading and directing the fund's affairs, effective corporate governance is critical. Therefore the appointment of experienced and qualified independent directors who collectively provide a diverse and complementary board composition is essential. The industry needs to ensure the focus remains on the underlying fundamentals of good governance and the right board composition and not simply focusing on retaining directors from different fiduciary firms. Where the main consideration or key focus is only to engage independent directors from different fiduciary firms, this narrow focus, for the most part, misses the fundamental objective of establishing an effective and diverse board. So they should go beyond the 'split board' sales pitch and have a thoughtful, measured, balanced approach and give all aspects due consideration.

HFM: Are available directors with sufficient experience becoming a rarity?

GR: There has been an influx of individuals with varying skillsets into the fiduciary space which is a positive development, and there is certainly a greater depth of high quality

directors in the space to choose from than there was a few years ago. Most are senior people who have excellent experience, qualifications and pedigree and are able to seamlessly make the transition from being an administrator, lawyer, auditor, regulator, risk or investment professional to being a director. Others, however, have difficulty making the transition, as although they have impressive technical skills, they are unable to transition into a leadership and oversight role that goes beyond their area of expertise. Individual personalities can come into play as well.

HFM: With the influx of new directors, how important is it to possess individual personalities?

GR: The credit crisis was really the inflection point where governance started to be taken more seriously. As a result, there has been a flood of new entrants into the fiduciary space, which can be partially attributed to a supply shortage as long-standing individuals are reaching capacity. Other newcomers are simply being opportunistic as they are looking for a career transition. In respect of individual personalities coming into play, for example, some people are too passive, or lack the intellectual curiosity, or gravitas to effectively and appropriately challenge management or their fellow directors, while others have domineering and controlling personalities or simply lack the aptitude to participate in a collective approach. As it is for many things in life, the right balance of individualism and collec-

tive approach is also paramount to an effectively functioning board.

HFM: What qualities should you consider when searching for a fund director?

GR: There is a wide range of attributes and characteristics to consider from backgrounds (i.e. accountant, lawyer, ex-regulator, investment or risk expert), independence, qualifications, stage of career/life, level of engagement, technical abilities, personality and interpersonal skills, jurisdictional residence/familiarity/knowledge of and experience within the industry, capacity, support infrastructure, etc. The list goes on. I would, however, emphasise it again, perhaps most importantly is how the individual personally views their role as a fiduciary. ■

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