

The Association's new horizons



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Over the last 25 years, the NACFB has grown considerably in scale and complexity. On top of this, the pace of change has gone through the roof. After about 10 years of trading (ie 15 years ago), the NACFB had less than half the Members it does today and less than half the number of Patrons. That's some change by anyone's estimation.

If growth was the only consideration, governance wouldn't be so important, but it's not. When you take today's operating environment, ie the challenges associated with tightening regulation and Brexit uncertainty, and a general election, the trading landscape is altogether a more complex beast for the NACFB than ever before.

In addition, while the business environment we are operating in is far from straightforward, one thing we can be sure of is that further challenges will arise as the NACFB responds to new and ongoing changes in the commercial finance arena. If all this wasn't enough, the Association is also rapidly establishing its own new compliance services, which is like a business within a business.

So what does all this mean? Well, greater complexity plus more risks result in a heightened need for strong, effective governance.

The NACFB board has recently taken a look at what best practice says about governance structures and recognised that governance plays an increasingly important role in balancing the needs of an organisation and its stakeholders. Part of the NACFB board's role is to deliver the Association's *raison d'être*, and one thing the board recognised is that it hasn't been as clear as it could have about our strategy and plans, both in the short and long term.

Alongside all these business challenges is the internal one presented by an ever-rising bar in respect of the skills and quality expected of board members and leadership of the Association. The list of expected personal and technical qualities of a board director in 2017, for example, is so long and precise that one wonders whether anyone could fit the bill. To put it simply, the board should be a balance of the appropriate skills and experiences required to discharge its responsibilities. However, securing the right people and providing development, support and appropriate infrastructure requires dedication and is an important challenge for the Association.

It is also important to look forward and consider what skills, knowledge and experience a board needs to lead and direct the Association towards its vision and business aims over the coming years. The skills of the board must be aligned to robust business plans. Talent management within the board then needs to be linked to the NACFB's strategy if the board is to be effective.

At its January 2017 meeting, led by the NACFB's chairman, Paul Goodman, with support from interim CEO Rob Lankey, the NACFB board agreed the Association should conduct a review of its governance. They both drew on their experience of not only installing corporate governance across a variety of business structures, but also their understanding of the practical implications arising from implementing changes in governance.

What we need to address

- The Association wants to embed a stricter internal operating environment, so it's crystal clear who can do what and who can sanction the actions.
- We need to make sure the right piece of work is on the right desk. In practice, this means the main NACFB board remains the custodians of the Association's strategy and direction. The NACFB operations board, which meets monthly, deals with the

operational matters, supporting the executive, which in turn looks after the daily running of the Association.

- The board felt it wasn't meeting often enough in this fast-moving environment, so instead of four meetings a year, we're moving to six. We also held a strategy 'away day' to refocus and cement the NACFB's strategy.
- Better management information (MI) was required, and to make sure there's an excellent flow of information we're introducing more detailed MI, so the board directors and executive know exactly how the operation is performing against its KPIs.
- The board wants to explore the broadening of its skills, so at the AGM in November, the Association will be asking Members to vote to allow the NACFB's board to include independent board members and Patrons' representatives for the first time. While this might sound a bit radical, it isn't really. Yes, it's a first for the Association, but if you look at the format and composition of other trade bodies and similar organisations, most look for a mix of skills relevant to their industry.

So we're going to propose having a board of 12, comprising six NACFB broker board members, two independent board members (these could be valuers, solicitors or other relevant stakeholders in the commercial finance industry) and two members who hold leading roles within our Patron firms. The members will always be the majority, but we sincerely feel that this broadening will extend the insight, knowledge, skill and experience of the NACFB board. At the board's strategy 'away day', we considered this proposal in more depth and honed the details so we can ask for your support at the AGM on 30th November. It's a big change, so we're not going to rush it and we'll take the time to ensure we get the structure right. But you can see, from the direction of travel, that we are prepared and confident in making big decisions to enhance the NACFB for the next quarter of a century.

How will the Association be structured?

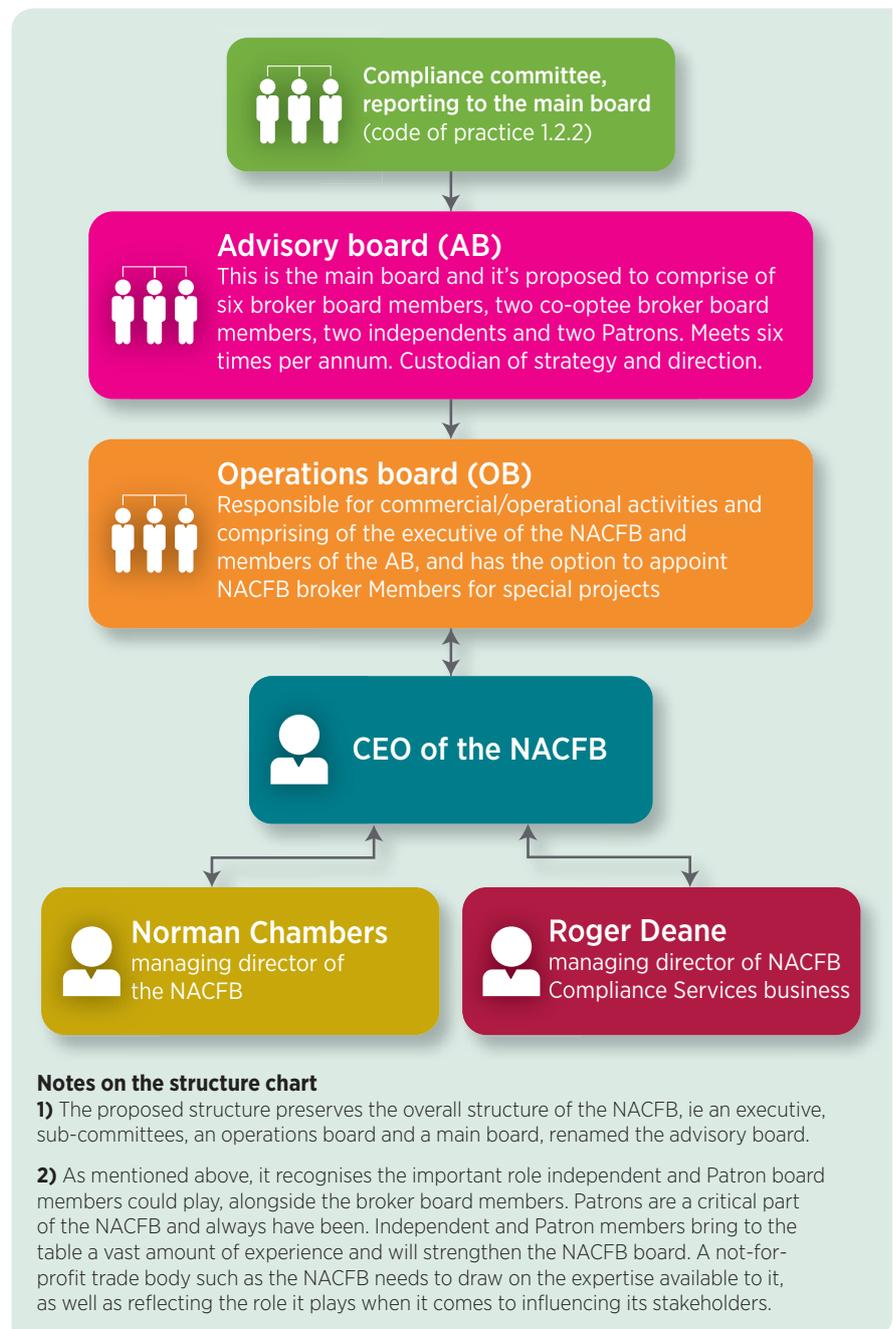
The chart shown opposite sets out how we're planning to structure the Association going forward and we'll be asking our Members to vote for it at the November AGM.

- **Advisory board (AB)**
This is the main board and it's proposed to comprise of six broker board members, two co-optee broker board members, two independents and two Patrons. Meets six times per annum. Custodian of strategy and direction.
- **Operations board (OB)**
Responsible for commercial/operational activities and comprising of the executive of the NACFB and members of the AB, and has the option to appoint NACFB broker Members for special projects
- **Compliance committee, reporting to the main board (code of practice 1.2.2)**
- **CEO of the NACFB**
- **Norman Chambers, managing director of the NACFB**
- **Roger Deane, managing director of NACFB Compliance Services business**

Transition to the new NACFB structure

The transition from the current structure of the Association to the new will be carried out carefully and gradually. We're going to ask our Members to support the changes at our AGM in November, but we wanted to talk about them to the industry, now, in an open way. The implementation of the new board structure will take place in the 12 months from the 2017 AGM. Given the Association's structure has remained largely the same for nearly a quarter of a century, it would not be prudent to rush things; but there's a lot we are doing now to improve governance and efficiency.

For example, we've implemented a new document called standing orders – which doesn't have anything to do with banking by the way. This document is effectively the internal rule book of who is accountable and responsible for what at the Association, and who has the authority to agree things and get them done.



We've also already implemented better MI, along with a host of other, small tweaks to make the business more effective. The lid has also been lifted on the commerciality of both the gala dinner and the Commercial Finance Expo. The net result of all of this is the Association will make a greater profit in 2017 than we first expected and we are proud of that. There is no shame at all in a not-for-profit organisation making a lot of profit. Not-for-profit does not mean don't make one. We will absolutely make as much profit as possible for

reinvestment into what the NACFB does and provide the essential fuel to get new initiatives off the launch pad.

Ahead of the 2017 AGM I call upon our Members and Patrons to please get behind us and support our aims. There is no organisation out there which is better placed than the NACFB to not only represent the commercial finance industry, but also to lead the way in building industry standards. That's not all: the NACFB is designed around the interests of you, the Members and Patrons. ■