



Supporting the hair, beauty  
and barbering industries

## Notice of Special Resolutions to be considered at the Annual General Meeting of NHBF Members

### **SPECIAL RESOLUTION: Amendments to the Rules of the National Hair and Beauty Federation (Annex A)**

#### **Discussion**

In response to the NHBF's governance review in early 2021, Directors have agreed to restructure the Board.

#### *Board size*

Similar to corporate boards, not-for-profit organizations are beginning to assess their board composition, diversity, and size. Changes are on the horizon as not-for-profit boards seek to work as efficiently as possible so they can focus on delivering their organization's mission whilst still meeting legislative and regulatory requirements. The average size of not-for-profit boards is 16 directors. During the last 20 years the size of not-for-profits has slowly decreased but the average size is still more than most experts recommend, who generally agree that a typical not-for-profit board should comprise not less than 8-9 members and not more than 11-14 members. **A board should be large enough to get the work done, yet small enough to work as a single team which communicates, deliberates, and functions as a single body.**

When a board is too large, business can be difficult to conduct as a single group. In such situations an executive committee is often used as the deliberative and decision-making group, and the remaining board members (the "full board") become a passive, rubber-stamping body seldom asked for input prior to important decision-making. Sometimes, the power positions on the large board may include other committees, such as finance or governance, as well as the executive committee.

Arguably, having larger numbers of directors gives boards the advantage of "institutional memory," where long-time board members remember much of the organization's history. Board dynamics also differ with larger boards. Board discussions are typically longer with larger boards, as they bring forth a greater variety of perspectives. On the flip side, having many opinions around the table allows quieter members to disengage, causing them to feel like their voice has no meaning. It is also easier for cliques to form with larger boards, which can isolate some board members even further. Having many board members places a larger burden on the Chief Executive, who is required to meet all of their expectations. Larger boards also tend to have more committees, which means the organization may need additional staff or resourcing to support them.

Members of large boards tend to feel their participation is limited, as is their opportunity to exert influence, contribute good ideas, and use their leadership skills to benefit the organization. Especially when board action is ratifying decisions of the executive committee and listening to staff reports, board members become disconnected from the group. This may result in absence from board meetings or lack of effective preparation even when board members attend meetings.

Small boards may also suffer from cliques and a "two-class" system. If there are too few people on a board, there may be one or two members who intimidate the remaining board members. Intimidation is not necessarily deliberate or need to be physical or emotional coercion; if one board member has specialized knowledge related to the organization's

mission, or s/he has more time than others available to review materials, visit with staff, stakeholders, donors, and volunteers, etc., that can be intimidating. Of course, a major supporter or a founding director can be intimidating on any board, but this is especially true when the board's total size is relatively small. Members of small boards are often asked to take on multiple tasks, from governance to fundraising to decorating a room for the big event. Too many tasks taking too much time away from work, family, and leisure present a risk to both the board member and the organization that the board member will become exhausted. He or she will begin disconnecting from the board and the organization.

Though the symptoms are different in large and small boards, the results are the same: improper board size leads to board member disengagement. Boards are often the most underutilized resource of an organization, either because board members are not engaged meaningfully or because board members' time and talents are wasted on secondary tasks and pursuits.

The UK Corporate Governance Code stipulates nine as the recommended board size for companies in the FTSE 350; and according to a study by Bain Capital Private Equity, the optimal number of directors for boards to make a decision is seven, arguing that every additional board member after that decreases decision-making by 10%. The Rules of the NHBF do not currently specify a minimum or maximum number of directors but given the size and scope of the NHBF's business (as defined by turnover), maintaining a Board of 12 directors no longer reflects "good governance". It is imperative that NHBF members feel connected and have a voice but there are more effective means for ensuring the member voice is heard, such as forums, consultations, pulse surveys, working groups, and town hall meetings.

Within these contexts, Directors have agreed to reduce their number from 12 to nine. Rather than an immediate change however, the Board has agreed to implement a phased transition, respecting Directors' current tenures, avoiding uncomfortable disruption, and maintaining external confidence in the Board's capacity to lead the Federation:

Position	Appointment Date													
	Transition Phase							Three-year election and appointment cycles						
	Nov-21	May-22	May-23	May-24	May-25	May-26	May-27	May-28	May-29	May-30	May-31	May-32	May-33	
1	1(2)	1(3)	2(1)	2(2)	2(3)	3(1)	3(2)	EX(1)	EX(2)	EX(3)	EX(1)	EX(2)	EX(3)	
2	1(2)	1(3)	2(1)	2(2)	2(3)	3(1)	3(2)	N(1)	N(2)	N(3)	N(1)	N(2)	N(3)	
3	1(3)	2(1)	2(2)	2(3)	3(1)	3(2)	3(3)	N(1)	N(2)	N(3)	N(1)	N(2)	N(3)	
4	1(3)	2(1)	2(2)	2(3)	3(1)	3(2)	EX(1)	EX(2)	EX(3)	EX(1)	EX(2)	EX(3)	EX(1)	
5	2(1)	2(2)	2(3)	3(1)	3(2)	3(3)	EX(1)	EX(2)	EX(3)	EX(1)	EX(2)	EX(3)	EX(1)	
6	2(2)	2(3)	3(1)	3(2)	3(3)	LT(1)	N(1)	N(2)	N(3)	N(1)	N(2)	N(3)	N(1)	
7	3(1)	3(2)	3(3)	LT(1)	LT(2)	EX(1)	EX(2)	EX(3)	EX(1)	EX(2)	EX(3)	EX(1)	EX(2)	
8	3(1)	3(2)	3(3)	LT(1)	LT(2)	N(1)	N(2)	N(3)	N(1)	N(2)	N(3)	N(1)	N(2)	
9	P(3)	NP(1)	NP(2)	NP(1)	NP(2)	NP(1)	NP(2)	NP(3)	NP(1)	NP(2)	NP(3)	NP(1)	NP(2)	
10	1(1)	1(2)	1(3)											
11	1(1)	1(2)	1(3)											
12	VP(2)	VP(2)												

Key: P = President                      VP = Vice President  
 NP = New President                  LT = Limited Term  
 N = Newly Elected                  EX = Externally Recruited Director

The first number indicates the term; the bracketed number is the year of tenure.

The yellow numbers indicate the start of a new term during the transition phase.

The above schedule reflects Directors' agreement on Board composition and terms of office (see below), but its implementation will allow the Board to transition from a 12 to a 9-member body, with a new 3-year election and appointment cycle beginning in May 2026 and fully implemented from May 2028.

In addition, the transition will require three of the Board's newest members to serve eight rather than nine years (Lisa Cathcart, Susan Hall, and Tom Robinson or Carolyn Sweeney); and will require several limited-term appointments of one and two years during the mid-2020s. These limited-term appointments can be newly elected or an extension of the incumbent's mandate, although Directors would prefer to see the introduction of new people onto the Board, untapping the Board's talent pipeline and introducing additional perspectives and expertise to the boardroom. Irrespective, in terms of a Board restructure this model represents a relatively straightforward modification, which capitalizes on attrition rather than unnecessary upheaval.

### *Board composition*

The UK Corporate Governance Code states that "...the board and its committees should consist of directors with the appropriate balance of skills, experience, independence and knowledge of the company to enable it to discharge its duties and responsibilities effectively." The provisions supporting this say that the board should have a 'strong presence' of both executive and non-executive directors so that no individual or small group can dominate its decision-taking and so that an appropriately balanced, skilled and experienced group of directors can lead the organisation effectively. At least half of the board, not counting the chair, should be independent non-executive directors. In the NHBF's case, which is currently a board of 12, this would translate as having an evenly balanced Board of six independent and six elected Directors. However, given the Board has agreed a reduction in number to nine directors (see above), they have agreed to transition to a hybrid model of four appointed (independent) and five elected (from the members) directors, aligning NHBF's (not-for-profit) governance with accepted good practice.

The benefits of a hybrid model are manifold: The Board will retain specialist knowledge of the industry, and of the Federation; and will complement these with governance skills and expertise which fill any gaps that are identified in the Board's annual skills audit. Depending on the make-up of the Board, this could range from public policy, contract law, or business acquisition, to lobbying, financial strategy, or risk management. Indeed, we may see the cross-pollination of expertise amongst trade associations and membership bodies, with individuals joining the Board because of their specific experience in not-for-profit strategy or governance. The benefits will vary over time, reflecting changing circumstances and strategic priorities; the objective however is always to encourage fresh perspectives, to balance the Board's skillset, and to ensure ideation and decision-making processes are optimised.

### *Terms of office*

It is accepted good practice to routinely invest in new knowledge and expertise amongst a Board; and indeed, the UK Corporate Governance Code recommends that a non-executive Director should serve for a maximum of six years. They should only serve nine if they are the chair and no suitable replacement can be found. The Board has therefore agreed that Directors' tenure be reduced from a maximum of three to two 3-year terms. This is reflected in the above schedule.

### *President's appointment*

One-year presidencies are ineffective. Even if an individual has served as vice-president, they have little time to realise a long-term impact. A successful presidency requires an investment of time and energy which cannot yield sustained results in only 12 months. The NHBF is extremely fortunate in benefiting from the commitment and discerning leadership of the incumbent, who will serve three 1-year terms before retiring from office in May 2022; but this may not always be the case and thus the Board has agreed that the presidency will be an elected position with a three-year tenure, and treated in the same terms as all other elected directorships. During the transition phase, to help us synchronise our election and appointment cycle, Directors have agreed that the presidency be gradually extended from the current 1-year term to two 2-year terms (May 2022 - May 2026), and then onto the standard 3-year term from May 2026 onwards.

Further, in the spirit of openness and transparency, and with a view to underpinning trust within and of the Board, Directors have agreed that rather than being appointed by and from the Board, from May 2022 the position be elected from and by the membership. Potential candidates will be identified and nurtured through succession planning (see below); and their credentials scrutinised by the Nominations Committee against the job description and person specification before being put forward by the Board (as part of a group of candidates) as suitable for election<sup>1</sup>. It is however a bold statement of the Board and the Federation's commitment to the membership, and will be a subtle antithesis (should one be required) to the introduction of independent, externally recruited non-executive directors.

An existing member of the Board will be allowed to run as a candidate for presidency, and without their length of service as a director impeding their right to serve the full tenure of the presidency. In this scenario, to avoid unnecessary confusion and to ensure the continued flow of fresh talent onto the Board, the presidency will supersede their original Board term.

Directors understand that using the Board as the source of presidential candidates means that those who come forward generally have a good understanding of how the organisation is run by the time they reach the senior leadership position. It is a risk to elect someone directly into the position without having previously served as a Board member but as with any non-executive directorship, we will invest in the individual's professional development; and so the risk will be sufficiently managed and mitigated by ensuring an appropriate induction and training programme is in place. Indeed, the risk is further mitigated by the strength of executive leadership within the Federation, and whilst the President should absolutely be cognisant of organisational issues, their individual focus and experience should be wider, concentrated on the strategic direction of the NHBF within the context of the hair and beauty industry, and their requisite skills and experience should reflect that need (and be identified as part of the Nominations Committee's sifting process).

### *Geography*

The Board's fundamental legal obligation is to protect and promote the interests of the Society rather than representing the interests of specific groups within the membership. That is not to say Directors should not be cognisant of members' opinions or circumstances when decision-making. Far from it. It is imperative that the Board considers members as part of its strategic planning, business review, and performance analysis; but whilst members' views are a source of information and inspiration, there are however vehicles for engaging with members which are more appropriate and more conducive to creativity and ideation than the board table. These include member forums, focus groups, consultation exercise, councils of past presidents, and/or subject-specific advisory

---

<sup>1</sup> These processes will be articulated in the Nominations Committee's refreshed terms of reference.

committees; and within the context of the Board's current model of Directors representing specific UK regions or countries, this can easily be achieved through any one of these mechanisms. Indeed, the events of the last 18 months have demonstrated that access to technology and digital communications are as crucial to members' experience as their access to local networks; and from a governance perspective, geography is irrelevant. Directors are obliged to only consider the Federation's interests in their entirety, unburdened by geographic interests or any other demography. Directors have therefore agreed that from May 2022 (and as part of the Board's succession plan) elected Directors will volunteer from across the membership and be selected from a membership-wide poll.

#### *Succession planning*

The *Cooperative Corporate Governance Code* makes clear that long-term business success and good governance go hand-in-hand. Therefore, an effective board must take the lead in shaping and embedding a sustainable corporate culture, and this is central to its purpose. Indeed, evidence suggests that the absence of strategic, thoughtful and practical succession planning can be a substantial risk to an organisation's long-term success. These principles are equally applicable to not-for-profit organisations and any changes to the Board's size and composition will be underpinned by a formal Board of Directors succession plan.

[END]