What makes a great Board Chair?
For more information:
Susan Bloch or Mairi Eastwood
The Change Partnership
Ryder Court, 14 Ryder Street
London SW1Y 6QB

+44 (0) 20 7451 0499
+44 (0) 20 7451 0498
susan.bloch@wmann.com
mairi.eastwood@wmann.com
www.wmann.com
What makes a great Board Chair?

215 of the UK’s top Directors give their views

CONTENTS

Foreword – David Reid
Chairman, Tesco PLC 3

Executive summary 4

Ten Tenets of being a great
Board Chair 5

Implications and conclusions 7

The findings in detail 8
Acknowledgements

Our thanks are due to the 215 interviewees, who volunteered time during their busy schedules to take part in this project. The interviewees all hold senior positions within one or more organisations, with inevitable pressures on their availability. But they all recognised and appreciated the significance of the question being raised by this research, and felt it important to take part and express their views. They also recognised that the findings offer huge value for those taking on the role of Chair for the first time, since ‘training’ is rarely provided.

The 215 interviewees are all current Directors of either FTSE 100, FTSE 250, large private companies, private equity companies, or public sector bodies. They expressed views about a diverse range of Chairs they have experienced. Including multiple roles, they hold positions at 399 different companies or organisations, and adding past positions that total increases to 775. 60% of the interviewees are currently either a Chief Executive or Chair.

Although Chair is used as a generic term throughout this report, many people prefer the word Chairman. This was debated both within the project team and with clients, and the conclusion was that although Chairman is still perhaps most commonly used in day-to-day conversation, the more modern usage is Chair. We therefore apologise to anyone who objects to this choice of vocabulary. No offence is intended, and we sincerely hope that none will be taken. When quoting interviewees, we have reported faithfully the terms they used.

Thanks are also due to the many senior consultants within the Whitehead Mann Group who carried out the interviews and produced such rich and stimulating feedback. The research team was led by Susan Bloch, who heads up Thought Leadership within the Group. Data was analysed and calibrated by Peter Shaw, Liz Walmsley and Nicola Jacobs who work in the practice.
Foreword

This Report is both timely and welcome. Without doubt, being in the Chair of an organisation is a hugely satisfying and challenging role, but it’s also one for which there is very little formal preparation. So, as organisations now develop their methods of Board assessment, a better understanding of the critical success factors as seen by their peers will be of great help not only to those already in the Chair but to those preparing to take on this responsibility.

As this major piece of research confirms, it’s vital to build a strong relationship with the CEO, recognising the different roles and combining to deliver the strategy and vision. A great Chairman must lead the Board and facilitate the management and resources to deliver the results. In a business, this means ensuring that the company has the strategies, the quality of management and all the resources – financial, human, technology – to create wealth on a consistent basis.

At the same time, the Chairman has to ensure that the business is run with values and integrity not just to meet governance codes, but which are acceptable to customers, employees, suppliers and the wider stakeholders in society.

The focus is always on the future, anticipating and facing up to the strategic challenges and risks that can affect performance and sustainability. This includes key issues of succession and capability for growth, so that success can be a continuous cycle, with seamless changes in management and leadership.

Above all, this Report re-affirms the Chairman’s role in building the most effective Board possible, working remorselessly to take advantage of its strengths and opportunities whilst seeking to mitigate and offset weakness, in an environment of continuous improvement.

David Reid
Chairman, Tesco PLC
What makes a great Board Chair?

The research revealed that all good Chairs share a number of core qualities and experiences which equip them to do the job. These include such factors as an impressive track record and wide network of contacts; Executive and Non-Executive Director experience; personal presence and high standards of integrity; intelligence and the ability to think strategically.

But over and above these, there are ten factors that make great Chairs stand out from the rest. These are set out opposite as the Ten Tenets.

A great Chair is there to run the Board, not the organisation, and has a positive working relationship with the Chief Executive through an open, supportive style, and a clear separation of responsibilities. The role both has been changing and continues to change, for the better. Interpersonal and leadership skills, the ability to communicate effectively, empathy and self-awareness are more and more critical. The outstanding Chair is a good listener, a good judge of people, and works continuously to improve the Board’s performance.

Executive summary

Are great Chairs born or made? How should their performance be measured? What impact does personal style make? Who’s in charge: the Chair or the Chief Executive? How is the Chair’s role changing, and is it for better or worse? Many such questions are currently being asked, and yet research and literature on the profession of Chair are in short supply.

This report is an attempt to redress the balance, as the most comprehensive study to date on the question “What makes a great Board Chair?” The answer really does matter. As successful business leaders put it:

“A good or bad Chairman can make all the difference. The rule of the game is that you have to add value.”

“The combined code is beginning to settle down, though it is still centred too much on process and not enough on output and Board effectiveness. We should not be seduced into thinking that good corporate governance ensures good performance.”

The focus of this report is not on regulatory codes, but on the role and performance of the Chair as judged by fellow Directors. The findings are based on in-depth analysis of detailed interviews with 215 Directors, Executive and Non-Executive, who between them sit or have sat on the Boards of some 775 organisations in the UK, both private and public. This is the largest survey of this type undertaken on this topic.

The interviewees spoke frankly on the many Chairs they have witnessed, and interestingly, more readily cited bad experiences than good ones. Typical comments included:

“My worst-ever Chairman was a narrow minded bully. You know the sort - ‘It’s my way or the highway’. When he was bored, he’d suddenly pick on somebody and shout ‘You, what about you? Do you have a view? No, you don’t. I didn’t think so.’”

“A Chairman is a ‘necessary evil’, they have undeniable rights and access but this is not to run the business.”

“Bad Chairmen do their own Board reviews.”

Great Chairs demonstrate leadership which inspires and excites enthusiasm. They enable the Executive to deliver the strategy, behaving as objective mentors and guides, and ever mindful of the inescapable imperative: powerful performance as a Board.

“ar the role of Chairman has become even more critically important. We now find ourselves in an era which is dramatically changed and with increased focus on the performance of the Board.”

“The Board is not just a process, which used to be the way. It now needs to have real outcomes.”

“ ’e comes across as very ordinary, very accessible in an ordinary way, people feel that they can say what they want.”

“he best Chairmen I have met are people who know instantly when someone is being sycophantic for the sake of it and doesn’t really mean it.”

“You must not create a dysfunctional relationship with the Executive team. Arrogance is a terrible barrier to being a good Chairman in my view.”

“he role of Chairman has become even more critically important. We now find ourselves in an era which is dramatically changed and with increased focus on the performance of the Board.”

“The Board is not just a process, which used to be the way. It now needs to have real outcomes.”

The combined code is beginning to settle down, though it is still centred too much on process and not enough on output and Board effectiveness. We should not be seduced into thinking that good corporate governance ensures good performance.”

The best Chairmen I have met are people who know instantly when someone is being sycophantic for the sake of it and doesn’t really mean it.”

“You must not create a dysfunctional relationship with the Executive team. Arrogance is a terrible barrier to being a good Chairman in my view.”

Great Chairs demonstrate leadership which inspires and excites enthusiasm. They enable the Executive to deliver the strategy, behaving as objective mentors and guides, and ever mindful of the inescapable imperative: powerful performance as a Board.

“ar the role of Chairman has become even more critically important. We now find ourselves in an era which is dramatically changed and with increased focus on the performance of the Board.”

“The Board is not just a process, which used to be the way. It now needs to have real outcomes.”
Ten Tenets of being a great Board Chair

1. A great Chair works well with the Chief Executive

A great Chair is sensitive to the needs of the Chief Executive and runs the Board, not the organisation – which is the job of the Chief Executive. With mutual trust and respect, the Chair contributes meaningfully but does not undermine the Chief Executive’s prime responsibility for strategy, giving guidance as a mentor and sounding board whilst retaining an objective view of the Chief Executive’s performance.

2. A great Chair achieves openness and transparency at the Board

Great Chairs ensure that all Directors have a well developed understanding of the environment and issues facing the organisation, and can contribute effectively to debate alternative courses of action. They guide the Chief Executive on what should come to the Board and how it should be presented; and guide deliberations to reach decisions, so that the Chief Executive has a clear mandate with Board support.

3. A great Chair works continuously to improve Board performance

The most effective Chairs regularly review the performance of individual Directors and the Board as a whole, and incorporate the feedback. It often takes a transition period for an incoming Chair to get the right mix, possibly encouraging some Directors to retire and searching for new ones. They seek diversity of skills, experience and personal attributes to make the Board as effective as possible.

4. A great Chair runs a flexible process

The Board must address the right work in the right way. The Chair arranges the agenda to ensure timely consideration of all issues that are critical to the organisation, today and tomorrow. The level of engagement between the Board and executive management must be able to change according to the issues faced, and the Chair gives more or less time to the organisation at short notice as required.

5. A great Chair has an open leadership style

The best Chairs make good use of their interpersonal skills, and ‘live’ the organisation’s core values in an open and accessible way, to create confidence and momentum. They maintain communication with internal and external stakeholders so that problems can be aired and resolved in a timely, low-key way. They provide support to the Executives and remind the Board of its past decisions and commitments.

6. A great Chair was not the previous Chief Executive

It can constrain the incoming Chief Executive if the outgoing Chief Executive becomes Chair, with too many attachments to “the way we do things”. So the best Chairs are unlikely to have been the previous Chief Executive, and more likely to have gained experience as a Non-Executive Director on one or more Boards, often chairing a main committee, perhaps whilst being a Chief Executive elsewhere.

7. A great Chair has broadly based rather than sector specific experience

Sector experience is less essential than a breadth of experience at the right level. An incoming Chair without specific experience will take time out to understand the organisation. Many outstanding Chairs in the Public Sector have spent careers in the Private Sector, and vice versa. Whatever the Board, the role is to enable the Executives to succeed in the best strategy to meet stakeholder expectations.

8. A great Chair prepares for the role

Being a Chair is a professional role, and the best prepare accordingly. How are they going to run the Board? They do their ‘organisational’ homework and due diligence, establish their remit with the Chief Executive and other stakeholders, and work out how best to perform the role. A great Chair may or may not be born, but certainly gets better by working on it.

9. A great Chair is personally accountable for Board performance

The Chair was always accountable to the Board and key stakeholders, but shareholder activism and sophisticated business media now put a strong spotlight on how Boards work. Codes of best practice set out expectations that are clear for all to see. There are benchmarks against which the Chair’s personal responsibility for Board performance can be judged.

10. A great Chair balances regulation and strategy

All organisations must manage their reputations and fulfil responsibilities to a large range of stakeholders, meeting all regulatory, business and ethical codes. The most effective Chairs allocate appropriate time and energy to these matters, but where possible delegate work to others, and ensure the Board always has quality time to discuss key strategic and leadership matters concerned with future performance.

© The Change Partnership
“A good or bad Chairman can make all the difference. The rule of the game is that you have to add value.”
Implications and conclusions

This research clearly demonstrates that to be an outstanding Chair increasingly depends on the individual’s interpersonal skills and communication abilities. These characteristics cut across all of the Ten Tenets, running as a constant theme throughout.

At the same time, the qualities required to be highly successful as a Chair are seen as different from those needed to be a great Chief Executive. One short comment from a leading Chair captures the essence of this difference:

“A CEO is a driver, a Chair is a facilitator. That’s a big difference.”

Given the pressures on Non-Executives to challenge more, and the trend to greater diversity on Boards, the need for excellent facilitation skills becomes ever greater. This raises a number of issues and questions for those involved in the appointment of a new Chair or in the assessment of Board effectiveness and performance.

Can traditional expectations continue?

First, can traditional expectations about who should become a Chair continue to hold? In particular, if the skills required to be a top ranking Chief Executive are not necessarily the same as those required to be a great Chair, is it essential to have been a Chief Executive before one can become a Chair?

Is the part-time Chair a thing of the past?

How can the Chair of the future become more closely involved, and truly understand ‘what’s going on’ inside the organisation, but still be ‘hands-off’ in operational terms? As requirements and expectations increase, more time will need to be committed by Chairs as and when required, and especially in times of crisis or instability. Could the days of the part-time Chair become a thing of the past?

How can more great Chairs be developed?

If it is seen to be better for a Chair to be drawn from a wider pool than the specific business and its sector, and to have broader Board experience, are current processes and resources adequate to help Chairs best make the transition? Will Chairs of the future need to follow a separate professional development and career path? Does the role of Chair need its own professional and regulatory codes? How can Chairs continue to develop their skills, and become even more effective?

Who is best placed to assess Board effectiveness?

Many Boards are undertaking effectiveness reviews and assessments in order to comply with regulatory codes and requirements. But is there a role for ongoing performance appraisal and development for Boards, if they are continuously to improve performance, just as throughout the rest of an organisation? If so, responsibility for this rests with the Chair – but to achieve this does the Chair too need external input and support? If so, who will provide the support?

Conclusions

There are certain immutable characteristics that have defined excellence as a Chair, probably for decades. But although there are timeless, universal qualities, the ideal of an outstanding Chair has nonetheless fluctuated. As the role changes and the capabilities of Boards come under increasing review, the qualities and capabilities required of the most successful Chairs are likely to continue to evolve.

In part, change has been in response to pressures from regulators and law makers around the world. But the need for change is also being driven by markets and the quest for ever higher business performance. In the eyes of some management commentators, the most successful business leaders are increasingly assuming the role of ‘explorers’ rather than simply executives, stepping out into the unknown and taking calculated risks to maximise the potential for rewards.

So how are the Chairs of the future going to make the best preparation for their role as guide? How will the role and requirements continue to evolve, to suit the ethos of the times and current challenges facing the organisation? How will they measure and evaluate their performance? How will they demonstrate that they are having a positive business impact?

The debate is only just beginning, but to leave the last word here to one of our interviewees:

“We, with regards to the Board review, an external facilitator helps us do it and although it’s tough to do it every year, we do it at least in depth every two years. It’s a combination of the audit and making the difficult conversations happen. Lots of people think that one of the Board members can do their own audits, but in my experience you don’t get the same richness of data and openness of feedback. So you never really get to grips with it and miss the chance to raise your game.”
The findings in detail

The aims of the research

This research did not set out to ask what Directors think of issues such as the latest developments in corporate governance and regulation, but to explore the personal skills and qualities they regard as critical to success for Board leaders. Which attributes make some Chairs stand out from the crowd, whatever the regulatory framework happens to be?

The focus of this research, therefore, is on:

- What makes the difference between a great Board Chair and an average Board Chair in the eyes of those who regularly sit across from each other around the Board tables of the UK?
- What implications can be drawn from this in terms of future expectations and development?

The purpose behind the research is it to help inform the process of assessment and development for Board effectiveness, providing guidance and a potential framework for coaching. As the research confirmed, virtually no ‘training’ currently exists for those taking on the responsibility of Chair for the first time. And although much has been written on Board effectiveness, there has been very little literature on the effectiveness of Chairs.

The research method

The research was qualitative, and each interview covered the same broad agenda in the form of a structured in-depth conversation. This method produced richer information than a quantitative ‘tick box’ questionnaire can provide, and allowed particular issues and topics to be explored in detail as required.

To help ensure high quality feedback from interviewees, senior partners at Whitehead Mann carried out all the interviews. These ranged from half-an-hour to an hour, both as telephone conversations and face-to-face sessions, and took place over a period of three months.

A total of 215 interviews were carried out with current Directors of either FTSE 100, FTSE 250, large private companies, private equity companies, or public sector bodies. They expressed views about a diverse range of Chairs with whom they have served or are currently serving. Including multiple roles, they hold positions at 399 different companies or organisations (eliminating duplication). Allowing for past positions, that total increases to 775 different companies or organisations. 60% of the interviewees are currently either Chief Executive or Chair of their main organisation.

The data analysis

(a) The ten key factors that distinguish the best Chairs from the rest

The extended, quality interviews with such a large sample produced a richness of information, wisdom and example. The project team has carried out in-depth analysis and calibration of the interview data and extracted ten key factors which clearly stand out as the most significant. The broad findings on these factors are summarised in Table 1 below, and then set out as the Ten Tenets of being a great Board Chair.

The great Chair:

- works well with the Chief Executive
- achieves openness and transparency at the Board
- works continuously to improve Board performance
- runs a flexible process
- has an open leadership style
- was not the previous Chief Executive
- has broadly based rather than sector specific experience
- prepares for the role
- is personally accountable for Board performance
- balances regulation and strategy

The rest of this report summarises each of these ten factors in turn and offers insight through selected representative quotes from the large pool of interviewees. To protect confidentiality, all quotes are given anonymously.

The most frequently mentioned qualities, skills and attributes of good Chairs are ranked according to the total number of interviewees who spontaneously mentioned that factor as significant. The figures as set out in Table 1 are the calibrated clustered responses.

However, it must be emphasised that the research did not follow a quantitative methodology, and so there is a need for caution in interpreting the totals given for each factor. Nonetheless, each of these factors was overwhelmingly mentioned more frequently than the factors regarded as ‘less significant’ (set out in Table 2) and can comfortably be isolated as the most significant.
What makes a great Board Chair?

(b) Core factors taken for granted

The detailed research analysis also revealed that many skills, attributes and qualities are regarded as ‘taken for granted’ in all Chairs. These form part of the core qualifications required for the job and are summarised in Table 2 below.

<table>
<thead>
<tr>
<th>Table 2: The less significant differentiators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ten qualities or skills that all Chairs are assumed to have as a prerequisite for getting the job</td>
</tr>
<tr>
<td>- Thinks strategically</td>
</tr>
<tr>
<td>- Skill to handle media &amp; external pressure groups</td>
</tr>
<tr>
<td>- Executive and Non-Executive Director experience</td>
</tr>
<tr>
<td>- Commands respect and can be taken seriously</td>
</tr>
<tr>
<td>- Gets involved constructively but not into detail</td>
</tr>
<tr>
<td>- High standards of personal accountability / values / ethics</td>
</tr>
<tr>
<td>- Well networked for promotion of organisation</td>
</tr>
<tr>
<td>- Personal presence</td>
</tr>
<tr>
<td>- Intelligent</td>
</tr>
<tr>
<td>- Cool under pressure / can take over in crisis</td>
</tr>
</tbody>
</table>

Although these factors are categorised as ‘less significant’, this simply means that these are less significant as differentiators between Chairs. In other words, these are skills, attributes and qualities which can be regarded as ‘taken for granted’ in all Chairs. They range from an impressive track record of achievement and the ability to be strong in a crisis, to having high standards of integrity and a wide network of contacts.
1. A great Chair works well with the Chief Executive

The Chair and Chief Executive are rarely appointed at the same time. One is usually in place when the other arrives. Outstanding Chairs are sensitive to the needs and requirements of the Chief Executive and of the organisation, and able to tailor their contribution accordingly.

The prime job is to run the Board, not the organisation; that is the job of the Chief Executive. As the Chief Executive of one FTSE 100 put it:

“The best Chairman I’ve had made it clear that his job was running the Board, and my job was running the company.”

However informally it might be done, the Chair works with the Chief Executive so that they define and perform complementary roles, ensuring that their ‘whole’ performance is greater than the sum of its parts. They share their agreement with the Board, so that it understands how they are going to work together. In the conduct of these responsibilities, a strong relationship of mutual trust and respect develops between the Chair and Chief Executive.

“The best I’ve seen is when the two are friends. They’re more than colleagues. The relationship goes deeper. So it’s more successful because of the loyalty and there is a trust. You just know there’s never going to be any backstabbing or infighting between them.”

The Chair is accessible to the Chief Executive as and when required – which is not easy if the Chair travels a lot and has a portfolio of responsibilities. Through their dialogue, an outstanding Chair gives guidance to the Chief Executive, acting as a mentor and a well-informed sounding board. An outstanding Chair manages to do this whilst retaining an objective view of the Chief Executive’s performance and giving feedback on this. Whilst both parties recognise that the Chair has the responsibility to replace a Chief Executive who is not performing, this consideration should not get in the way of the relationship.

In this way, the Chair can contribute meaningfully to the determination of strategy and policy without undermining the Chief Executive’s primary responsibility for these areas. The good Chair counsels and challenges the Chief Executive, in a collaborative rather than confrontational way. By contrast, the bad Chair attempts to ‘manage’ the Chief Executive, dictating how the business should be run.

In the words of interviewees:

“Boards fail because of a dominant Chairman, not a dominant CEO.”

“Chairmen who fail are Chairmen who have failed to establish a trusting relationship with the Chief Exec.”

The relationship has to be one which is challenging and complementary. The role of the Chair is to make the Chief Executive’s job possible.

“The Chair needs not to want to be a Chief Executive. His role is to make the CEO a hero, not himself.”

“The Chairman and the Non-Execs need to keep remembering that they’re not running the company day to day, and can have next to no influence by tinkering with detail on implementation.”

Ultimately however, the Chair is responsible for the performance of the Chief Executive, just as the Chief Executive is responsible for delivering the agreed strategy.

“The Chair is there to hold the CEO and other Executives to account. It’s not about being a confessor or shoulder to cry on, and the support they give needs to be carefully balanced with the need to be constructively critical.”

“As I said to my CEO, I have to make you successful, support you, or fire you.”

“If the CEO and Chair don’t agree, the job is to arrive at a compromise that is acceptable to all. The Chief Exec has the ultimate say. It’s his business and he might resign if he wasn’t allowed to run it his way. But equally, the Chair and Board can fire the Chief Exec if they don’t agree. Each has one card that they never want to play.”
2. A great Chair achieves openness and transparency at the Board

An outstanding Chair creates a climate where everyone contributes, and runs the Board in such a way that the Directors:

- have a well developed understanding of the organisation’s environment
- are well informed about the issues likely to affect the organisation’s performance
- discuss and debate alternative courses of action, with everyone taking part
- commit to the decisions made by the Board as a whole.

The Chair’s relationship with the Chief Executive is crucial to achieving this transparency and openness at the Board. An outstanding Chair encourages the Chief Executive to seek the Board’s input to key decisions (avoiding rubber-stamping) and take on board its views when deciding what to do. The Chief Executive is guided as to what should come to the Board and how it should be presented.

The Chair then plays a constructive role in the Board discussions and deliberations, inside and outside formal Board meetings, to make sure that the Board understands and is focused on the issue at hand. The Chair also ensures that the Chief Executive receives a clear mandate from the Board, and is able to take things forward confident of the Board’s support.

The personal qualities of the Chair, especially interpersonal and communication skills, are critical. In the words of one highly experienced Director:

“It’s the character as a human being, not the function, that makes a great Chairman. Humour and generosity are key qualities.”

The best Chairs ‘listen’ and are sensitive to the dynamics of the meeting, getting everyone to contribute. They help present the choices to the Board and ask it to make decisions, reserving their own opinions until they summarise and help draw conclusions from the discussion.

In describing great Chairs, interviewees talk of qualities such as well-informed common sense; a bias to over-communicating; having the ability to express a clear view in a debate, but without taking one particular side.

As many interviewees emphasised:

“Strong Chairs, who want to be inclusive, have to be very careful not to inhibit the rest of the Board from contributing. They shouldn’t be too early in communicating their own views. Even people who are excellent in their own walks of life can be intimidated by a strong, high-profile Chair with intelligence, more knowledge than the rest of the Non-Execs, and clear views.”

“A very good CEO can be strong minded, but that doesn’t necessarily make a good Chair. It’s a very different skill set.”

“A CEO is a driver, a Chair is a facilitator. That’s a big difference.”

The bad Chair interferes and seeks to dominate proceedings rather than create the best possible environment for the Executives to succeed. The good Chair inquires and involves, seeking to build a strong Board which can deliver optimum performance, and making sure that everyone contributes for the benefit of the whole.

“If a Chair doesn’t sense or sniff something is wrong he shouldn’t be the Chair.”

“Old style Chairmen rely too heavily on their physical presence.”

“The real skill is to get agreement out of disparate points of view.”

The Chair also has to be sensitive ‘outside’ the formal meetings:

“Between Board meetings a good Chair works at building trust, such as holding informal dinners with Non-Execs. But they shouldn’t routinely canvass opinions before Board meetings, otherwise decisions start to be taken outside the formal meeting. A mark of a dysfunctional Board is if the Chair tries to influence members of the Board in a particular direction before a Board meeting.”
3. A great Chair works continuously to improve Board performance

Outstanding Chairs make the most of the Boards they inherit, but seek to improve their quality by getting the best mix of experience, skills and personalities to meet the needs of the organisation.

To achieve this they provide regular feedback and coaching and might also encourage people to retire from the Board as they actively search for new members. In the Public Sector, there is a particular requirement to avoid the appointment of political nominees whose skills and experience may be ill-matched to the requirements of the organisation.

The Chair also ensures that Directors are exposed to knowledge and information that facilitate high added-value contributions, and regularly reviews the performance of individual Directors and the Board as a whole. The best Chairs seek diversity in terms of skills, experience, knowledge and personal attributes, such that the whole Board is the most effective possible for the organisation. They do not discriminate either positively or negatively in terms of gender or ethnic background, and make no concessions to tokenism.

Building the Board

Improving Board performance involves working with the Directors, both Executive and Non-Executive, to maximise their collective strengths. This includes the top Executives too.

“Only the Chairman can ensure the CEO and probably the FD too receive proper development.”

“I think a good Chief Executive and Chairman know the skills they’ve already got and the skills they are missing and bring people in to complement what they already have. The most successful ones I’ve seen have done exactly that.”

The best Chairs listen to the results of reviews on Board effectiveness and ensure that the Executives and Non-Executives “have contacts, and connect with one another.” As interviewees described their own experiences:

“The Chairman organises informal away days, very informal. He thinks people should hang out together, have coffee, dinner and chat, time to socialise.”

“A good Chair should organise informal dinners with the Non-Executives, outside the formal meetings. There should always be an agenda, but it can be a very open topic.”

“The Non-Executive Directors tend to act as individuals, whereas the management is a team, and the Chair has to pull this together.”

“The natural inclination of Executive Directors is to be suspicious of Non-Executives to catch them out. This is not the way forward, and a good Chair will encourage working together on specific projects.”

Board assessment

How do you know how good you are as a Chair or a Board? Many Directors admit to being too complacent about how effective they are as a Board, and many also admit to being fearful of evaluation – but readily accept that it can make a real difference.

“Performance appraisals should be carried out in a structured way.”

“Board effectiveness is new and young but I’m very much in favour of it. We’re learning and it’s an evolving methodology. Most of the Boards I sit on are in favour of it, it’s a necessary part of good corporate governance.”

Recognition of the need for regular reviews of Board effectiveness is a fairly recent phenomenon, and is being tackled in a variety of ways, from self-assessment or ‘tick box’ questionnaires, to audits carried out by the Chair, to fully independent reviews and feedback by external professionals.

“An external facilitator helps us do it and although it’s tough to do it every year, we do it at least in depth every two years. It’s a combination of audit and making the difficult conversations happen. Lots of people think that one of the Board members can do their own audits but in my experience you don’t get the same richness of data and openness of feedback. So you never really get to grips with it and miss the chance to raise your game.”

“It can be a big help especially for the Non-Execs if they get some confidential feedback on the contribution they’re making, and what else they should be doing to have the most effect.”
Succession planning

Succession planning involves not only looking ahead, but also looking at the present. The great Chair actively owns and directs the composition of the Board, and makes sure there’s a strategy to ensure a balanced team. As interviewees put it:

“The people side is of absolute importance in a way it wasn't twenty years ago. Succession planning and recruitment are a key role for a Chair today, so you need very good judgement on people.”

“The Board and Chair must have a view on the talent one level down. That’s why we get people coming to the Board to address specific issues and have regular lunches with us.”

Given the demands of corporate governance and the constant movement of people in the market, Board changes are much more frequent and a Chair must have the skills to lead a disparate and constantly changing Board. When performance so dictates, this can mean making the tough decision to fire the Chief Executive.

“Knowing when to get rid of the Chief Exec is as important as making the appointment.”

“The Chair must listen to the shareholders, get on the case and be decisive. In [public company X] for example, the Chairman eventually did do the right thing and removed the CEO. But he was unwilling initially, and went from spectator to major player, and it was very evident that he felt very uncomfortable in this role… He did meet shareholder expectations in the end, but had to be pushed until he was centre-stage and in the spotlight, and so had to make a very uncomfortable decision.”

Would Boards be more effective if the Chair could change people more quickly? Most interviewees feel “probably not” – and too much change at the top can be unsettling both for the organisation and for investors. The Chair needs to get the best out of the Board as it stands, then make the right changes with a proper plan, rather than fast changes for the sake of speed.

Diversity

Do Boards have sufficient diversity of skills and of mind-sets, to help make sure that all perspectives are covered in their discussions and decisions? Many Directors seem sceptical about diversity, and still think “businessmen” when making new appointments. The following is a very typical view from the Board:

“When I look at people I don't think diversity, but look at their different skill sets. However I do accept that Boards are seen as white, male, middle class and middle aged, and also exclusive, and this will have to change.”

On the one hand, Directors are wary of “rainbow” Boards with so much diversity they fail to achieve any commonality of purpose; and on the other hand, they feel that stakeholders are primarily interested in results not process. So diversity is only seen as relevant if it helps them to deliver better results.

The women interviewees were more interested in diversity as a topic than men, but when pushed on the topic, all Directors accept (some more reluctantly than others) that times and expectations are changing. For example:

“Women can use their femininity by puncturing the balloon and asking difficult questions that men might think sound very aggressive … Women seem to be able to challenge in a more supportive way.”

“I’ve had no experience of Asian, black or disabled NEDs on any of the Boards I’ve been on, and only one woman, who made an enormous difference to the behaviours… I’m not in favour of positive discrimination, but Chairmen should do everything possible to promote more diversity on Boards over the coming years.”

“We have no women Executive Directors, but one female NED. Inclusion and diversity are key values in our business and much referred to. The Chair has been very supportive and will openly speak up on the subject.”

“We've always had a female executive on the main Board. Women add a different perspective to Board discussion and are much more open minded than their male colleagues.”
4. A great Chair runs a flexible process

An outstanding Chair ensures the Board addresses the right work, in the right way, at the right time, with firm control of both process and content. The agenda must focus in a timely way on all the issues that are critical to the organisation’s health today and tomorrow. Board processes must allow for robust levels of discussion with contributions from all Directors.

The level of engagement between an organisation’s Board and its executive management must be varied as needed. An outstanding Chair changes the extent and nature of the Board’s engagement in the organisation according to the issues it faces and in light of the experience of the executive management team in relation to them. To do so, the Chair has the flexibility to give more or less time to the organisation at short notice. There isn’t a rigid process with a fixed level of involvement, irrespective of the organisation’s changing needs and requirements.

“Setting the agenda

The most effective Chairs design agendas that systematically address strategic imperatives and move them on. Being responsible for the agenda is not simply a matter of getting Board papers distributed on time. Such matters are taken for granted. It’s rather about seeing the bigger picture. As various interviewees see it:

“It’s important for the Chair to present an outline plan for the Board at the start of each year on the subjects that are to be discussed and the broad timing of them throughout the year.”

“Agenda planning is important, to ensure that a cycle of issues is covered throughout the year… The Chair has a role to play in identifying the really key issues – what Board members will get hung for.”

“Risk is taken very seriously and is an agenda point at each meeting.”

“The Board is not there to lead the strategy but rather to contribute to the strategy. The Chair must ensure that there’s a good debate, that options are presented and the fundamental assumptions are tested, to ensure that the business strategy will meet the shareholders’ expectations and demands.

Running Board meetings

The Chair must guide the Board to making decisions, because only on that basis can the Chief Executive and executive team as a whole act with confidence, knowing they have the support and backing of the Board. As one experienced Director cautioned:

“You’d be amazed how many Chairmen do not get decisions out of Boards. Some FTSE 100s are comprehensively ineffective.”

The best Chairs set a very tight and interesting agenda, provide good information, and then let the discussion flow, only intervening to get the discussion back on an even keel. They look to the owner to introduce each item, and state their own view only at the end of the discussion, not the start.

“Good Chairmen not only allow and encourage the Non-Execs to contribute. They make you want to contribute. Is it a true debate or a rubber stamp?”

“A Chair can really destroy the effectiveness of a Board by not allowing debate and being very domineering. I’ve seen wrong decisions made because of this, and it’s a primary reason why a lot of Boards have problems.”

“There is more visibility required on everything. There is more disclosure and therefore much more openness. You cannot just be open as a company in your Annual Report, and it takes considerably more time than in the past. It’s going to be very difficult, given the new corporate governance rules, for Chairmen to be seen as part-time. They’re going to have to be spending more time with the company and therefore that limits the number of companies they can be involved in.”
5. A great Chair has an open leadership style

As leaders, the best Chairs make good use of their interpersonal skills, and communicate in an open and accessible way, to create confidence and momentum. They are sensitive to the pressures on Non-Executives to challenge more, and responsive to the greater diversity of backgrounds on Boards. They remind the Board of its past decisions and commitments, to avoid back-tracking and re-inventing the wheel. They provide support to the Chief Executive and other Executives when they need it, and maintain communication with internal and external stakeholders.

"The important thing about a Chairman is to be able to have a presence in the company, even though he is not there. It is not just the running of the Boardroom."

"An open style means inclusiveness, a caring approach and creating the environment where people can go about their business without getting rained on."

"They've got to be open and they've got to be listening, and they have to be able to adapt their style as well to the circumstance."

The personal leadership style of the Chair can help to set a tone for the entire organisation.

"People only come into the company and work with him because of who he is, so he attracts very high calibre people."

"He is high in empathy, genuinely nice, cares about people, has the 'common touch', but also can be razor sharp and can deal with things in a tough way."

"The most outstanding Chairman I knew had great communication skills, he always found the right words for everyone at the right level and the right time. He was absolutely brilliant. He sent 800 Christmas cards, all handwritten, every year, and this really touched people."

The Chair’s position in the organisation is rather like that of a Head of State for a nation. To be outstanding role models, they both ‘live’ the core values they represent and vouchsafe them when they are under threat. So Chairs are expected to give clear direction on the organisation’s ethics. This means encouraging the right behaviour both inside and outside Board meetings, and leading by example.

"I believe a Chairman should epitomise, should live, the company values and in doing so should be realistic that values are not there for eternity, that they are always susceptible to and should change in line with the changing perceptions of values and society."

"I prefer to call it transferring energy, others call it drive. But I really think it is about the ability to energise the people around you, and getting them energised in order to be behind the realisation of the vision."

The role also involves providing continuity and stability in times of turbulence. The most influential Chairs maintain lines of communication with internal and external stakeholders such as employees, shareholders, politicians and journalists so that problems can be aired and resolved in a timely, low-key way. The Chair must also work well with the Chief Executive to create a no-surprises environment.

In these ways the Chair plays a full part in creating the confidence and momentum that comes from controlled forward movement.

"It's the Chairman's job to ensure things are done ethically and correctly. Take whistle-blowers – they often end up in deep trouble. I rewrote our guideline papers to ensure they had direct access to the Chairman."

"Chairmen should confront the company's financial issues and tell shareholders the truth. They get tremendous kudos for that. Things covered up get difficult to explain and trust needs to be built."

"I make myself available to shareholders. I also write to top shareholders inviting them to call to fix separate meetings if they wish. This provides a safety valve. I do the same with senior advisers, auditors, lawyers and so on."
6. A great Chair was not the previous Chief Executive

An outstanding Chair is unlikely to have been the organisation’s previous Chief Executive. The primary reason is that it constrains the freedom of the succeeding Chief Executive if the Chair has too many attachments to previous strategy and policy decisions, to senior Executives and to “the way we do things around here”.

An outstanding Chair is also unlikely to have come straight from being the Chief Executive of another organisation. Those best qualified are far more likely to have gained experience as a Non-Executive Director, and to have chaired one of the main committees of a Board in a Non-Executive capacity, perhaps whilst being a Chief Executive elsewhere. This enables an outstanding Chair to bring objectivity and independence of mind to the role, plus the experience of operating as a Non-Executive Director which is helpful to leadership of the Board.

The research also confirms that having been a first class Chief Executive does not in itself necessarily equip someone to become a top ranking Chair, whatever the organisation. It’s a different role. In the words of one highly successful ex-CEO who has since chaired many leading organisations:

“There’s increasing recognition of a specific role for a Chairman rather than just a progression from Chief Executive. The Chair needs not to want to be a Chief Executive, so that there is a clear distinction and no confusion over who does what.”

As a current Chair of two organisations put it:

“In all circumstances, the Chairman needs to be a ‘busy’ individual elsewhere, otherwise he can interfere. I find it difficult to understand what Chairmen do for 2-3 days a week without interfering.”

Or finally:

“Many CEOs don’t have the skills to be Chairman and certainly not in their own organisation, because they can’t let go.”

As others put it:

“One thing that Higgs did get right was to spell out that it’s wrong for the Chief Exec to go on to become the Chairman.”

“If a CEO is to become a Chairman, he should get some Non-Exec experience first.”

“It’s been a real evolution for most organisations moving from CEO and Chairman as a combined role, and in separating the roles we need to be careful not just to create look-alikes.”
7. A great Chair has broadly based rather than sector specific experience

Sector experience is less essential for a Chair than a broad base of experience at the right level of organisation. This is well demonstrated, for example, by the number of outstanding Chairs in the Public Sector who have spent their careers in the Private Sector, and vice versa. There are differences, and when incoming Chairs do not have prior experience specific to the particular organisation, they take time out to understand the business and the sector. But on every Board, the role is to enable the Executives to succeed in the right strategy to meet the expectations of the stakeholders.

Those who have operated in both the Private Sector and the Public Sector are mindful of the differences between the two. For example, the chairing of Public Sector organisations requires more time with stakeholders, especially Ministers and Senior Civil Servants. It requires sensitive and astute management of these relationships to achieve sufficient organisational independence such that the Public Sector Board can operate with integrity. That requires a Chair to build strong relationships with the host Departments of State.

For highly competent Chairs, specific sector or business experience is not that critical provided they can learn quickly.

“If there’s an able Executive team, you need a Chair with the breadth of experience beyond that of the management team, who comes from a different perspective and with the intellect to challenge without alienating.”

“A good Chair should have wide-spread industrial experience. Experience of the particular sector is not essential but valuable. I’d be suspicious of someone who’d only had one Board position.”

Some feel that there are certain exceptions, for example in businesses which principally manage long-term contracts, where there are significant judgements to be made in relation to business results. In such a case:

“If the Chairman has insufficient understanding of the business, he’s not able to ask the right questions, let alone know whether to challenge the judgements.”

A powerful aspect of past experience is the strength which comes from the Chair who has seen and dealt with similar problems before. At times of pressure and stress, it can be especially helpful to have a Chair who really understands the business issues.

“The Chair needs to have had a wide experience of dilemmas and a clear head in difficulties.”

“The public sector can be more hierarchical, making it harder for a Chair who’s made the move from private to public.”

“In the public sector, constraints are much tighter. I like the phrase ‘freedom within a framework’, with the Chair providing vision and clarity within broad objectives.”

“There’s more emphasis on reporting processes and regulation in a quoted company, timeliness and market sensitivity are key issues, and it’s more of a market-facing role.”

“In a public sector organisation, the Chair has to spend much more time with ministers and senior civil servants. It’s more akin to a privately owned business with family shareholders.”
8. A great Chair prepares for the role

Being the Chair is a professional role, and outstanding Chairs prepare accordingly. They familiarise themselves with the duties and obligations that come with the role; do their ‘organisational’ homework and due diligence; and establish their remit with the Chief Executive and other key stakeholders such as institutional shareholders in the Private Sector and host Department of State in the Public Sector. This is all about job content.

An outstanding Chair also works out how best to perform the role. How are they going to run the Board? What style are they going to adopt? What profile should they have in the organisation? How do they want to work with the Chief Executive? How should they spend their time?

One of the more surprising findings of the research was that few Directors volunteer praise for Chairs as a species. Overall, our interviewees more readily gave examples of bad cases than of good, with unsolicited comments such as:

“I doubt if you can become a good Chairman without first having good experience as a Non-Executive Director. I think if you go into the role without extensive Non-Executive Director experience, you do not appreciate the different ground in the Boardroom. Learning to be an effective Non-Executive is an absolute pre-requisite to becoming an effective Chairman.”

“Serving as a Non-Exec is like the apprenticeship part of the role.”

There has been very little training or coaching available for Chairs – and in the past, very little expectation that it was needed. But this seems to be changing. On the whole, Directors tend to base their own behaviour as Chairs on that of other Chairs they have experienced – forming their own views about what constitutes best practice. But they acknowledge that external support can be a major help, as in all career changes. As several put it:

“Some training in corporate governance and best practice can make a big difference.”

“It’s a big jump from CEO to Chairman, and shouldn’t be done in one go.”

“There’s very little training available, and only three books - one of which is the Cadbury Report.”
9. A great Chair is personally accountable for Board performance

The Chair was always responsible for the Board’s performance, but never before subject to so much informed scrutiny. Shareholder activism and sophisticated business media now put a powerful spotlight on how Boards work. Strong codes of best practice set out expectations that are clear for all to see, providing a benchmark against which Board performance is judged.

“First and foremost, the role of any good Chair is to worry about the make-up of the Board.”

The role has become a truly professional one that requires a set of skills and characteristics that outstanding Chairs demonstrate. They accept the role and consider themselves accountable to the Board and key stakeholder groups for its performance. In the words of one Chief Executive:

“The role of Chairman has become even more critically important, since we now find ourselves in an era which is dramatically changed and with increased focus on the performance of the Board.”

“The Board is not just a process, which used to be the way. It now needs to have real outcomes.”

There also has to be a clear understanding of roles, and a clear separation of roles, between the Chair and the Chief Executive. The Chair focuses on the future, and on the people to make it happen. In addition to matters of corporate governance, this means key issues of strategy and succession planning. The role is not to set the strategy for the business, which is the role of the Executive, but to make sure that the Board has the right people in place to help the Executives deliver the strategy, and with the right checks, balances and controls. By contrast, the bad Chair focuses too much on the past, on what went wrong and why. As one interviewee put it:

“It’s important to set the right agenda, focus on strategy, and not get cluttered up with operational issues.”

Being responsible for performance also means having to take the hard decisions where necessary to create a truly professional Board of both Executives and Non-Executives.

“The Chairman should not be afraid of making the changes, if he thinks the Non-Executives, or the Board in Executive terms, is not making good decisions.”

“The Chairman can make a difference to the business, not in day to day business decisions, but in the interface with the CEO, sorting out succession, creating the right culture, helping to ensure the Executives make it happen.”

“A Chairman should never sit with a poor Board. It should never be made up of friends and should only be made up of the highest quality people.”

“Strong people select strong people.”
10. A great Chair balances regulation and strategy

Finally, a major requirement is for the Chair to get the balance right between the amount of time spent by the Board on regulatory issues, and the amount of time spent on strategy. In the words of a current Deputy Chair who has been serving on Boards since the 1980’s:

“The Chairman’s role has become more active, and there’s a need to strike a balance between bureaucracy required post-Higgs and the rest of the role, without letting the administration swamp the role.”

As others put it:

“Higgs and the combined codes have been dominating thoughts. There’s much anxiety about not being caught out, no slip-ups, which is unhealthy.”

“Agendas are very important. The top priorities should be strategic issues, succession, and governance. Governance has taken the front line, but it shouldn’t occupy so much time for the whole Board. It obviously needs to take time at the audit committee.”

“I’ve learned since starting as a new Chairman that we were spending too much time on corporate governance. I now see that I need to move through these items relatively quickly and spend more time on strategy.”

Boards and their Chairs always have to be responsive to changes and trends in regulation and external expectations, but having dealt with them effectively, they then need to be ready to move on to the next, and never lose their focus on performance. For example:

“Two or three years ago environmental and social issues were very big, we all responded, and this now seems to have gone out of fashion.”

Organisations in both Public and Private Sectors have to fulfil their responsibilities and obligations to a large number of stakeholders in the exercise of reputation management. Many organisations are subject to sector-specific regulations: utilities, financial services, telecommunications, broadcasting, healthcare and pharmaceutical to name just some. There are then City and business codes; social responsibility including environmental performance and community involvement; and wider ethical issues.

These factors are especially demanding for organisations that operate in international markets.

“The Chairman has a list of his regulatory and other responsibilities, which he regularly reviews with the Company Secretary. A good Chair should be open to that kind of review.”

In order to maintain a healthy balance, and to avoid being swamped by voluminous paperwork, the best Chairs are making greater use of sessions outside the formal Board meetings. For example, they organise away days and dinners to focus on specific issues facing the organisation, perhaps held on the day before a formal Board meeting. Where possible and appropriate, they also delegate regulatory tasks to sub-committees and executives who report to the Board on a regular basis.

In its turn, this is increasing the amount of time and commitment required of all Directors, and the need for effective performance by those who chair Board sub-committees.

“The complexity of the audit and remuneration committees has become much greater. The Chairmen of these committees have taken on more responsibility and authority than in the past. So overall the Chair of the Board needs to give these Chairmen more space. A good Chair recognises that.”

The great Board Chair makes sure the Board always has quality time to discuss key strategic matters and never loses the focus on future performance.

“We have a schedule of strategic reviews so that each area of the business is reviewed in depth once every twelve month period.”

“It’s important to move strategically around the business areas. The Chairman needs to keep the focus on the externalities that will have a profound implication for the business.”
The Change Partnership
Part of the Whitehead Mann Group

The Change Partnership is a market leader in helping Boards to become more effective.

As part of the Whitehead Mann Group, we offer integrated services to assess, recruit and develop the very best Executive and Non-Executive talent for our clients. Whitehead Mann is the market leader in Board recruitment and assessment in the UK, and The Change Partnership is the market leader in coaching Board Directors.

Our clients range from major national and international corporations to family businesses, and the highest levels of Government and not-for-profit organisations.

Contact:
Susan Bloch or Mairi Eastwood
The Change Partnership
Ryder Court, 14 Ryder Street
London SW1Y 6QB

t +44 (0) 20 7451 0499
f +44 (0) 20 7451 0498
e susan.bloch@wmann.com
e mairi.eastwood@wmann.com
www.wmann.com