BOARDS

How to Be a Good Board Chair

by Stanislav Shekshnia

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Most board chairs are experienced leaders. Half the chairs of the S&P 500 double as their companies' chief executives, and the vast majority of the rest are former CEOs. But the close association of the two positions creates problems. It's difficult for a board led by the CEO to serve as a check on that CEO—which is precisely why, after the corporate scandals of the 1990s and early 2000s, more companies began separating the roles. However, that division can create another problem: When the chair is not the CEO, there's a real danger that he or she will start acting as an alternative chief executive, sowing conflict and confusion among the firm's top managers.

What, then, are good practices for the chair's role, and how do they differ from the traditional practices of CEOs and top executives? To explore the answers to those questions, INSEAD's Corporate Governance Centre launched a research project that included a survey of 200 board chairs from 31 countries, 80 interviews with chairs, and

60 interviews with board members, shareholders, and CEOs. Despite some contextual differences (mostly related to ownership structure and, to a lesser extent, national culture), we found a remarkable degree of agreement about what makes a good chair.

An effective chair, the people in our study largely concurred, provides leadership not to the company but to the board, enabling it to function as the highest decision-making body in the organization. As one survey respondent put it: "The chair is responsible for and represents the board, while the CEO is responsible for and is the public face of the company." That crucial distinction makes the chair's job very different from the CEO's, and it calls for specific skills and practices. We've distilled the requirements down into a set of eight principles, which we'll explain in the following pages, providing examples of leaders who apply them.

Principle #1: Be the Guide on the Side

More than 85% of the board chairs we studied had been CEOs at one time. They thrived on crafting a vision, making bold moves, appointing people, giving orders, assuming responsibility, and setting examples. Action- and results-oriented, these executives were used to being stars on the stage.

But upon becoming board chairs, nearly all found that the very same competencies and personal traits that had made them effective CEOs were of little help—and even counterproductive—in a chair's work. Here's a typical story, from Diane Beelarts of Belgium. (Note that while the stories in this article are all real, the names and some of the details about the protagonists have been changed to protect their identities.)

"After I became chair, the most difficult thing for me was to unlearn my CEO activism," Beelarts says. "Initially, I would always try to look for the best solution to the problem myself and offer my ideas to the board rather than organizing a group discussion. Later I realized that it puts some directors off and limits opportunities for collective exploration. But I recognized it only after attending a workshop with experienced chairs. And even after that it was very hard to change my style. Working with a coach, I managed to change from doing to helping others to do. Today I derive enormous satisfaction from seeing how the board arrives at a good decision without my saying a word about it."

Like Beelarts, most successful chairs in our study have learned not to jump in with answers or to try to call the shots. Our research found that they display three characteristics:

Restraint. As a U.S. survey respondent put it, “If you want to occupy center stage, look for another job. Great chairs create conditions that allow other people to shine.” When asked to describe chair behaviors that led to productive board sessions, those surveyed offered answers like “restrained,” “non-domineering,” and “leaving room for others.” Effective chairs speak little; their interventions are focused on process and people rather than on content and are encouraging. Beelarts, for example, has two rules: Avoid the use of “I,” and never take up more than 10% of the airtime during any board meeting.

Patience. Good chairs are passionate about their work, but that passion is tempered by the ability to pause and reflect. Instead of rushing to get things done quickly, they focus on getting things done properly. They encourage introspection and thoughtfulness. At the end of each meeting, for instance, Beelarts asks each director to share impressions of it. The next day she sits down with the CEO to discuss the meeting, and the day after, she goes through her notes and contemplates them again.

Availability. Although the majority of chairs we studied had part-time contracts with their companies, they were fully committed and put in the required time no matter what they’d agreed to. One U.S. chair of two public companies kept a small office at each and spent the first Wednesday of every month at the first and the second Wednesday at the second. On both days he followed a well-established routine: a one-on-one with the CEO, then a meeting with the CEO and the CFO together, followed by meetings with the chief legal counsel and the corporate secretary, and then meetings with one or two nonexecutive board members. He set aside about three hours in each day for ad hoc meetings. All the executives he worked with knew that his phone was on 24 hours, and they didn’t hesitate to call in the evenings or on weekends. “I always thank them for such calls,” he told us, “because they need to know that I care and I am available.”

Our research also pointed to one characteristic that was not necessary to the chair's role: industry knowledge. Few successful chairs in our study considered it important, and the majority felt that it may even be a handicap, since experts often want to find solutions rather than organize a collective decision-making process. Many directors and shareholders seconded that view. Beelarts agrees with it, too. Of her second chair position, which was in an industry unrelated to her past experience, she says: "It was much easier for me to concentrate on the process when I had no profound expertise, which other directors provided." Seeing the big picture, making realistic assumptions, and connecting them to solutions were the abilities she felt were more crucial to the job.

Principle #2: Practice Teaming—Not Team Building

David Fitzalan, a former CEO of an international retail chain who comes from the UK, tried hard to apply his team-building approach to the first board he chaired. He organized two off-sites to talk about shared goals, the team's rules, and the members' mutual expectations. All 10 directors showed up for the first off-site (though two excused themselves in the middle), but only six attended the second. Still, Fitzalan kept working to bring the directors closer together.

Eighteen months later a board evaluation yielded some surprising news: The directors did not appreciate his efforts. After reflecting on the feedback, Fitzalan realized that directors are not a traditional team. They spend little time together (four to six board meetings a year plus some committee meetings and phone calls), and each member usually sits on more than one board. Most have a different, full-time job. Collaboration in this context is what Harvard Business School professor Amy Edmondson calls "teaming": gathering experts in a temporary group to solve problems they may be encountering for the first and only time. To enable it, leaders have to shift away from defining team norms and building trust, and focus on quickly scoping, structuring, and sorting the collaborative work.

Fitzalan's approach now is to interact with directors individually before board meetings, consulting each well ahead of time to identify agenda items. After the meeting, he follows up with minutes, notes, reports, and phone calls. He says he calls "every

director once a month to inquire how they are doing, to share the latest news, to discuss the agenda of the next board meeting, in fact to remind them that they are an important part of that board."

During the board meetings themselves, Fitzalan tries to give all directors equal airtime. No director can take the floor a second time until all the rest have expressed their views, and directors may pose questions only to get clarification, not to launch opinions. Fitzalan is careful to monitor body language for signs of boredom, irritation, or discontent so that he can intervene quickly. In the event of disagreements, he lets the discussion continue until a consensus emerges. He generally opposes the use of voting to resolve disputes, because he feels that it destroys the collaborative spirit.

When the time comes to make a decision, Fitzalan focuses on arriving at a specific, actionable, clearly formulated resolution—and checks that every director understands and supports it. "As a novice chair, I underestimated the degree to which people participating in the same discussion and listening to the same proposed decision may have different ideas about what it actually meant," he recalls. "As a result, we had some unpleasant conversations later on."

Manfred van der Merwe of the Netherlands, who has chaired boards at 11 companies, has a structured onboarding process for directors. He starts by having a face-to-face conversation with each newly appointed director, during which he describes the company, its strategy, its key executives, and its board, but—most important—also sets clear expectations. Among them are mandatory physical attendance at all board meetings ("Two missed meetings and you're out"); thorough preparation ("Do not think you can learn about the issues by listening to the management presentations; we don't do them"); development of company and industry knowledge; and time commitment ("If you can't spend 15 working days a year for this board, let's say good-bye now"). The novice director then will have a series of meetings with fellow board members and senior executives and company visits.

Van der Merwe also works hard to get more out of directors who aren't contributing enough to discussions. Rather than cold-calling them in the boardroom, though, he solicits their opinions before meetings and presents their views to the board,

acknowledging the source, which often triggers a direct contribution. He also contains directors suffering from verbal diarrhea by applying a three-stage approach: first, direct confrontation in the boardroom; second, a one-on-one conversation off-line; and third, another one-on-one with an offer of professional help paid for by the company. If none of it works, he will ask the director to stop attending meetings and to stand down for reelection.

Principle #3: Own the Prep Work

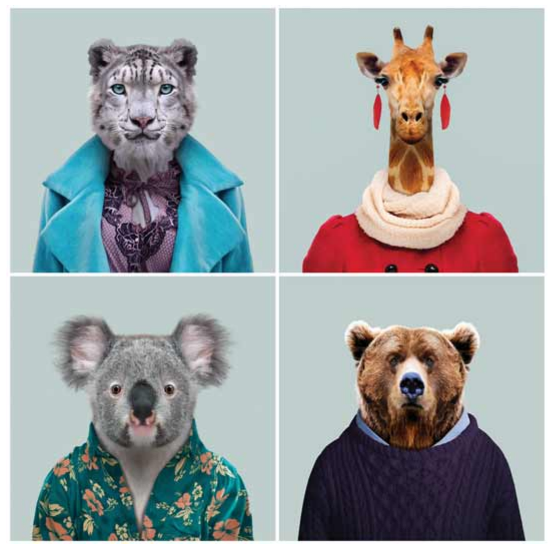
Inexperienced chairs often think that the job is all about managing the dynamics in the boardroom. Experienced ones, however, recognize that the meetings are just the tip of the iceberg. A great share of the chair's work goes into setting an agenda and putting together a briefing package. Van der Merwe, for example, starts preparing meeting agendas a year in advance, asking for the input of the CEO, other directors, and the corporate secretary. To make his agenda, an item has to be strategic, material, and ripe for decision—and something only the board can handle. Every agenda has a limit of six items, and he always builds in some slack so that there's time to extend a discussion, if needed, or to address an unexpected item. Before approving an agenda, he circulates a draft among the interested parties.

Equal effort goes into the briefing package. "People prepare better when materials are crisp, concise, and have good visuals," he notes. All presentations have a one-page executive summary; every investment proposal includes at least three alternatives; and management presentations can't exceed 15 slides. Van der Merwe defines the format for materials, reviews the final pack before it goes out, and has it delivered to directors no later than five days before the meeting.

Following up is equally important. Van der Merwe quickly provides detailed minutes of all his meetings to the board members involved and, as appropriate, key executives. These summaries are action-oriented and cover different views and opinions, as well as conclusions and resolutions, so that directors won't forget, ignore, or resurface key positions. The board secretary tracks the implementation of board decisions and regularly briefs Van der Merwe on progress. If implementation of a decision has been delayed, the chair will reach out to the CEO for an explanation.

Principle #4: Take Committees Seriously

Experienced chairs agree that work on committees is key to a board's success. As Van der Merwe explains, "We do three-quarters of the work during committee meetings. Committees are small, their members possess relevant expertise, and discussions are always candid. By definition, board meetings are more formal. So I try to have profound discussions at the committee level—have them do all the analytical work and prepare resolutions for the whole board."



As chair, Van der Merwe decides who joins which committees and who serves as their chairs. He keeps on top of the committees' work through monthly calls, during which he gets updates on their plans, open issues, and ideas for the future. To make sure that regular committee meetings are well attended, he schedules them (well in advance) to dovetail with full board meetings over a two-day period, usually holding committee meetings in the afternoon of the first day, followed by a dinner, with the full board meeting taking place the next morning. When the need arises for an unplanned meeting, he'll arrange to have it via videoconference rather than in person, making it possible for more directors to participate.

Principle #5: Remain Impartial

Though many newly minted chairs are eager to put their knowledge and experience to full use, the harsh reality is that collective productivity suffers when the person at the head of the table has strong views on a particular issue.

This was a lesson learned by Don McGill, a former partner at a U.S. consulting firm, who first became a chair 12 years ago. "In my former life I prepared for client meetings by thinking about ideas, cases, and models that would attract their attention and eventually help solve their problems," he says. "When I became a director, I continued along the same lines. While studying board materials, I was trying to figure out the best decision for the board. Initially as a chair, I kept doing the same, but often I was not

happy with the board discussions, and some board members were not happy with my offering a lot of ideas. I even heard some of them mumbling, 'Consultants never stop being consultants.'"

For a different perspective, he asked his sister, a university professor, how she prepared for her classes. He was struck by how carefully she planned and managed her communications with students. "That conversation helped me change focus from looking for solutions to planning the process," he says. Today he maps out to a minute how much time to devote to the CEO's report and how much to the following discussion, and how to structure the latter—down to who will get the floor first and who will speak last.

Jane Macleod, who is from Canada, went through a similar evolution. She was chairing her third board when she came across the proverb "Lookers-on see most of the game." This gave her an insight into board-chair dynamics: "If I want to see the whole picture and facilitate the work of the group, I should not play. I should become an onlooker without any stake in the game." Initially, it was difficult to let go and not participate in discussions, but some simple techniques helped her unlearn old habits and develop new ones.

Rather than asking herself, "What is the best solution for a problem?" she now asks, "What is the best way to organize a discussion of the problem?" She still studies the materials and works to understand all the nuances of an issue, but like McGill focuses on how to structure conversations and allocate time for presentations,

The CEO Who Couldn't Quit

When the CEO of a large bank—I'll call him Alex Tyson—proposed to his board that he step down from that role and succeed the retiring chair, it looked like a no-brainer. As COO, he had saved the institution from bankruptcy 18 years earlier, and his tenure as CEO had taken it from success to success. After some debate the directors also approved Tyson's choice for a new CEO—a 48-year-old vice president who had been with the bank 15 years.

After a two-week vacation, the new chair went to work. He began with a six-hour "business review" with the CEO. The next morning he called some of the bank's key clients to talk about prospective business. He spent most of the afternoon grilling the CFO on the previous month's operating expenses and the cash flow forecast. Finally, he called in the company secretary to

discuss the next board meeting's agenda, which went out to the directors half an hour later.

At that meeting Tyson began by sharing concerns about two items not on the agenda: a large client's credit portfolio and an upturn in expenses. The board spent an hour on them and gave the CEO detailed instructions for fixing them. Then the group turned to the first item actually on the agenda, a risk mitigation review. Tyson gave the floor to the chief risk officer—but took over after seven minutes. The meeting ran two hours over schedule.

Six months into his chairmanship Tyson began to drastically cut the number of board meetings, preferring to attend management meetings instead. The directors' meetings grew shorter as the chair proposed resolutions that the CEO had agreed to in advance and allowed for little discussion.

After 18 months Tyson, citing the need to improve systems and boost innovation, suggested replacing the CEO with a senior executive who had made his career at a large global bank. By then the bank's performance had started to deteriorate, and the board did not oppose Tyson's energetic push.

But the relationship between the new CEO and the chair quickly became strained. The CEO didn't appreciate Tyson's deep involvement in operations,

committee reports, and discussions, and which directors should open or close discussions.

During the meetings, Macleod concentrates on listening to what each director says, observing how that person says it and the group's emotions. At first she allowed herself only to frame a discussion, rephrase what other directors had said, synthesize solutions from their opinions, and articulate a proposed resolution. Over time she learned when to extend a discussion, when to shorten it, when to let the conversation flow freely, when to ask everyone to express opinions in one minute, and when to solicit detailed views from particular directors. Her meetings became more dynamic, less noisy, more fun, and altogether more productive. To reinforce her new style Macleod organized mini-evaluations at the end of each board meeting, asking directors to recall instances when she acted as an expert rather than as a process facilitator. But eventually she learned to put her "expert hat" on when required—though not at the expense of the quality of the process. As she puts it: "If I do it well, the board does not notice it was the chair's idea."

Principle #6: Measure the Inputs, Not the Outputs

particularly the regular contact with clients and executives. Though the chair stopped attending management board meetings, he couldn't stay away from customer calls and one-on-ones with executives. Matters came to a head on the first anniversary of the CEO's appointment, when the CEO issued an ultimatum: Either I leave or the chair does. The CEO was promptly dismissed. The bank's stock price fell by 10% on the announcement. The next morning two independent directors resigned, and Tyson called an emergency board meeting.

At that meeting the board reinstated Tyson as CEO and elected one of the independent directors as chair. The newly appointed chair defined his mission as "consolidating the board," while Tyson promised to bring dynamism and customer orientation back to the bank. The stock price recovered 10% on the news.

Often when ex-CEOs become chairs, they start looking for metrics to evaluate the performance of the board with. Some even engage strategy consultants to help develop such indicators.

Franz Appenzeller, who currently chairs the boards of two Swiss multinationals, knows better. "The decisions our board makes today will shape the company for decades to come," he says. "It is naive to think that we can find a metric or a set of metrics to apply at the end of the year to tell how effective the board has been." A seasoned U.S. private equity investor who has nominated a few hundred board chairs agrees with that point of view. "During an interview, if an aspiring chair answers my question about board effectiveness by suggesting quantitative metrics, it's a red flag for me," he says.

Yet Appenzeller is a firm believer in assessing the quality of the board's work. He sees the board as a "black box" that transforms certain inputs into outputs—namely, the decisions it makes. While the quality of the outputs cannot be accurately measured in real time, the quality of the inputs *can*. And if the inputs are good, the desired outputs will—in general—follow. For Appenzeller, five inputs are critical: people, board agendas, board materials, board processes, and board minutes. He sees it as his job to ensure that they are first-rate.

For him, the most crucial input is people—that is, making sure the board has the right human capital. He creates—and annually updates—competency maps, or descriptions of specific skills and knowledge that his boards must possess collectively, and compares

them against online self-evaluations of the directors every year and with external assessments from consultants every two years. If there are gaps, he works with the nominating committee or shareholders to plug them by bringing in new directors. If that's not possible, he'll call in external advisers.

The other four inputs are also assessed through directors' evaluations and consultants' reviews. Appenzeller wants to know how well his agendas cover strategy, executive appointments, compensation and succession, investments, risk, compliance, and disclosure. He solicits directors' and experts' views on the quality of board materials and minutes, and asks members to evaluate the board meetings for length, candor, airtime allocation, engagement level, and resolutions. He also gets feedback on his own performance: How well does he frame questions, facilitate exchanges, articulate decisions, and conduct reviews? How about his work outside the boardroom—his interactions with directors, availability, and proactivity?

Principle #7: Don't Be the Boss

Board chairs interact frequently with management, particularly the CEO. The chair and the CEO may review board agendas and materials, finalize company press releases, follow up on board decisions, or meet regulators together. In some cases chairs even visit customers or vendors, attend press events, or hold meetings with government officials—all additional opportunities to connect with the CEO. It's not surprising, therefore, that some chairs come to see themselves as the CEO's boss.

Good chairs do not make this mistake. They always remember that they represent the board and keep the other directors informed about all new developments and insights. They understand that the board is the collective "boss" of the CEO and that the task of the chair is to make sure the board provides the goals, resources, rules, and accountability the CEO needs.

Consider the experiences of Singapore's Jack Liu, who has chaired boards for more than two decades. In his early days as a chair, he opted for intensive and informal interactions with CEOs. One welcomed that approach, but two others felt he was encroaching on their territory. So after a while, Liu adopted a more formal approach: drawing up a written definition of the chair's and the CEO's responsibilities and rules of

engagement (he called it "a nonaggression pact") and having the CEO sign it. This model backfired when one CEO made a disastrous technology decision without consulting anyone, including Liu. The actions of the CEO were perfectly within the agreed-upon boundaries; asking advice in areas where he lacked competence was not part of the deal.

It took Liu over 10 years to develop the approach he uses today. Instead of building a chair-CEO relationship, he builds a board-CEO relationship. "I have two roles with regard to the CEO," he says. "First, as a board leader I have to make sure we collectively give our CEO what a good boss gives his subordinates: motivation, control, advice, and mentoring. I organize the content and the communication process so that the CEO gets it. Second, as one of the directors, I may personally do something for the CEO, just because I have the skill or the knowledge. Currently, at one board I chair I mentor the CEO, not because I am chair but because I'm the eldest director and have more experience than the others. At another board I chair, a senior independent director serves as the CEO's mentor, as he has profound industry knowledge."

Principle #8: Be a Representative with Shareholders, Not a Player

If a CEO's boss is the board, the board's boss is the shareholders. The relationship with them is a key concern for the chair, who tends to be their primary interface with the company. With public companies, regulations severely restrict how and when communication between the board and the shareholders can take place, but the intent is to ensure equal and fair treatment of all shareholders, no matter how large their holdings. Equal treatment of investors is also important for private companies, but there chairs have more freedom in structuring shareholder relationships.

Good Chair or Bad Chair?

Measure your board against these benchmarks.

	Effective	Not so effective
Length of meetings	4 to 5 hours	1 to 2 or 6 to 8 hours
Items on the agenda	5 to 8	8 to 12

Chair's airtime during meetings	5% to 10%	20% to 30%
Management presentations	Up to 15% of board time	Up to 70% of board time
Total time spent as chair per year	25 days	40 days

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Klaus Dinesen, a veteran chair from Denmark, believes that in interactions with investors, it's crucial for the chair to act as the board's agent, not as an individual. "Who am I to deal with a significant shareholder on equal terms?" he says. "A part-time board chair getting an equivalent of $100,000 a year. Not serious. But when the whole board speaks to them, they listen. So I always remind shareholders I am an interface between them and a board. I never speak my mind; it's the collective voice of the board of directors they are hearing."

It's a two-way street: Dinesen also wants the board to know as much as possible about shareholders' expectations and plans. He has developed a 10-point questionnaire that covers such areas as investment horizons, appetite for risk, thirst for dividends versus growth, preferences for speed and modes of growth, and level of attachment to the company. Once every two years he asks every shareholder to answer those questions, reports the findings to the directors, and discusses with them the implications for the company and its strategy. In turn he keeps shareholders in touch with news from the company and the board, informing them of each board meeting's agenda in advance and sending them a one-page summary of key decisions and deliberations. He budgets four full working days a year just for meeting with shareholders.

In Dinesen's view, shareholders can be a valuable asset. The board can benefit from their experience, knowledge, networks, and other resources, provided—and this is a big proviso—they stay out of the boardroom. One private company he chaired had three shareholders on its board, and at one meeting when they began to reason and act like owners rather than directors, he stopped them and sent them off to have an emergency shareholders' meeting. At another board, he offered his resignation when a shareholder sent him a memo asking him to make the board approve an acquisition. The shareholder subsequently withdrew his request.

CONCLUSION

Ultimately, the challenge for the board chair is not really about traditional leadership at all. To be sure, the board does have an important leadership function: counseling and supervising the management team. But that responsibility is collective, and the chair's job is to enable the board to fulfill it. To be effective, chairs must recognize that they are not commanders but facilitators. Their role is to create the conditions under which the directors can have productive group discussions. Good chairs recognize that they are not first among equals. They are just the people responsible for making everyone on their boards a good director.

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