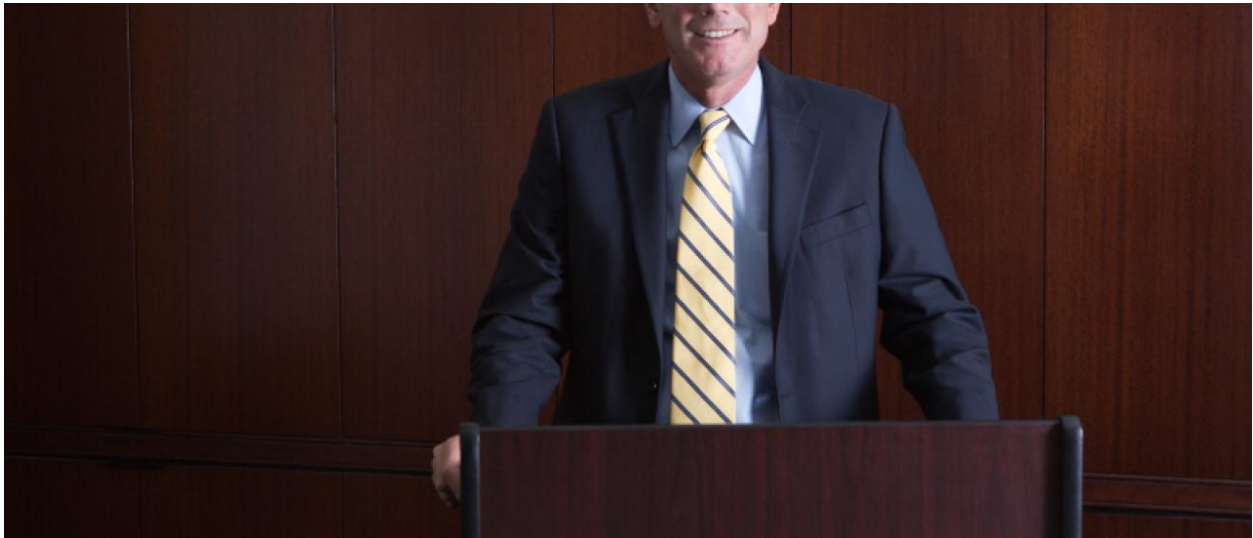


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# What Makes a Good Chairman?



By Stanislav Shekshnia , Affiliate Professor of Entrepreneurship and Family Enterprise and Timothy Rowley , Visiting Professor of Strategy from the Rotman School of Management, University of Toronto

## **Good chairs know whom they are accountable to and it's not shareholders or employees.**

"I am a member of the founding family, but I know that as a chairman I work for the company, for its long-term sustainable development, not for the family. I am aware of the family's interests, I take them into account as I do the interests of other stakeholders, but I put the company's interests first".

This recent comment from a programme participant of [Leading from the Chair](#), our executive development programme at INSEAD for board leaders, was a response to a question we put to the 20 chairs from 13 countries we had in the classroom; "What makes a good chair today?" Collectively, we developed some interesting insights.

Reflecting on research findings, cases and simulations, the group agreed that the right mindset and sufficient time commitment (30-40 days a year) are more important than specific personal attributes such as tenacity, extraversion, public speaking or debating facility. Yet the participants identified three characteristics of good chairs; personal humility; listening,

while challenging and supporting the board and the 'guts' to do what is right for the company.

### **It starts with humility**

A good chair knows who she works for and is ultimately accountable to the organisation of which board she leads. Not its stakeholders – shareowners, customers, employees, executives, but the institution itself.

A good chair unequivocally understands her role – to lead the board of directors. The board is a very special institution at every company – it meets only a few times a year for a few hours, but makes decisions that define the organisation's destiny for years to come. It is an expensive institution – one hour of the board's time costs a company listed on the New York Stock Exchange (NYSE) upwards of US\$100,000. To lead the board is a challenging and noble undertaking, but many chairs are not content with this role and try to move beyond it to leading the company, leading its management team or leading its public relations' efforts. The participants agreed that in most cases such duality reduces the chair's effectiveness in executing her core role – to lead the board. The consensus was that a good chair gets the board to work seamlessly before taking on any additional roles.

A good chair understands that first and foremost she is accountable to people who elected her – board members, but also recognises the importance of other organisational stakeholders.

### **Challenge and support**

A good chair knows what the mission of the board is, how to stay focused on it and how to measure progress. No two companies are alike and the board's mission may vary from one organisation to another depending on its maturity, regulatory context, industry and ownership structure. For example, at privately-held start-ups, boards usually provide a lot of strategic advice to management and help to secure external resources (enterprising function) while at mature public companies they focus on executive compensation and evaluation and controls (monitoring function). However, the group believed that every board of directors should concentrate on long-term value creation and, especially, value (and company) protection. A good chair understands that and focuses on effectiveness rather than the efficiency of her board's work – the decisions it makes are far too important to be rushed.

A good chair organises the board's work inside and outside the boardroom. She makes sure the board tackles issues which are strategic and material for the organisation and mature for discussion. A good chair frames the discussion questions in such a way that directors are clear about the context, understand important facts and assumptions, see challenges and risks for the organisation and find specific solutions for them. A good chair makes sure board resolutions are concrete, actionable and understandable for people who will execute them. She also organises the follow up process, tracks progress and makes sure the board is aware of it.

A good chair sets clear behaviour standards for directors and ensures adherence to them by providing feedback, encouraging appropriate behaviours and dealing with misconduct in a strict, but constructive manner. She resolves conflicts at the board by being fair, consistent and attentive to individual board members, but keeping in mind her ultimate mission - long-term interests of the organisation.

A good chair effectively represents the board in relations with its key stakeholders - shareholders, regulators, management, communities and ensures that directors are fully informed, but does not replace the company executives in their dealings with the stakeholders unless this responsibility has been explicitly given to her by the CEO and directors.

### **Doing what is right**

If crisis strikes a good chair... well, she remains a good chair. She thinks about the interests of the organisation, takes a long-term view, and sticks to her mission - to lead the board and to make its work effective. If the situation requires it, a good chair is prepared to sacrifice personal interests for the interests of the company - to deal with unpleasant counterparts, to put in as many hours as needed and even to step down from her job.

A good chair knows when and how to leave. She does not designate a successor, but lets the board choose its new leader. The outgoing chair makes her intention to step down known to directors early, leaving enough time (6 to 18 months) to select a successor and to prepare them for the job. The outgoing chair takes time to introduce her future successor to the key stakeholders, passes on information, shares 'secrets of the house', but when the new Chairman is elected immediately leaves the stage.

The majority of our participants felt that the programme had helped them to realise that they have the humility and the guts to do what is right, but they

admitted to the need to sharpen their listening, challenging and supporting skills. For this, we believe that they had all made another step towards becoming truly good chairs.



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