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# The Face Behind the Chair



By [Stanislav Shekshnia](#) , INSEAD Affiliate Professor of Entrepreneurship and Family Enterprise

**No longer an invisible grey figure working behind the scenes on unfathomable tasks, today's chairperson is younger than expected, experienced, agile, and most likely male.**

Once a ceremonial or advisory role, the chairman of the board is challenging the CEO as the most important position in an organisation. But, while much has been studied and written about the characteristics and motivations of the top executive, little is known about the individual in charge of running the board of directors responsible for the organisation's governance and long-term sustainability. Who are they? Where have they come from? And what are their plans and ambitions?

A recent study for the INSEAD [Leading from the Chair Programme](#), including a survey of 118 chairs of medium and large company boards from 30 countries, reveals that the job of the contemporary chair is very real and hands on, requiring close interaction with board members, company management and stakeholders. The leadership and authority of today's chairs are defined not by their past performance in executive positions but by their actual work. They are engaged, agile, strategic and continue to learn. In fact, while the majority of respondents stated they wanted to

become chairs to put their skills and experience to productive use, many said they were motivated by the opportunity to continue learning and develop new competencies. Very few (less than five percent) noted prestige and compensation as key motivating factors.

Predictably the majority of the respondents (91 percent) were senior – in terms of age and experience – men although the age does seem to be declining with 41 percent being less than 51 years making them younger than CEOs of most large companies. This is a trend that is expected to continue as the role increasingly requires higher levels of energy.

Surprisingly age difference had very little impact on what motivates people to become chairs – although younger chairs did put more emphasis on learning opportunities while seniors emphasised the opportunity to use their skills.

Most respondents were well educated; 72 percent had a master's degree, 17 percent a PhD and 11 percent a bachelor's degree. A majority hold, or have held, CEO positions and a good number had served on many boards previously as directors. In fact it is this two-fold experience that seems to be the main path to the chair.

Almost a quarter could be classified as celebrity chairs – that is, they currently preside over three or more boards of directors. These respondents were generally older and the new reality is that companies today require some degree of exclusivity from their chair or at least a limit on the number of companies on their portfolio. Earlier this year **Tesco** named John Allan, who was then chairman of both housebuilder, Barratt Developments and card-processor Worldpay, as its new chairman, on the condition he quit his role on the board of Dixons Carphone and as a non-executive director of Royal Mail and senior adviser to the consultancy Alix Partners. He also agreed to step down as chairman of DHL once a successor was found but will continue as chairman of Barratts and WorldPay for the foreseeable future.

## **Gender diversity has a long way to go**

While demands for a more engaged board has changed the role of its chair in some respects, the lack of gender diversity is still evident. Less than 10 percent of respondents to our survey were female. The study also found that female chairs were more experienced and better educated than their male peers suggesting that only women with outstanding qualities made it to the

very top.

On the whole they were older than the males polled (two thirds were over 61) and had more formal education (40 percent had PhDs). They were less likely to have held executive positions and appeared to draw on traditional sources of power such as age, experience, education and academic achievement.

### **Challenges for today's chair**

Another point of interest was the similarities between different types of chairs in terms of challenges they face and how they organise their work. We had expected that chairs from privately owned companies and public companies with diverse shareholdings would have different challenges and working methods. This was not the case.

While the chair's two major functions are to organise the board to enable directors to perform and communicate with key stakeholders on behalf of the board, the reality today is more complex. In some organisations the chair takes on some key executive functions, such as government relations and public relations management, investor relations, customers and vendor management; in others, the chair asks the board to rubber-stamp management's or the owner's decisions.

The top four challenges facing today's chair are maintaining good relationships with the controlling (or larger) shareholders; managing difficult board members (which can be particularly problematic on boards made up of high performing, strong-willed individuals successful in their own right); maintaining a level of collaboration and teamwork amongst these individuals; and processing large amounts of information about the organisation. According to one survey participant:

"The information challenge is enormous. I accept that I will never have the same information as management does. I deal with it by picking key indicators and ratios and following them; by asking the CEO to produce a monthly information memo to the members of the board and by having him talk about major events at the beginning of every board meeting."

Surprisingly, challenges such as "low motivation and absenteeism of board members" and "insignificant time commitments of board members" – often cited as major obstacles to board work in academic and business literature –

did not seem to worry our respondents. This may reflect the fact that boards have become more engaged and directors more responsible and involved.

## **Remuneration**

While challenges are similar there is great diversity in the levels of financial incentives offered. Predictably, company size has some impact on the chair's compensation, with almost half of small companies paying less than \$50,000 a year. However, the other half pay more than \$1 million a year – as much as medium and large companies. This reflects the fact that the “market” for chairs is not well developed.

While not-for-profit organisations in general reward their chairs modestly, remuneration is otherwise defined not by organisations but by the capabilities, experience and market value of the individual regardless of gender. Chairs seem to be a unique commodity and, when it comes to what they're paid, they call the shots.

Contrary to expectations, chairs who are members of controlling families do not receive significantly higher incomes than other board leaders.

## **Accession to Chair**

From a governance point of view the chair should be proposed by the nomination committee and elected by the board. The reality, however, is that shareholders play a decisive role in finding and selecting a future leader of the board, making sure they have in the position someone they know, trust and can predict. Glencore ended a long search for a chairman by picking Tony Hayward, the chief executive of Genel Energy. Hayward had acted as interim chairman at Glencore since its takeover of miner Xstrata a year earlier. Despite being forced out of BP after the Gulf of Mexico disaster in 2010 and vilified across America, Hayward had the support of Glencore CEO (and major shareholder), Ivan Glasenberg, which helped to secure him the top job.

Having personal and professional relationships with directors and executives appears to be the best route to the role of chair although the picture for women is somewhat different. In this case a professional affiliation with board members is the most frequent channel, followed by being directly approached by shareholders, and, more surprisingly, replying to an advertisement.

## **The archetype**

If we draw an aggregate portrait from the survey, the typical chair is a 55-year-old man with a master's degree, who has been a CEO, VP and independent director before. He currently sits on three boards, and chairs one of them. He has chaired a privately-owned company with a few thousand employees for the last three years, has no stock in the company, and receives an annual compensation of \$100,000 for his work.

Importantly, most chairs on average are more satisfied with their personal contribution than the contribution of their boards, which reflects a high level of self-esteem.



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