What makes an effective chair?

The role of a board chair can be explained by a metaphor – it is a balancing act. On the one hand, the chair is arguably the most important person inside the company. On the other hand, board chairs have no instruments of organisational power, such as unilateral decision-making authority, investment budgets or a pyramid of subordinates. Effective chairs need to have attributes of both a leader and a follower.

Stanislav Shekshnia, Professor of Entrepreneurship and Family Business at INSEAD Corporate Governance Centre, focuses his research on the role of board chairs and what makes them effective.

THE THREE ROLES OF THE CHAIR

The academic literature on chairing a board is somewhat limited. Most is based on theory and secondary sources rather than on field research. Some researchers see a board chair as primarily dealing with the procedural work the role entails, for example setting agendas or conducting shareholder meetings. On the other end of the spectrum are researchers who argue that board chairs are there to represent the standards of integrity among directors and executives.

Professor Stanislav Shekshnia from INSEAD argues that the three main roles of a board chair are ‘leading the board’, ‘representing the board in relationships with shareholders and other board stakeholders’, and ‘representing the board in relationships with the CEO’.

LEADING THE BOARD: 3E-LEADERSHIP

A good chair provides effective leadership not for the company but for the board, enabling it to function as the highest decision-making body in the organisation. Eighty-five percent of respondents to a survey in part of Shekshnia’s study on board chairs had been CEOs in their careers. Yet, most of them emphasised that leading a board requires a different stance on leadership. Where CEOs are considered ‘stars of the show’ and thrive by making bold moves, setting a vision, and assuming responsibility, board chairs must employ a more nuanced leadership to succeed. Shekshnia believes this leadership can be translated into three distinct functions: engaging, enabling, and encouraging, which he calls ‘3E-leadership’.

Engaging board members: Board members are highly capable individuals selected for their knowledge, experience, and decision-making skills. Yet, they often have multiple affiliations bringing their attention to the concerns of a specific company, making this a challenging task. Experienced chairs recognise this well. Shekshnia describes a multitude of specific practices used by chairs to keep directors engaged, from WhatsApp messages to one-to-one dinners, which all serve as gentle reminders about their duties. Engagement within the boardroom comes from fair allocation of airtime, personal attention to each director, and dynamic discussions, and effective handling of ‘rogue’ board members.

Enabling board members: Effective chairs create opportunities for collective and individual reflection on the board’s performance and make each board member feel important and appreciated. They help board members to learn and grow by organising seminars and inviting experts and by taking their boards on field trips. Experienced board leaders share their own practical and conceptual knowledge and expertise during board meetings and personal conversations with directors.

Careful selection of agenda items also enhances board performance. Effective chairs allocate enough time to each item on the agenda and provide clear and concise reading material well before meetings.

Encouraging board members: Leading a board involves keeping board members motivated and productive. Effective chairs create opportunities for collective and individual reflection on the board’s performance and make each board member feel important and appreciated. They help board members to learn and grow by organising seminars and inviting experts and by taking their boards on field trips. Experienced board leaders share their own practical and conceptual knowledge and expertise during board meetings and personal conversations with directors.

RELATIONSHIPS WITH SHAREDOWNERS AND OTHER STAKEHOLDERS

If a CEO’s ‘boss’ is the board of directors, then the board’s ‘boss’ are the shareholders. Shekshnia has found that there are two patterns in chair-shareholders relationships: ‘Compliant chairs’ focus on what is prescribed by the regulations, strive to minimise the risks of noncompliance and do not show initiative in interacting with shareholders. ‘Proactive chairs’ venture beyond what is prescribed by the book and reach out to shareholders and often prioritise performance over compliance.

Effective board chairs may operate in both compliant and proactive modes depending on what is suitable at the time, considering, for instance, the general economic climate and any fiscal turbulence within the company.

RELATIONSHIPS WITH CEOs

Shekshnia highlights that the CEO is one of the most important stakeholders of the board, and effective chairs represent the board in these critical relationships. It is not always the case in real life where these relationships take on different formats depending on the context. Shekshnia describes five ideal types of chair-CEO relationships.

Collaboration: A close, well-structured interaction between professionals with equal status and shared goals.

Cohabitation: The chair and the CEO work independently towards separately defined goals, interacting rarely and formally.

Mentoring: A senior partner (the chair) helps a junior partner (the CEO) to grow professionally, providing the latter with the knowledge, experience, and resources to perform the CEO’s functions.

Commanding: A superior chair directly manages a subordinate CEO. The former establishes targets and objectives for the latter to achieve, gives orders, and provides direct feedback.

Advising: Chairs (and their boards) merely operate as counsellors to all-powerful CEOs. The boards act mostly as ceremonial bodies to legitimise the CEO’s decisions.

None of the archetypes described above exist in a pure form. In reality, chairs combine elements of different modes of interaction with CEOs, yet it is important to distinguish a typology to help chairs strike the right balance for a specific company, board, and CEO. Another reality is that the relationships between board chairs and CEOs are dynamic, and in many cases constantly evolving.

Nevertheless, an effective model of chair-CEO relationship for the
Behind the Research

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Research Objectives

Stanislav Shekshnia explores leadership, leadership development, and effective corporate governance in emerging markets and organisations.

Detail

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Bio

Stanislav Shekshnia is a professor of Entrepreneurship and Family Business at INSEAD, faculty member at INSEAD Corporate Governance Center, and director of the Leading from the Chair program. He is Senior Partner at Ward Howell, human capital consultancy, and an independent chair and director at several large companies.

Collaborators

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References


Personal Response

What should CEOs who hope to attain a future position as a board chair do to prepare?

I would advise CEOs who want to become good chairs to find opportunities at work and outside of it to practice what makes chairs effective – JEIs, leadership, patience, restraint, listening, questioning, and framing skills. For example, a CEO can run some of their executive meetings as board sessions acting as a facilitator and an enabler of collective decision making rather than the decision-maker. Or concentrate on the process rather than the outcome when planning an investment committee meeting. Aspiring CEOs can also find opportunities to learn the art of chairing by facilitating community or charity meetings, presiding over youth sports clubs boards or start-ups. Our research shows that it’s easier for the CEOs to unlearn old habits in a new environment, that’s why we recommend starting as a chair in a new company and a new industry.