

# Leading a board

## What makes an effective chair?

*Being the chair of a board is a great responsibility and a great challenge which requires something of 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. Chairs must, therefore, be apt as both leaders and as followers. Stanislav Shekshnia from INSEAD explores which practices and personal attributes make board leaders effective.*

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, dynamism in discussions, and effective handling of 'rogue' board members.

**Enabling board members:** Effective chairs create a productive working environment for directors by removing informational and psychological barriers and supporting each board member and the group as a whole.



Professor Shekshnia explores the attributes and characteristics found in the most successful and effective chairpersons.

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 SHAREHOLDERS 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

## A distinct line should be drawn between what the chair does and what the CEO does within their roles.

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.

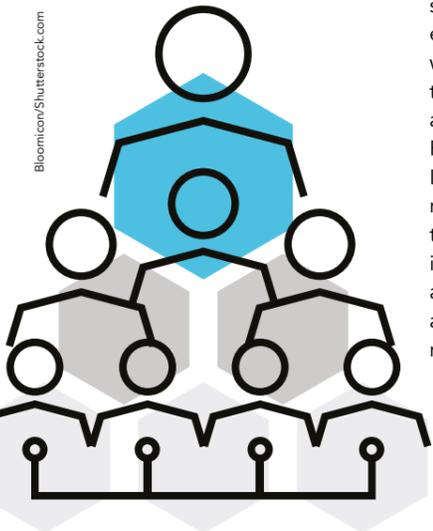
**Mentoring:** A senior partner (the chair) helps a junior partner (the CEO) to grow professionally, providing the latter with the knowledge, experience, and resources to perform the CEO's functions.

**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





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future is emerging. It is based on the assumption that the chair is the leader of the board not an individual player. The board serves as a collective 'boss' of the CEO. The task of the chair is to make sure that the board creates a dynamic framework for executive action, which includes setting goals, allocating resources, and establishing rules and

them to guide their boards through tough decisions, such as firing the chief executive or sending home employees to protect them from a virus, and to build productive relationships with shareholders and CEOs. True authority, however, often comes with humility. An important aspect of chairs' work is to enable others to shine – whether

## A good chair provides effective leadership, not for the company, but for the board.

accountability. Creating and managing this framework is an important part of the joint work of the board, which a good chair initiates, orchestrates and encourages – but never monopolises.

### THE FIVE ATTRIBUTES OF AN EFFECTIVE CHAIR

Shekshnia distils five pairs of attributes of effective chairs which seem contradictory but capture the crucial competences for mastering board chairing.

**Authority and humility.** Chairs need authority to gain legitimacy in the eyes of directors, executives, and shareholders. Such authority allows

board members or executives. One of the most experienced chairs in the research study, a participant from the Netherlands put it this way: 'If you intend to use your chair position as a platform for self-aggrandisement, you are in for trouble.' Effective chairs speak little, making their interventions sharp, encouraging, and focused on process and people, rather than on content.

**Commitment and detachment.** The chair's presence should be felt as little as possible and as much as necessary. A good chair gives other directors room to speak and yet is there to direct the conversation. Commitment is not so much about giving the board and

the company an unlimited amount of time; it is the mental attitude of putting the interests of the institution first, of fully embracing the work and its consequences in spite of its part-time nature. However, the commitment has to be balanced by keeping sufficient distance between the chair and the company, as the former needs to look at the latter from the outside and to leave room for the executives to run it.

**Incisiveness and patience.** Board chairs orchestrate complex intellectual work involving dozens of smart people; they need to be intellectually bright to grasp this complexity and to enable effective decision-making. At the same time, their personal cognitive capabilities should not be expressed as domineering voices in the boardroom. Chairs need to be attentive to the ideas of other board members, since patience is a major component of effective decision making. Good chairs do not rush to get things done quickly but focus on getting things done properly; they strive for effectiveness rather than efficiency.

**Helicopter view and company knowledge.** The role of leading the collective body that makes the most important decisions in the company demands a quality that one of the respondents called a 'helicopter view'. This attribute enables the chair to set board agendas, to sort out ideas and alternatives and to avoid low-level discussions in the boardroom. At the same time, effective chairs also understand the business of the company, its key talent, and its culture. They land their helicopters on the ground from time to time and get to know the troops, the landscape, and the weaponry without, according to one interviewee, 'competing with the CEO in their understanding of the industry'.

**Hard and soft skills.** Effective chairs combine broad business acumen with highly developed behavioural skills. As one respondent put it: 'A good chair understands the general laws of business'. Facilitating the collective work of these people requires exceptional behavioural skills such as effective listening and speaking, asking powerful questions, framing discussion items, and providing feedback.



# Behind the Research

## Professor Stanislav Shekshnia

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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

Veronika Zagieva (Ward Howell Talent Equity Institute, Moscow, Russia), co-editor of *Leading a Board: Chairs' Practices Across Europe*.



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### References

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Shekshnia, S, Zagieva, V, (eds, 2021) *Leading a Board*, Palgrave Macmillan, Singapore.

### 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 – 3Es 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. ”

