



## BOARDWORKS *International*

### **Ten Things a Chairman Must Know**

We have consistently argued that the chairman, while filling a number of special responsibilities, is nonetheless 'a first among equals'. Rather than being the 'boss' of the board we prefer the Robert Greenleaf concept of the chairman as 'servant leader'. Neither of these descriptions denies the fact that the chair has a special role to play, a role that will include a range of formal authorities granted by the constitution, the board's charter or informal authorities granted by fellow directors. A recent court case in the NSW Supreme Court challenges this view of the role. The case involved One.Tel's former non-executive Chairman, John Greaves who was deemed to have a greater duty of care than other directors. Justice Robert Austin accepted arguments presented by the Australian Securities and Investment Commission (ASIC) that chairmen carried an additional legal burden compared with other directors, rejecting Mr Greaves' argument that the role was largely procedural and ceremonial.

There is little case law on either side of the Tasman in regard to the obligations of the chairman and this ruling has raised corporate eyebrows throughout the Australian business community. We will have to wait to see how this ruling is interpreted by other Justices but clearly what was a grey area is no longer.

While we await the next court case involving a chairman, perhaps of a not-for-profit organisation, thousands of board chairs in the corporate, public and not-for-profit sectors will simply get on with the job of chairing board meetings and providing leadership to their peers and the organisation as a whole.

In this article we address a number of role related competencies that chairmen should have at their disposal. In one way or another, each represents an element of leadership, or a competency, that any chairman should demonstrate.

#### **1. Know the board's policies and delegations**

Top of the list is that the chairman should be thoroughly familiar with the board's policies or its charter and with the board's written delegations to the CEO. Some readers

might be surprised that we have placed this at number one above, say, meeting or agenda management. Our reason is that at the top of the chairman's leadership tasks is that he or she should ensure that the board demonstrates a level of integrity that is beyond question. If the board does not honour its own operating principles it will struggle to be seen as credible in the eyes of the organisation's owners or personnel. While all directors should know the policies and delegations, the reality is that, for a variety of reasons, many will not. There can be no excuse for the chair being among those who fall into the 'don't know' camp. There will be many occasions when the CEO will look to the chair to interpret a board policy or protect the CEO against intrusion by over-enthusiastic directors. Directors too will look to the chair to provide structural or procedural leadership. The chair, in turn, will look to the board's documentation to find the structure or procedure on which he or she should base their ruling. While the chairman may not know the policies or charter by rote, he or she should know that there is a policy that relates to 'this' or 'that' circumstance or situation and be able to quickly access it and provide a ruling or guidance.

## **2. Know the standard rules governing meeting management**

While most boards do not operate on the basis of formal meeting rules and procedures nonetheless there will be occasions, for example at the AGM, when formal rules apply. The chairman should be familiar with these rules so that should they need to be applied, they can be. There is no boardroom spectacle quite as unedifying as a battle over meeting procedure with the chairman caught in the middle unable to mediate a resolution or provide a definitive and authoritative ruling.

## **3. Know how to get the best out of the board team**

The chairman is the equivalent of the captain of the team. He or she must lead by example while at the same time knowing how to maximise the skills and contribution of all team members. To achieve this, the chair must know the strengths and weaknesses of all directors. This may take time but given that most chairs have been ordinary board members prior to taking on the leadership role, they will have a pretty good idea of the contributions and personality traits of their colleagues.

## **4. Know his or her strengths and weaknesses**

Nothing undermines confidence in a leader quite so quickly as seeing that person flounder in the mire of their own inadequacies. Bluster and 'BS' have a tendency to make the hole deeper and the climb out more ungracious. At the same time no leader should be thought of as, or expected to be, divine. Every chair makes mistakes, errs in their judgement and, on occasions, lets him or herself down. Being the chair of a board does not, in itself, result in perfection. Directors, however, expect their chairman to be near perfect or at least to strive to be, just as they expect the same of the CEO. Humility that arises from self knowledge is a powerful leadership competency. All chairs should develop the ability to self-assess their performance and be able and willing to make changes in behaviours that enable them to capitalise on their strengths and address weaknesses.

## **5. Know where the organisation is, or should be, heading**

Throughout the ages all great leaders presented a vision of a desired future to their

followers. While every board chairman may not aspire to be or be capable of being a great leader, nonetheless he or she must be able to articulate where the organisation should be heading. That future direction must be shared by other directors, even developed by the board as a whole. Regardless of how the future direction is developed, the chair must be its champion.

## **6. Know what is on the agenda and what outcome is sought from each agenda item**

The most visible and commonly practised aspect of the chairman's role is their management of the board meeting. Less visible, but critical for meeting success, is pre-meeting planning. The chairman should know exactly what issues are to be discussed at the meeting, in what order and what outcomes are sought from each item. Some chairs, might try to anticipate how the dialogue could proceed and what opinions might be expressed by which board members. This is not so that he or she might 'control' the dialogue but rather so that possible twists and turns and potential conflict that could arise should not 'throw' the chair. At the commencement of the meeting the chair might quickly walk the board through the agenda, checking that his or her pre-planning assumptions are consistent with those held by other directors and as a way of warming up the board for the business to follow.

## **7. Know how to deal with conflicting views and perspectives when these arise**

While the board should work as a team, directors are expected, even required to exercise independent views and perspectives (See *Good Governance # 31 - Paradoxes of Governance*). Many directors are strong-willed individuals who bring passionately held views to the boardroom table. There will inevitably be times when the passion and individual perspectives boil over and generate conflict. A skilled chairman will know how to manage such conflict and passion to the advantage of the board. Sometimes the chair will allow the conflict to reach a head in order to bring critical issues to the point where resolution is required. At other times the heat will be diverted so that damage to board cohesion and relationships is minimised.

## **8. Know when to draw a discussion to closure**

One of the learned arts of good chairmanship is knowing when a boardroom conversation or dialogue has run its course and needs to be brought to a close. This often involves making a decision to deny board members the opportunity to further argue their position. This can be a difficult meeting component for the chair to manage. On the one hand board members expect to have the opportunity to air their views and opinions but on the other they expect the chair to manage the process so that dialogue does not become drawn out and repetitive. The chair is often called upon to make a process judgement, perhaps test this with the board and, at times, be prepared to overrule the collective wish in the interests of process effectiveness.

## **9. Know how to handle a maverick board member**

Boards should not comprise like-minded directors. However, the collective strength that comes from diversity around the boardroom can also bring challenges to the chairman. It is common, even desirable, that feisty individuals find their way onto boards. While the presence of such typically strong-minded individuals does not necessarily

mean that the board cannot function as an effective cohesive team, it does often mean that individual directors, prepared to break the team mould can be seen as 'mavericks'. One of the great challenges of group management is knowing how to harness the creative potential of a maverick while at the same time managing the potential damage to team cohesion. A chair is often called upon to walk a very fine line that typically needs to be informed by experience and strong intuitive skills.

#### **10. Know the CEO's strengths and weaknesses and how to provide mentoring should this be needed**

We do not advocate the establishment of a close working relationship between the chairman and the CEO (this can become exclusive and can come between the full board and its collective employer responsibilities for the CEO). Nonetheless we acknowledge that most boards accept that benefits can accrue from a soundly designed working partnership between the two organisation leaders. When such a relationship exists the chair can provide considerable support to the CEO at times when the support of other senior managers is inappropriate. The chair should know the strengths and weaknesses of the CEO and, as appropriate, be able to offer counsel or act as a mentor in the best interests of the CEO, the board and the organisation.

Boards and directors ask a lot of their chairman. Quite reasonably they expect that the role will be carried out fairly and with integrity even though at times the chair is required to 'overrule'. The role typically demands a much greater commitment of time than is expected of other directors and many chairs are remunerated in recognition of this. As ASIC argued, the role is more than procedural and ceremonial. The chairman is the leader of the board (John Carver, USA corporate governance expert refers to the role as the CGO, the Chief Governance Officer <sup>1</sup>) and as such bears the sometimes uncomfortable and lonely burdens of leadership. To be the chair of a board is a privilege and honour but the role also carries great responsibility, the extent of which is often not fully appreciated by other directors.

Any board chair who knows how to implement the ten role components we have identified (and there are many more) will be well on the way to providing the kind of leadership that the role demands and the organisation deserves.

1 John Carver. "The Case for a CGO." Board Leadership # 56 July - August 2001.