

SELECTING A BOARD CHAIRMAN

CHARACTERISTICS OF AN IDEAL CHAIRMAN

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The joint “Chairman & CEO” role is less common now than yesteryear. In most of today’s boardrooms, the Chairman and the CEO have become separate entities with distinct responsibilities, providing two independent sources of corporate oversight. Those boards which retain a combined Chairman & CEO structure tend to establish a strong Lead Director role.

Within this relatively new landscape, however, the separated Chairman role does not come with a history of best practices for developing an ideal candidate or implementing a selection process. In fact, despite the importance of the Chairman role, many boards have no succession-planning process in place.

Boardroom specialists *JWC Partners* have connected with experienced directors to explore this shift in board structure and share informative insights around successful Chairmanship and succession-planning, including potential pitfalls.

THE IDEAL CHAIRMAN

By all accounts, an excellent Chairman requires an unusual combination of skills: high emotional intelligence alongside shrewd business acumen, strategic foresight, and an unusual personal leadership style. Navigating the role of “first among equals” can be challenging and requires outstanding interpersonal skills, especially the

ability to listen, communicate, build trust, give constructive feedback, influence across a wide range of stakeholders, and lead from behind the scenes. A Chairman must also have the ability to forge robust trust-based relationships with the CEO, board, investors, and other shareholders.

‘TOP SEVEN’ CHARACTERISTICS OF A SUCCESSFUL BOARD CHAIRMAN:

1. **Strong interpersonal leadership:** A Chairman must be able to influence across a range of stakeholders, as well as read people in the boardroom and lead and manage the board. High EQ allows the Chairman to manage the boardroom dynamics so individual voices are heard and leveraged, and drive convergence when needed. This quality should also lead to a synergistic, interdependent, and productive relationship with the CEO.
2. **Exceptional communication skills:** There is no one style of effective communication, but whether the Chairman is a folksy storyteller or an analytical eagle, their communication style should be finely honed and extremely effective. When there are thorny problems with no clear resolution, the Chairman needs to listen to the various stakeholder perspectives, synthesize them, and communicate back to the group in a way that builds consensus. This communication strength enables influence across the range of stakeholder groups,

including management, government, shareholders, employees, and board members.

3. **Self-confidence and low ego needs:** The Chairman will need to make tough decisions thoughtfully, without being swayed by the wind of self-doubt. They should put the company first, and not have a personal agenda beyond driving what is best for shareholders and stakeholders.
4. **Strong strategic management skills:** While a director can be effective with operational or financial skills, the Chairman must have strategic skills and vision. This includes an in-depth understanding of the business, the business model, value creation drivers, the industry, and trends that could impact the business now and in the future. Having this skill allows the Chairman, in partnership with the board and the CEO, to define and drive where to play, how to win, and which investment choices to make. Strategic leadership also ensures that the board focuses on its primary role and provides effective governance for the company.
5. **Excellent people judgment:** The Chairman plays a key role in the selection of their successor and the CEO, and they will sometimes have to balance conflicting input, personal agendas, and professional objectives among board members. They will also have to recruit and maintain a board that works effectively as a group, provides valuable governance, and brings a range of skills to complement the management.
6. **High integrity:** The Chairman sets an example for the board, the CEO, and the entire company. Their behavior when faced with murky territory sets a standard

for how the board operates and how the company delivers its results.

7. **Vigor, passion, and time:** The role of the Chairman can be more demanding, both mentally and physically, than other independent board directors. The Chairman must be able to meet the ongoing and peak demands. Not every director has the passion driving them to commit the time to be a great board Chairman – and even if they do, there may be personal or professional obligations that exclude them from consideration.

SUCCESSION-PLANNING FOR A BOARD CHAIRMAN

Planning for Chairman succession starts with finding experienced board directors who possess the prerequisite judgment, wisdom, and courage, as well as the qualities and more subtle leadership characteristics outlined above.

Given the high bar for the Chairman role, a board cannot expect that a great Chairman will simply “emerge” from its current group of directors to replace a retiring Chairman. In the U.K., many board chairs are filled from outside the company. This is in part because of strict term limits, but also because the Chairman role is considered as demanding and purposeful as that of the CEO. If the right candidate is not within the board, the board looks outside.

Many US boards are not yet thinking about long-term Chairman succession-planning. Another board was caught off-guard when their Chairman became ill unexpectedly and the most likely successor turned down the opportunity due to the demanding time commitments.

It would therefore appear logical for boards to make Chairman succession-planning an explicit part of the ongoing dialogue about planning for the company’s future leadership. The Nominating and Governance Committee should, in the same

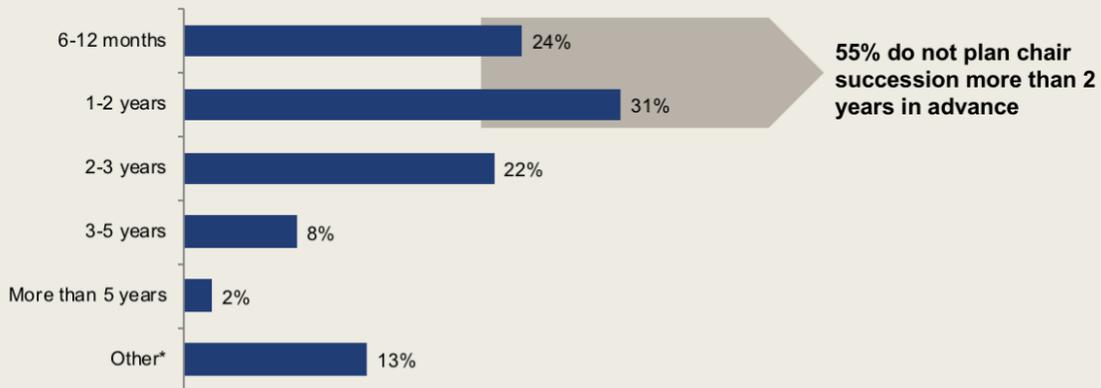
“We planned meticulously for our CEO succession,” notes a long-standing director of a \$7 billion market cap public company, “...but when our Chairman came up against our retirement age, we had no good possibilities for replacing him. We had to change our retirement age to allow us time to find a new Chairman.”

vein, include the characteristics of a successful Chairman in a skills matrix and evaluate the current and incoming directors against it. Over time, the board can recruit strong potential Chairmen and/or help develop the skills in its current board directors.

Most boards do not have a long-, or even medium-term succession plan for Chairman, Lead Director, or committee chairs

HOW FAR IN ADVANCE DO YOU DEVELOP CHAIRMAN/LEAD DIRECTOR OR COMMITTEE CHAIR SUCCESSION PLANS?

Percent of Responses



*Other: No change in past 5 years, no specific time identified, unsure, depends on situation and departures, vote on Lead Director annually, when changes in the board are anticipated (no set timeline).

Source: Corporate Board Survey 2018



Jennifer Christensen founded JWC Partners in 2010 and has more than 30 years of business experience across a broad range of client service and management roles. She began her executive search career after nearly 15 years at McKinsey & Company. Prior to that, Jennifer served as Vice President of Marketing and Sales for Creativity for Kids and as a P&L business unit manager at Progressive Insurance. **Laura Woodside** joined JWC Partners with 10 years of strategy, recruiting and professional development experience in the U.S., Asia, and Europe. Laura began her career at McKinsey & Company where, as a consultant, she worked with clients on a wide variety of functional areas including strategy, marketing, pricing, and people operations.