

Do You Have The Right Board Leadership?

The demands on boards today are ever increasing with longer meetings due to expanded regulatory compliance requirements coupled with increased focus on strategy and risk management. It is more important than ever that every board has strong leadership to set strong agendas, obtain director input on the right issues and to make the best use of board time.

Successful boards have strong board leadership that instills a disciplined approach to understanding the business issues, implements good governance practices, and draws out the best from every board member to support their CEO. These high performing board leaders help create and sustain a strong board through effective meeting leadership.

There are two components of board leadership: style and structure. Each presents separate issues that must be managed effectively.

Leadership Style

Board leadership style is one of the primary drivers of board effectiveness. The proper balance needs to be struck between achieving good corporate governance while still supporting the CEO. A highly effective board leader creates an inclusive environment where all directors feel encouraged to actively participate.

Some boards have difficulty finding the right balance in their board's leadership style. On one end of the spectrum, there is the dominating chairperson who can inhibit discussion or focus discussion on his or her own areas of interest. The other end of the spectrum is a board chairperson who is too nice, exerts minimal control and ineffectively focuses discussions on the relevant issues. Either set of behavior can seriously detract from board effectiveness and create additional issues for the CEO.

Board chairs need to strike the right balance of focused discussion, providing good governance, reaching decisions where required and still encouraging all to participate openly.

Board Leadership Structure

The board leadership style issue can be compounded if the Chair and CEO roles are combined as they still are in some companies. Some boards continue to use this structure based on historical precedent. They have always combined the role of chair and CEO or the previous CEO functions as the new board chair.

A strong CEO who is also board chair can limit board information, inhibit discussion and detract from good governance and good decision-making. When this occurs, director advice and counsel on major strategic and risk issues can rapidly evaporate.

This situation is exacerbated when viewed in the context of the issues on managing a diverse board discussed in last week's essay. Ineffective leadership on a really diverse board can lead to divisiveness, and in some cases, a dysfunctional board.

Critical Success Factors

- The role and expectations for the board chair are clearly defined.
- The board chair leads but is responsive to the needs of the CEO, board and each director.
- The board chair encourages members to actively participate and contribute their thoughts and opinions.
- The board chair encourages collegiality while facilitating discussion of differences in director perspectives and opinions.

Best Practices

- Good boards separate the roles of the board chair and the CEO.
- Ideally, the board chair should be independent. If the current chair is an executive chair, encourage them to act as the board chair rather than a member of management.
- For boards that have an executive chair or combine the role of CEO and Chairman, a lead independent director with strong leadership skills is a necessity.

Board Leadership Is Challenging

Effectively chairing and leading a board is no easy task. Good board chairs have a vision of good governance and are able to translate this vision into effective board functioning. They are able to manage a set of diverse, high performing directors and harness the valuable input they can provide. They are also excellent servants of the board. In today's environment of dramatically increased expectations of board performance, the role of board chair and the leadership they provide makes the difference between good governance and a poorly performing board.