



# Board Players

How Chairs, Independent Directors and CEOs make their boards effective

Praesta Partners is the UK's premier firm of executive coaches, based in London and operating both nationally and globally. We coach senior leaders and executive teams in the private and public sectors, including FTSE 100 and 250 companies, private equity owned businesses, leading professional services firms and all areas of financial services.

All members of Praesta's team had senior level business careers before becoming coaches. Thorough initial training, continual professional development and regular supervision are integral to how we work. As well as one to one coaching, we conduct team coaching and board effectiveness reviews.

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## Introduction

*Playing for complications is an extreme measure that a player should adopt only when he cannot find a clear and logical plan.*

**Alexander Alekhine**

The characteristics, attributes and behaviours of board members and the chemistry between them, alongside the information they work with, determine the effectiveness of a board. We have seen these roles performed with great distinction. Where that has not been the case, it has usually been an issue of understanding rather than capability. People have either misunderstood the true nature of the board's link in the corporate value chain or they have held a misguided view about the purpose of the board role they occupy. Once identified, these matters are easily resolved but it is obviously better not to get there in the first place. If this short document helps any one do that, then producing it has been worthwhile.

Our firm's interest in the work of boards was stimulated nearly two decades ago by clients articulating the challenges they experienced when interacting with their own boards and, in some cases, stepping up to them. What started in the privacy of one-to-one coaching gradually migrated to board facilitation, especially at off-sites; and, as the UK Corporate Governance Code

gained traction, to carrying out independent board effectiveness reviews as well.

The Code itself deserves to be a first port of call for everyone that has an interest in good governance and board effectiveness. Overseen by the Financial Reporting Council, it is based on the principles of accountability, transparency, probity and a focus on sustainable success over the long term. The Code addresses key components of effective board practice, grouped under five headings: leadership, effectiveness, accountability, remuneration and relationship with shareholders. It is not a straitjacket: rather, its exhortation is to comply or explain. The Code has been almost universally adopted by corporate entities and most of its guidance has been adapted for use in the public and voluntary sectors too.

There is no point in duplicating the Code's content here. Rather, we have chosen to map our own experience of board work onto the three board players whose individual and collective performance most impacts board effectiveness: The Chair, the Chief Executive and the Independent Director.



## The Independent Director

*The future belongs to he who has the bishops.*

**Siegbert Tarrasch**

### Context

All directors have an equal duty of care for the continued good health of the host organisation, today and tomorrow. Formally, there is no distinction in law between a non-executive board director and an executive one. The same applies to an independent non-executive director and one rendered non-independent, either by dint of long service or being the nominee of an interested party, such as a shareholder.

Nonetheless, our experience is that the roles most pivotal to board effectiveness, and the most challenging to perform, are those of independent directors. That is principally because:

- The burden of independent scrutiny they carry can lead them to operate more as inquisitors and corporate policemen than is appropriate. The role of oversight eclipses the equally important role of guidance.
- To exercise informed, independent judgement and engage in constructive challenge, independent directors have to gain knowledge and insight from sources within and beyond the host organisation without going native. This can be a lonely, poorly signposted journey that requires dedication, persistence and, occasionally, ingenuity.
- They can easily be marginalised such that they make little impact on the organisation and its agenda.

Independent directors are greatly helped in the pursuit of their obligations by the transparency and openness of the executive team. By contrast, a defensive executive team that controls access to information and people, and is overly-sensitive to alternative input, is likely to get poorer value from its independent directors. They will be less well equipped to challenge and, if the chances of a dismissive or negative response are significant, become reticent to do so because the stakes are too high. They may resort to back-room gossip instead.

### **Best Practice**

*Two bishops are stronger than two knights or than bishop and knight, though very few know the reason for this advantage and how to turn it to account.*

**Richard Reti**

We have found a number of best practices that are adopted by independent directors who rise to these challenges well. As an independent director, it pays to:

- Find out for yourself by walking the business, talking to a wide range of people, understanding the sector, looking out to the market place, and getting expert input.
- Be diligent, read a wide range of material and listen carefully.
- Check your understanding, ask good questions and persist until you get good answers.
- Form an independent perspective, avoid group-think and make up your own mind.
- Remember your duty of care to the business and its principal stakeholders. Ensure board and committee agendas give time and attention to the issues that matter most.

- Contribute constructively, make your own points concisely, explain where you are coming from, acknowledge and build on good points made by others, use neutral language and thereby generate light not heat.
- Work outside the board room as well as inside. Connect with others informally as well as formally so as to get to know key executives and other directors.
- Look ahead, re-educate yourself and upgrade your skills to keep current. Use your old war stories sparingly.
- Get good feedback and act on it.
- Know when its over. If you cannot subscribe to key decisions, or have reservations about how the board runs then stand down. When others take little notice of what you're saying and/or you feel your ability to contribute has started to wane, then engage the chair's help to leave on a high with the board's goodwill towards you intact.



## The Chief Executive

*“The Queen is the most valuable and important piece and the whole outcome can depend upon how successfully she plays her role.”*

**Anatoly Karpov**

## Context

In our experience, the Chief Executive (CEO) has the power to make or break a board's effectiveness. We've seen powerful CEOs dominate their boards and equally powerful ones enable and inform the board's work. We've seen CEOs lead their executives into the board room, and others who don't give an effective executive lead – and have no doubt that board effectiveness is enhanced by the former. We've seen CEOs who collaborate with the Chair to structure and support an annual board calendar that brings all the important subjects to the table in an orderly and well-informed way; others who, meeting to meeting, cobble together an incoherent pot pourri of papers, briefings and standing items that suffer from insufficient preparation, coordination and forethought.

Board members, in general, and the Chair in particular can influence these matters; nonetheless, it remains surprising how tolerant some boards are of CEOs who don't service them well.

Servicing boards can seem a waste of time and energy to busy CEO's who occasionally complain that non-executives add little value, are quick to criticise and slow to praise, don't bother to read the papers or get briefed properly and are more concerned about their own reputation than the organisation's. Opinions such as these, even if held privately, have a way of expressing themselves to those who are held in some contempt. Even if the criticisms are justified (and we have seen places where they are), they rarely help change things for the better. The CEO has to help the board move to a better place, even if this takes time and patience.

It is also difficult for CEOs to act as “just another” director. Even if they can switch their hat for a director one, other board members continue to look to the wearer in his/her executive capacity. Simply put, it is hard to step out of the CEO role on your own board.

## Best Practice

*I didn't picture myself as even a grandmaster... because I simply lived in one world, and the grandmasters existed in a completely different one.*

**Anatoly Karpov**

In the context of a board and its work, the best things a CEO can do are:

- Invest in your board by, for example, organising elective briefings on topics of strategic relevance, taking directors off-site a couple of times a year to stand back from the day to day, and encouraging them to speak to your people. It pays back.
- Get to know your non-execs by spending 1:1 time regularly. As part of that, do some things together, such as seeing-is-believing visits and co-hosting stakeholder events.
- Show respect and regard for others and expect it in return. Welcome and invite comment and insight, and respond constructively to input even when you beg to differ. When your patience is tested, don't let exasperation show. Remember that the board is your friend, not your enemy.
- Collaborate with your Chair to design and execute a strong board calendar that ensures all major topics are systematically brought to the table, in ways that comprehend the division of labour between the board and its committees. Prepare high quality inputs to stimulate high quality discussions.
- Lead your executive into the room. CEOs enable board effectiveness by delivering a report that covers all the main bases, identifies the issues and directs the Board's attention to what matters most. They do this whilst ensuring other executive directors have air time and support them when things get sticky.

- Step out of the CEO role to speak as a director from time to time. Flag clearly when you are doing so. You should not restrict your board contribution to that of an officer of the business or feel you are on parade the whole time you are in the boardroom.
- Promote openness and transparency. Encourage non-executives to walk the business and tell them what is keeping you awake at night.
- Take options and questions to the board, not just answers and solutions. The board has a responsibility to guide the business as well as oversee it. You can use the talent and experience in the room to inform your thinking and influence the organisation's direction of travel.
- Work with your Chair to configure the board, anticipating its future need for knowledge and skills, when planning succession. CEOs meet a lot of people, so you are well placed to identify and introduce contacts who might become good directors one day.
- Don't let things fester. When a director has upset you, got the wrong end of the stick or said something inappropriate - or you have done that yourself - don't let it rest there. Pick up the phone, deal with the issue and get the relationship back on track.



## The Chair

*The king is a strong piece - use it !*

**Rueben Fine**

## Context

The ability to adapt to changes in board membership and the organisation's circumstances, planned and unplanned, seems to distinguish a good Chair from the also-rans.

Observing Chairs at work, the best of them achieve a strong, clear framework for the board's engagement inside and outside formal board and committee meetings; and then facilitate relevant contributions from all board members. They have a constructive, open relationship with the CEO that falls well short of a job-share. They retain an independent, well-informed perspective and avoid going native. They are attentive to what directors feel and think about the board and the business it guides and oversees, and act on the intelligence they receive. They nip dysfunctional behaviour in the bud with a quiet, private word and, in a mature way, mentor new board members to help them make worthwhile initial contributions and avoid pitfalls.

When board chairmanship takes a wrong turn, it is usually because the Chair loses sight of what he/she is really there to do, which is to ensure good stewardship of the organisation through running an effective board. It is a mistake to let relationships, however close they are, and commitments to past decisions, however good they were, compromise this duty of care. These worthy loyalties are misplaced.

The day a Chair feels the need to spend a lot of time in the business to keep track of how things are going, he is tacitly acknowledging that others are not performing as they should. When that begins to happen, he has started to lose the plot.

## Best Practice

*The great mobility of the King forms one of the chief characteristics of all endgame strategy... We must therefore develop him, bring him nearer to the fighting line.*

**Aron Nimzowitsch**

As Chair:

- Be clear about what the business most needs from its board; what the business needs from its chief executive; and, in relation to those, what they both most need from you. These needs change over time, so revisit the subject periodically.
- Do your job and insist others do theirs. The board needs strong contributions from all its directors, especially committee chairs and the Chief Executive. Help them shape up and ship them out if they don't make the grade.
- Run a good agenda at every meeting and across meetings. Ensure those agendas are the ones the organisation needs its board to address; and that the discussions about key topics and decisions are the ones the board deserves to have.
- Don't let the Chief Executive dominate the board, treat it as a necessary irrelevance or be economical with the truth. The CEO is the board's agent, to whom it has delegated executive authority for running the business: it has a right to expect openness, transparency and respect in return.
- Be alert to the possibility that independent directors may feel marginalised by the way you and the CEO manage the board. Stay close to your directors, find out what they really think, take notice of what you hear. Use that intelligence to make appropriate adjustments in the way the board and its committees work and how the board's relationship with the executive is operating.
- Build a board for tomorrow, not just for today. Anticipate the skills, knowledge, experience and qualities tomorrow's board will need and keep a constant look-out for potential candidates. Engage the CEO in that process. Use the flexibility offered by annual elections to retire directors whose currency has waned– the days of everyone serving three three-year terms are over.

- Focus your board on “tomorrow”. It cannot influence “yesterday” and it is too late to affect “today”. Insofar as the board spends time looking in the rear view mirror, then it should be to draw lessons from the past that are relevant to securing an attractive future.
- Don’t go too soon. It takes a full annual cycle for a Chair to get his/her feet firmly under the table; another year or two to refresh the board’s membership and embed changes in the agenda, structure and style of the board and its committees. Once the new way of operating has been established, it deserves to run for a while.
- Don’t stay too long. Chairs, like most of us, seem to lean on old, familiar ways. If you find yourself regularly saying or thinking “we’ve been here before” or “we looked at this a few years ago” then it is probably time to think about succession.



## Working Together

*It is not enough to be a good player... you must also play well.*

**Siegbert Tarrasch**

## Context

Guiding and overseeing an organisation, so that it is successful today and tomorrow, requires the collaborative interaction of all the board’s

players. They need to understand that board effectiveness depends on the nature of their interactions, not just on how they fulfil their own roles. Making an added-value solo contribution is necessary but insufficient to deliver an effective board. Every director has to help other board members contribute well inside and outside the boardroom. The Chair, CEO and Independent Directors play different roles within the team, but it is one team.

Where we see a board's dynamic operate in ways that lead to its whole being less than the sum of its parts, this is rarely attributable to wilful dysfunctional behaviour on the part of directors. More often, it is because the board's formal and informal processes for doing its work are inadequate; and/or there is personal antipathy between some board members; and/or the Chair, CEO and independent directors are not performing their roles as they should. Addressing the last of these is usually pivotal to sustainably resolving the others.

## Best Practice

*Sit there for five hours? Certainly not! A player must walk about between moves, it helps his thinking.*

**Alexander Kotov**

If the whole board is to operate more effectively than the sum of its parts, then the Chair, CEO and independent directors should:

- Enjoy full, frank and constructive dialogue inside and outside the boardroom.
- Share what you most need from others so as to fulfil your own role. Ask what they most need from you.

- Find out what and how others can best contribute, encourage that contribution, acknowledge it and build on it.
- Allow time and space for discussion. Build on other people's comments before starting down another path. Resist any attempt to rush the agenda in the name of efficiency.
- Ensure the margins of board and committee meetings allow sufficient time to socialise and use that time well – don't spend it making calls and reading emails!
- Invite feedback about your own contribution from time to time. Give each other positive feedback when warranted. If you have constructive criticism to make, do so privately not publicly.
- Ring the changes. Swap seats, sit next to someone else. Change the venue from time to time. It is surprising how changes in a board's ritualistic routine can improve its dynamic.

### **A Final Thought**

We have already said that mutual respect between the Chair, Chief Executive and Non-executive is a necessary condition for board effectiveness. They don't have to like each other....but it really helps if they do!

## Further Reading

*Thin on Top*, Bob Garratt

*What makes a great board Chair?*, Whitehead Mann/The Change Partnership

*What makes a great Chair in the public sector?*, Hilary Douglas, Praesta Insights.

### ***UK Corporate Governance Code:***

<https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>

## The Chess Masters

*The Grand Masters quoted are:*

### ***Alexander Aleksandrovich Alekhine***

a Russian chess grandmaster and the fourth World Chess Champion. He is widely considered one of the greatest chess players ever.

### ***Siegbert Tarrasch***

one of the strongest chess players and most influential chess teachers of the late 19th century and early 20th century.

### ***Richard Réti***

an Austro-Hungarian, later Czechoslovak chess grandmaster, chess author, and composer of endgame studies.

### ***Alexander Alexandrovich Kotov***

a Soviet champion, two-time world title Candidate and a prolific chess author.

### ***Anatoly Yevgenyevich Karpov***

a Russian chess grandmaster and World Champion from 1975 to 1985 when he was defeated by Garry Kasparov.

### ***Reuben Fine***

an American chess grandmaster, psychologist, university professor, and author of many books on both chess and psychology.

### ***Aron Nimzowitsch***

a Russian-born, Danish chess master and influential chess writer. He was the foremost figure amongst the hypermoderns.

## Our Coaches



**Ian Angell**



**Hilary Douglas**



**Ed Dulson**



**Alistair Forbes**



**Philip Graf**



**Paul Gray**



**Hilary Lines**



**Robin Linnecar**



**Janet Rubin**



**Peter Shaw**



**Dame Sue Street**



**James Thorne**



**Steve Wigzell**



**Barry Woledge**

**Praesta Insights** pull together thought and experience of topical leadership issues in an accessible and digestible way. This publication was written by one of our partners, Steve Wigzell, who would like to thank Dr. Peter Shaw for his insightful editorial input.



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### **Other Praesta Insights:**

***Beyond 2020***

(Steve Wigzell, 2013)

***Coming into Leadership***

(Heather Dawson, 2010)

***Living Leadership***

(Peter Shaw, 2011)

***Riding the Rapids***

(Peter Shaw, 2008)

***Seizing the Future***

(Peter Shaw, 2010)

***The Age of Agility***

(Peter Shaw and Steve Wigzell, 2012)

***The Power of Coaching Top Teams***

(Jacqueline Scholes Rhodes and Hilary Lines, 2009)

***Thriving in a Faster Faster World***

(Heather Dawson, 2007)

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