

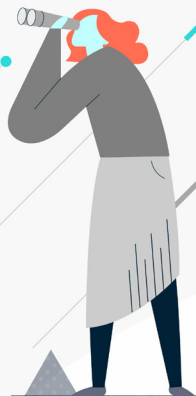
ARTICLE

The chair imperative: A new mandate for leading in a new world

Boards must fundamentally rethink what it takes to be an effective chair, how the role should be structured, and how to find the right candidates. Chairs themselves should take the lead on ensuring they have the right successor.



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Eighty-six percent of Fortune 50 chairs are white, and only 8% are women, for example. Among companies listed on the Thomson Reuters D&I Index, 90% are men.

In recent years, the responsibilities and expectations of corporations and the boards that lead them have changed dramatically. While still responsible for financial oversight and governance, boards are also being called on to oversee strategies with radically new and fast-changing business models and to ensure their organizations function with socially meaningful purpose and with diversity, equity, and inclusion. Boards are expected to work with executives to take action against climate change, embrace transparency, show integrity, contribute to communities, and value all stakeholders. Many boards hold themselves, or are held, responsible to a triple bottom line: people, planet, and profit. And, as the world has changed, so too have many boards, shifting their composition, agendas, and practices.

We set out to determine if the role of the board chair is changing as rapidly, and whether or not boards are rethinking the role to meet these new challenges. One key finding so far is that the majority of chairs continue to have traditional experience: as chair of another board or as a CEO, CFO, or COO from the same industry. And, notably, in terms of diversity, board chairs reflect what boards used to be: 86% of Fortune 50 chairs are white, and only 8% are women, for example. Among companies listed on the Thomson Reuters D&I Index, 90% are men.¹

But chairs—along with their boards—need to reflect the new reality. The chair is the person who sets the agenda. When the chair is not also the CEO, they are the CEO's chief adviser (and, indeed, we think the growing trend of splitting the roles will strengthen boards' effectiveness in the long term). The chair is central to shaping any company's future. Therefore, while traditional experience can be crucial, in order to meet today's expectations, boards need to pay equal attention to the softer side of leadership: potential chairs' leadership capabilities, curiosity, or agility, for example. Yet, in our experience, too many boards still, in the end, make their choice of chair based on yesterday's criteria.

It's imperative that boards change the way they think about what it takes to succeed in the role of chair, how the role is structured, and the process of finding the right candidate. Only by making changes in all of these areas can boards and their current chairs ensure their next leader will be able to tackle all the issues that companies are facing.

Shift mindsets about what it takes to succeed in the role

The first step boards need to take is to challenge themselves to truly think differently about the role of the chair. The chair of the nominating and governance committee can drive a transparent conversation about the company, the industry, and what's most important for the board and the stakeholders, now and in the next three to five years. In that context, the board should start with a clean sheet to discuss the strategy, the CEO's depth of experience, and the board's collective expertise and capabilities. With such a conversation, the full board can get aligned on what leaders they need now and to take the company forward strategically, in terms of both experience and leadership capabilities. Incorporating the current chair's perspectives on capabilities or experience that would be useful to them can be helpful. In addition, effective chairs will have used regular board reviews to identify opportunities and new capabilities that will be needed in the next chair, just as they assess any other board member.²

¹ For details on the backgrounds of chairs of companies listed on the Fortune 50, Thomson Reuters D&I index, and the MSCI ESG index, see Alice Breeden and Bonnie Gwin, "A look at leading board chairs today," Heidrick & Struggles, on heidrick.com.

² For more on board reviews, see Alice Breeden and David Hui, "A board review that accelerates competitiveness," Heidrick & Struggles, on heidrick.com.

We see that some knowledge about boards' newer responsibilities is increasingly important because it will enable the chair to ensure the board is getting the right information to ask the right questions.

The mix of hard skills a chair needs varies depending on industry, the condition of the company, the strategic imperatives, and the composition of the rest of the board, among other factors. Experience from far-flung industries may lend fresh perspectives that are useful to oversee strategy in fast-changing markets.

Furthermore, we see that some knowledge about boards' newer responsibilities is increasingly important because it will enable the chair to ensure the board is getting the right information to ask the right questions. This knowledge can take the form of experience in analytics or cybersecurity risk, sustainability, or DE&I, for example. These are all areas where many full boards—let alone chairs—are lacking. On sustainability, for example, a recent survey of board members from around the world found that 85% think they have insufficient knowledge.³

However, soft skills are now at least as important as hard skills to succeed as chair, as our experience and conversations with chairs around the world highlight. This is because of the pace of change: as boards become more diverse and responsible to more stakeholders, while often having to move quickly and decisively, skills such as listening, facilitating the right conversations, being inclusive, and building relationships—particularly with the CEO—matter consistently for success.⁴ More broadly, other Heidrick & Struggles research shows that across all levels of leadership, executives who are seen as having impact today *and* potential for tomorrow more often than others excel at four leadership capabilities: leading through influence, driving for execution, creating new thinking, and having an ownership mindset. We call leaders with this mix of capabilities “future-ready,” because they should be agile, curious, focused, and inclusive enough to be effective in the face of constant and sweeping change.⁵

Rethink the role's structure

By moving away from an expectation that all directors—including the chair—will serve as long as possible, boards will give themselves room to improve diversity and add expertise in emerging areas.

In many cases, boards will also need to rethink how the role of chair is structured and what he or she will be responsible for to ensure effectiveness. For instance, chairs must be able to oversee and enable inclusive discussions. And they need to ensure that the board is continuously learning—for example, about sustainability and cybersecurity risk—and keeping up with macro trends and events, particularly related to social issues. Successful chairs prioritize keeping the board closely connected both to the outside world and to the company, for example by encouraging individual directors to meet with and even mentor executives outside the C-suite or by including presentations from junior employees on the board agenda.

As part of this process, boards will benefit from making board refreshment a strategic priority. Boards and their chairs should no longer accept it as normal for directors to serve as long as regulations or term limits allow. By moving away from an expectation that all directors—including the chair—will serve as long as possible, boards will give themselves room to improve diversity and add expertise in emerging areas, such as digital and sustainability.⁶

³ From a survey conducted jointly by Heidrick & Struggles and INSEAD, forthcoming on heidrick.com.

⁴ For more from our conversations with board chairs from around the world, see Bonnie Gwin and Jenni Hibbert, “Leading from the chair: Shriti Vadera on the journey to the boardroom,” “Leading from the chair: Marge Magner on driving change,” “Leading from the chair: Melody Hobson’s number one piece of advice,” and “Leading from the chair: Insights from Patricia Russo,” Heidrick & Struggles, on heidrick.com.

⁵ For more, see TA Mitchell and Sharon Sands, “Developing future-ready leaders,” Heidrick & Struggles, on heidrick.com.

⁶ For our perspective on board refreshment, see Alice Breeden, Theodore L. Dysart, and David Hui, “Building the foundation for better board refreshment,” Heidrick & Struggles, on heidrick.com.

Revamp the chair selection process

Many boards that are not actively improving their diversity—at a minimum in terms of gender and race and ethnicity—are facing the wrath of shareholders and other stakeholders.

Given that they will be seeking a new kind of person for a new kind of role, boards will also need to revamp their traditional processes for looking for and choosing a chair.

We are seeing that boards are no longer defaulting to the longest-tenured director or only considering current board members. Instead, we are seeing boards look outside to name chairs, or recruiting new directors who have long-term potential. Indeed, these companies are undertaking a succession planning process for the chair role similar to what we see among companies with strong CEO succession plans.

Finding chairs in non-traditional places may require boards to adjust their perception of risk. For board members and chairs alike, it has long been true that going with the familiar was the least risky option. Today, many boards that are not actively improving their diversity—at a minimum in terms of gender and race and ethnicity—are facing the wrath of shareholders and other stakeholders. Soon, we believe, chairs who don't bring some kind of fresh perspective to the table will face the same reaction. Outgoing chairs and nominating committees need to be able to explain to stakeholders the full range of considerations that make the new chair right for the role.

Finally, because the right candidate may have less previous experience with the board or the company than the board is accustomed to, boards may also want to give some thought to the chair onboarding process, with the outgoing chair, corporate secretary, and others working to bring the new leader up to speed quickly.

Five aspects of board performance—and considerations they raise for chairs:

1	2	3	4	5
Perspective:	Power:	Priorities:	Process:	People, planet, profit:
What additional skills, expertise, or capabilities would the current chair find useful? What areas of expertise or leadership characteristics does the company's current situation call for?	Is the chair connecting equally with all relevant stakeholders or do some have outsized influence based on tradition or long-standing relationships? What is the right level and type of communication to meet the company's strategic goals?	How do we currently balance hard and soft skills in our expectations for our chair? Does that balance lead to the board having the right priorities for its agenda, its discussions, and its relationships? Does it lead to the board having an inclusive culture?	When did we last rethink the board and chair refreshment processes? Have our current processes created the most effective board? Where did we find candidates the last time we named a chair? Are those the right sources this time around?	What role should our chair play in ensuring the company meets expectations in all of these areas?

For boards to succeed in the current context of changing expectations and social and economic realities, they must prioritize updating the role of the chair: the way they think about the role, what responsibilities they assign to it, how they fill the seat, and with whom they fill it. It's an undertaking that will require a commitment and a fundamental shifting of long-held ideas and processes, but it's well worth the effort. Indeed, updating the role of the chair is much more than a good idea or potential competitive advantage—it's imperative to long-term success.

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