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BOARD LEADERSHIP – STYLE AND SUBSTANCE

Family members bat together, when the paterfamilias creates the enabling environment. Why should Boards be any different? We look at the captains in the boardroom, and their differing styles.

Leadership manifests itself in different ways, and assumes different forms. This is particularly true when one looks at the leadership of corporate Boards.

At the outset, it must be readily conceded that a one-size fits all approach will not work when it comes to dealing with, or leading, Boards that are varied in terms of composition, experience, situational context etc., to name only a few. It follows that whoever is identified as the leader of the Board, must measure up to the specific requirements of the Board.

At one end of the spectrum are Chairpersons who treat the rest of the Board as persons merely making up the numbers mandated by statute. Long years of having been with the same company, and having operated successfully at different levels, often gives rise to the feeling that there is absolutely no need to leverage the knowledge or the strengths of other Board members. The “my way or the highway” approach does tend to significantly impact on boardroom conversations. Directors on such Boards are often heard saying that their inability to contribute transforms over time into unwillingness, and resultantly, they become occupiers of the ringside seats, while the game goes on. Clearly, this is not an acceptable proposition. Chairpersons who do not recognise that they have pushed themselves into this corner, need to wake up and smell the coffee. Unhappiness in the boardroom can often lead to negative conversations outside the boardroom, which needless to state, will impact on the reputation, as also the performance of the company.

Another variation on this theme is the Chairperson who has a handful of acolytes who agree with him/her before a sentence has been completed. This echo chamber, for it is nothing else, ensures that the Chairperson does not get to know what he/she needs to know to provide effective leadership. Information, it is admitted, is the lifeblood of Boards and companies. If the flow of information to the Chairperson is impeded by the walls of the echo chamber, decision-making will necessarily be suboptimal. This is not an Indian phenomenon. The major collapses in 2008 in the US, had, as a leading contributory factor, the near perfection with which the top leadership shut out information, especially negative information, flowing to them.

A major correction is in order as far as such Chairpersons are concerned. To begin with, they need to be told that the Chairperson is *primus inter pares*, and not a superior creature in the boardroom, with the other members of the Board as passive subordinates. One way of addressing this is to ensure that the Chairperson is not the beneficiary of excessive centralisation, by making him/her the Executive Chair, the Managing Director, and on occasion, even the CEO, all rolled into one. There are examples of companies, especially in the public sector, where the statute mandates that there shall be an Executive Chairperson, and a handful of Executive Directors. This should however not be seen as the preserve of the public sector. One celebrated private sector company had, at a point of time, an Executive Chairperson and an Executive Vice Chairperson, leaving one to wonder whether the CEO had any executive responsibilities.

At the other end of the spectrum is the almost reluctant Chairperson, who tries very hard not to be involved in the decision-making process. The moment the Board proceedings commence, he/she invites the Company Secretary to take the Board through the agenda, and while the Company Secretary goes about doing what he/she has been told to do, the Chairperson maintains a benign presence, and rarely offers a view. Such an atmosphere is also counterproductive since the Chair is expected to provide leadership, and to ensure harmonious construction of opposite views, when agreement among Board members seems a remote possibility. These are *de jure* Chairs, who try hard not to be *de facto* Chairs. Such a situation often emboldens the Managing Director or other Directors to strike out on their own, thus, imperilling the company's best interests. Senior management personnel also recognise this as an opportunity to carve out their own territories, even within the boardroom.

There is the third category which, in some sense, approximates the golden mean of Board leadership. Such Chairpersons recognise that other Directors are in the boardroom for a reason, and that value should be extracted from their presence, and from their contributions. Those Directors who remain the strong silent types should be persuaded to share their wisdom, and those who tend to hijack the proceedings should be brought back to discussing the subject or the proposition before the Board, and to leave enough time for others to do so. Indian Boards have two types of Directors, namely, those who have something to say, and those who have to say something. It is for an enlightened Chairperson to ensure that the latter category does not monopolise airtime, leaving former category as a bemused spectator. If a Board is rightly composed, taking into account the company's requirements and the varied expertise that has been brought on the Board, it should not be neutralised by indifferent Board leadership. Suffice it to say that in some ways, the function of Board leadership approximates to conducting an orchestra, where everyone knows his/her part, and the Board does not witness discordant notes. Leadership in the boardroom is not the preserve of only the Chairperson. There are enough examples of strong Managing Directors or CEOs, taking advantage of ineffective Chairpersons, and running the Boards and the companies as their personal fiefdoms. The fact that a Chairperson is a non-executive, should not in any manner diminish his/her role or importance in the boardroom, and consequently, in the matter of providing effective leadership, even without having executive responsibilities. This recognition exists in many Boards, but recognition often takes a while to translate to reality.

One of the major responsibilities of Chairpersons is to ensure that Board members have sufficient role clarity, and do not intrude into the operational areas of management. This is best done by setting a personal example, with the Chair recognising that he/she is the Chair of the Board, and not of the company. Second- guessing management, on a continuous basis, is without argument, the best way of reducing managerial effectiveness, and impacting adversely on the performance of the company. This does not however preclude the duty cast on the Board to provide superintendence, direction and control.

There is an unstated belief that when a person is appointed as the Chair of the Board, he/she hits the ground running. Nothing could be further from the truth. Leading a bunch of experienced persons, with diverse expertise, and extracting value from them, is not the easiest of tasks. Therefore, before assuming the Chairpersonship of the Board, it is incumbent on the individual concerned to give considerable thought to how he/she will discharge the multifarious responsibilities that the position of the Chair entails. There is no requirement of a formal training course, since training courses normally focus on the provisions of the statute, and statutes as well as regulations address issues such as tenure, age and the like, without touching majorly on the role and responsibilities that go with the position of the Chair. Attributes, more than formal training, are important. A Chairperson, needless to state, should be an individual with considerable maturity, and the ability to take on board different aspects and approaches to an issue, before facilitating the collective decision of the Board. Weaving the various views expressed into a common thread, and seeking to reflect the agreed consensus of the Board is a necessary skillset. One of the underemphasised aspects of Board leadership is the ability to manage time in a manner that helps the Board to address all matters before it, and yet, conclude the meeting within the stipulated period.

One of the unstated responsibilities of the Chairperson is providing leadership in managing the reputation of the company. In challenging situations, he/she becomes the face of the company, and has to credibly communicate with stakeholders on the exact position that the company finds itself in with regard to complex issues. Some Chairpersons are known to shy away from this responsibility, and to have the management front the conversation. Handholding, without becoming a crutch, is an art that Chairpersons must practice on a continuing basis.

If the Board is expected to be fair and objective in its decision-making process, it stands to reason that the Chairperson should set the tone, and reflect the balanced approach that will enable Boards to act fairly and equitably.

The question often arises whether the role of the Chairperson is impacted significantly if he/she is a promoter or belongs to the promoter group. It should be clearly understood that within the boardroom, the Chairperson acts as a Director, who is the first among equals, and it is not appropriate for him/her to manifest attributes of ownership or majority control. The view that the promoter has skin in the game, and should therefore be able to unduly influence the thought processes of others in the boardroom, has no validity whatsoever.

The Chairperson is also, in a manner of speaking, the elder statesman in the boardroom. It is for him/her to ensure that the mentoring responsibility of the Board, which is an important requirement not provided by statute, is discharged effectively, so that senior management personnel are made ready for holding positions of higher responsibility within the company.

One inconvenient question must be addressed far more seriously than is being done at the present juncture. The process of Board evaluation should involve a rigorous assessment of the manner in which the Board has been led during the preceding year, and the earlier years.

Continuing with a Chairperson whose performance is suboptimal, is a luxury that Boards can do without. As for Chairpersons themselves, when the realisation arises that they are not doing enough, or are not enjoying their role, it is time to say thank you and good bye. And while parting, care should be taken not to adversely impact the interests of stakeholders.

To read our report titled ***"Leading the Board – Rethinking the Role of the Chairperson"***, please click here