



# Effective board leadership

Board leadership requires decisiveness and emotional intelligence, particularly when the company in question is in the eye of a storm.

**BY KIERAN MOYNIHAN**

There has never been a greater focus on boards and the critical role the board plays in the stewardship of an organisation and ensuring a sustainable future for its shareholders and stakeholders. The launch in the UK in December 2018 of The Wates Corporate Governance Principles for Large Private Companies is a seminal moment for corporate governance in the UK and Ireland, as it represents the first major step in raising the bar for corporate governance and board effectiveness in private companies.

A key focus of these new guidelines is the leadership role of the board chair, which can be summarised as follows: “the chair leads the board and is responsible for its overall effectiveness, promoting open debate and facilitating constructive discussion. The chair should ensure a balanced, diverse board where all directors have appropriate information and sufficient time is made available for meaningful discussion”.

#### Key responsibilities

In working with boards across Ireland and the UK, I strongly believe that the board chair's leadership has the biggest impact on the board's effectiveness and performance. The expectations of a modern board chair have increased significantly over the years and in particular, a progressive board chair needs exceptional levels of emotional intelligence, leadership skills and business judgement to discharge their key responsibilities, which include:

- Overall leadership of the board team;
- Creating the conditions for overall board and individual director effectiveness;
- Demonstrating the highest standards of integrity and probity;
- Setting clear expectations concerning the organisation's culture, values and behaviours;
- Setting clear expectations concerning the style and tone of board discussions;
- Managing board dynamics, engagement and conflicts;
- Leading the composition of the board, ensuring a vibrant and

diverse mix of board members across gender, age, professional background, sector expertise and thinking styles;

- Overall communication to shareholders and stakeholders;
- Building and maintaining a healthy, constructive and balanced relationship with the CEO; and
- Assessing the performance of the board, individual directors and the CEO.

be a little unsettling initially to move into a formal leadership position and take on the significant additional responsibilities that come with it. I would always advocate that a board member who takes on the board chair role makes a strong start in terms of demonstrating to all the board members that while they fully respect the relationships built up over the years, the core responsibility of the board chair is to lead the board in a fair

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#### Make a strong start

While serving on boards over the last 20 years as a chair, non-executive director, CEO and executive director, I have seen first-hand the pressure for a board chair to integrate a complex mix of executive and non-executive board members. They are also challenged with creating a cohesive and hard-working team that is comfortable with high levels of robust challenge and debate, with every board member genuinely contributing and bringing their A-game to help the board excel on behalf of its shareholders.

Particularly in times of significant stress on the organisation and serious conflict within the board, the board chair can be a lonely role as you strive to steer the board to arrive at a consensus position and optimise the decision-making of the team. Serious crises require decisive and courageous leadership by the board chair in driving the board to face up to the challenges, establish viable options to address the crisis and make the key decisions.

In many cases, board chairs are promoted from within the board and have served a considerable period of time on the board as a non-executive director. While this has a lot of advantages in terms of understanding the board and the organisation, it can

and balanced manner, thus enabling the team to excel on behalf of the shareholders and stakeholders.

#### Performance culture

One of the most pronounced changes to the responsibilities of a board chair in recent years is the focus on optimising the “performance culture” of the board. Traditionally, many boards did not have a genuine performance culture and this resulted in ineffective boards with a poor work ethic where board members were happy to show up, drift along and add little to no value to the executive team and the organisation.

Board evaluations are one of the primary tools that boards utilise to help understand the current level of board effectiveness and performance. These vary from internal evaluations to independent external board evaluations. When board evaluations were first introduced for stock market-listed companies, they were seen very much as a compliance exercise. Now, board teams are looking at board evaluations in a far more progressive way and using an externally-led evaluation to help the board understand where the team is currently at in terms of its effectiveness and performance while identifying the

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areas and approaches that will help the board drive a sustainable step-change in performance.

The board chair has a critical role in championing the value of either a board evaluation or other initiatives to help the board improve its performance. One of the characteristics of high-performing boards is that they want to continually improve. Average and dysfunctional teams shy away from initiatives that hold a mirror up to the board, challenge the value the board adds, and question whether the board is genuinely excelling on behalf of its shareholders and stakeholders.

#### Times of crisis

Another critical area is the leadership of the board chair in times of crisis. Examples of crises include:

- Liquidity problems;
- A loss of market share due to increased competition and pricing pressure;
- An under-performing CEO, which results in a major judgement call for the board in terms of whether to replace the CEO;
- A dispute with major shareholders and/or the executive team; and
- A major cybersecurity breach.

In crises like these, the company's board and shareholders look to the board chair to demonstrate strong

## Diversity is a process NOT AN OUTCOME

A group of diverse individuals around a board table does not guarantee a diverse board. To achieve diversity in your board, keep the following in mind:

### 1 WORKING TOGETHER

Good diversity is also defined by how well a group of diverse individuals work together, and relies on several key factors.

### 2 AVOID 'GROUP THINK'

A board that has the ability to be agile and adapt to new environments, to be broad in their thinking and avoid the comfort of 'group think'.

### 3 IMPORTANCE OF THE CHAIR

A chair who effectively manages different voices and opinions around the boardroom table, avoiding conflict but creating space for open and constructive discussion.

### 4 OPENNESS OF THE CHAIR

A chair who builds a culture of respect and tolerance rather than reinforcing unconscious biases or factional agendas.

### 5 ROBUST BOARD RENEWAL

A process that transparently identifies real skill gaps, and includes consideration of all candidates, actively seeking to eliminate biases.

### 6 INTEGRITY OF THE BOARD

A board that can ask honestly, "do we have the skills and mix of thinking to respond to the challenges our organisation is facing – or is likely to face?"

leadership, a cool head and high-quality judgement to steer the organisation through the crisis. One of the most challenging crises is where you have a major disagreement between shareholders who have nominee directors on the board and, in some cases, a major disagreement with the executive team, which could also have significant shareholders in its ranks. As an independent board chair tasked with the responsibility of focusing the board on what represents the best and most sensible course of action for shareholders as a whole, disputes of this nature can be very complex and fraught with emotion. In many cases, they can also cause severe tensions within the board team.

#### Steer the ship

All boards face significant challenges

in their respective environments. Company boards face an unrelenting wave of challenges including business model disruption, the impact of technology, a ferociously competitive landscape and geo-political challenges such as Brexit. Charity and not-for-profit boards are dealing with unprecedented funding challenges and a whole new era of corporate governance and transparency requirements.

As the captain of the ship, a great responsibility is entrusted to the board chair to steer the board ship through the icebergs and on to the bright blue waters of sustainable success for the organisation.



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