

## Leading the Board: Qualities of an Effective Chair

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In our book “Building Successful Family Business Boards,” we state that “the central theme of this book is that an active board, comprised of a mix of independent and owner directors, is an invaluable tool for any business, regardless of ownership structure or size.”

What makes an active board effective? In this case, the old adage “a whole is greater than the sum of the parts” clearly applies. Well-qualified directors with the skills, experience, time and motivation to dedicate to the job are crucial. But, while necessary, the right people are not sufficient to ensure board effectiveness.

Board effectiveness, defined as the successful fulfillment of the dual roles of providing strategic insight and management oversight, requires appropriate information, an agenda focused on key strategic issues, healthy discussion and debate, and a commitment to doing the job well. All of these elements are the responsibility of the board chair.

To better understand the chair’s role and responsibility, we need to look at two models of board leadership – the combined Chair/CEO structure and the split structure (where these positions are filled by two distinct individuals).

### The Combined Chair/CEO Structure

In the combined model, which was the structure reported by 63 percent of respondents to the board survey conducted for our book, the key to success is ensuring the CEO understands that the Chair role is an important and separate job. Too often, CEOs are so busy running the company that chair responsibilities slide.

Chair responsibilities, regardless of who fills the role, include:

- Ensuring information board members need to hold an effective conversation is sent in advance of the meeting;
  - Setting the appropriate agenda, focused on strategic issues and oversight, with the right amount of time allotted to each issue;
  - Ensuring appropriate reporting of board activities in the meeting minutes;
  - Ensuring shareholders are kept adequately informed of affairs of the company and have confidence in the oversight provided by the board;
  - Developing and maintaining a shareholder relations program for the company;
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- Ensuring appropriate committee structure, membership and responsibilities;
- Actively facilitating board members, promoting a culture of discussion and debate and balanced participation of all members;
- Maintaining top-level contact with members of the community to ensure that company is properly recognized, dealt with and appropriately represented in community affairs;
- Identifying ethical dilemmas in the company and reporting on those annually to the board;
- Ensuring accountability of management for setting and achieving budgets and plans.

This final responsibility, ensuring accountability, is the most difficult to fulfill in the combined structure. In effect, the CEO is responsible for holding himself accountable. To make this structure work, the CEO/Chair must be willing to take feedback from other directors and admit mistakes. He or she must also be willing to let other directors meet in executive session without him or her to discuss issues they may have with respect to the CEO's performance, as well as any other management issue that may be best handled without management in the room.

## The Split Structure

In the split structure, the Chair is tasked with the same responsibilities. One concern with this model is it creates a lack of clarity concerning who is in charge. Yet, note that most Chair responsibilities begin with the word "ensure" rather than "do." The Chair's job is more to make sure that things happen than to actually do them him or herself. So, his job is not to lead the organization but rather to lead the board. And, leading the board essentially means ensuring that it is fulfilling its designated role and responsibilities.

That said, the split structure does require strong coordination between the Chair and CEO. In this model, the CEO will often take the lead in setting the agenda and preparing advance and in-meeting materials. While the board's role is to oversee the CEO, it is also to support the management team and provide expertise

and insight. To effectively focus the board's attention on the appropriate issues, the CEO must have a strong hand in setting the agenda, but not so strong that accountability is compromised.

## Responsibilities of the Chair

Beyond preparing agendas and materials, some CEOs even take the lead in facilitating board meetings. Whoever leads the meeting, however, the Chair must take responsibility for ensuring the meeting is well run and should step in if things get off track.

At the highest level, the Chair is responsible for enforcing management accountability and the overall effectiveness of board process. An annual board evaluation is a useful tool to ensure the board is operating effectively (for more information on board evaluations, please refer to our book).

Typically, corporate by-laws state that the board elects its Chair. In practice, owners have a strong influence in the choice of Chair by stating their preference for a family vs. a non-family chair and their desire for a combined or split model. Regardless of who fills the Chair seat-an independent director, retired CEO or acting CEO-the Chair must remember the important responsibility of shareholder relations.

We recommend that the chair write a periodic letter to shareholders summarizing the activities of the board (without disclosing confidential information of course), present it at shareholder meetings and find opportunity to interact with shareholders on a more informal basis. The Chair should also welcome and respond to inquiries from shareholders.

## Developing capable board leadership

How do family businesses ensure they have a strong Chair? First, the family must clarify its vision concerning how the role should be structured. The family should also insist that a job description for the Chair be developed (see our book for an example). Ideally, if the family desires that a family member fill the chair role, it should ensure a development program is in place to build the skills needed in a good Chair.

This development plan should encourage leadership opportunities for potential candidates, including participation in other for-profit or non-profit boards. The family should also develop strong ownership education programs and create opportunities for candidates to attend education programs on family business governance.

With a clear vision and a long-term plan for developing capable board leadership, the family can provide strong direction and support which will go a long way to ensuring a highly functioning board.

*The “Building Successful Family Business Boards” book is available for purchase at [www.thefbcg.com](http://www.thefbcg.com).*



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