

This website uses cookies to distinguish you from other users. This helps us to provide you with a good user experience and also allows us to improve our website.

[More information](#)



About LBS

Programmes

Faculty and
Research

The LBS
Experience

News & Events

Boardroom insights: what makes a great chair

The best leaders are clued up on what matters now and take action in three distinct areas

By Randall S Peterson and Anna Johnston .

11 December 2017

leadership

The best leaders are clued up on what matters now and take action in three distinct areas

Poor board oversight comes at a cost. A report by Harvey Nash in collaboration with London Business School's (LBS) Leadership Institute (LI), **Old Game, New Rules**, reveals that board members are well aware of the risks. Of the 826 respondents, including chairs and non-executives from across the world, 82% report that companies pay a hefty price – socially, financially, environmentally – for ineffective boards.

The risks are clear. But what is shaping decision-making in the boardroom today?

3D boardroom

Three pressing themes emerge: disruption, digitisation, diversity. Chairs must have the smarts and skills to lead in a 3D boardroom.

Disruption has become business as usual: 41% of those surveyed believed that their organisations were being disrupted compared to 31% of respondents in 2016. The digital revolution is to thank for changing consumer and employee behaviour. It has also created new markets and business models and has altered the way firms compete. According to the findings, digital skills will be the most required specialist competency for non-executives over the next five years.

Diversity of thought is becoming a widely-recognised creative catalyst, helping boards solve complex problems and organisations gain a competitive edge.

The implications of a boardroom increasingly concerned with diversity, digitisation and disruption require strong leaders. Chairs must become capable of responding effectively to rapid change and growing uncertainty. If it's the sum of a chair's judgement calls that defines the board's legacy, what must great chairs know? And how should they act?

What great chairs know

- They know why diversity matters
- They know about the digital agenda
- They know when to go

What great chairs do

- They model inclusive behaviours
- They manage conflict
- They ask questions, seek alternative viewpoints and listen

Great chairs know why diversity matters

Diversity can pay dividends – and great chairs know it. Rigorous research on diversity shows that companies with broad diversity experience – in the top quartile for gender or racial and ethnic diversity, combined with effective inclusion practices – are more likely to reap financial returns above their industry average. Boards with narrow diversity typically experience average returns, but importantly, diverse boards without effective leadership experience the reverse.

“It is clear that we need to enrich and grow the depth and mix of talent of modern boards,” notes Randall S Peterson, Professor of Organisational Behaviour and Academic Director of the LI at LBS. His research with Elisabeth Marx, Teaching Fellow and board expert at LBS, into FTSE 100 boards in the UK shows that rather alarmingly 74% remain overwhelmingly male. What’s more, 43% are dominated by a gilt-edged social class – executives from a handful of elite schools such as Oxbridge and the Ivy League.

“Getting the right people around the boardroom table is a serious challenge,” says Professor Peterson. “You have to search outside your normal network. But appointing diverse talent is only the starting line for an inclusive board. Fostering a culture that’s truly inclusive, where people feel like they belong, must run deep. Therefore, retention and drawing the benefits of diversity, is hard to achieve.”

Achieving positive returns from board diversity requires particular leadership skills, including emotional intelligence, patience and diplomacy. Newly-diversified boards will not create an automatic uplift in performance, warns Professor Peterson. “Making a difference and improving board outcomes takes time. It also takes time for people to feel confident in sharing their unique contributions. Creating an inclusive board is a multi-layer, multi-step process.”

Great chairs model inclusive behaviours

Diversity alone doesn’t lead to inclusion. Without inclusion, attracting diverse talent, encouraging participation and fostering innovation simply won’t happen. Diversity without inclusion is like having the best musicians playing in a world-renowned orchestra with earplugs in. If talented individuals are not heard, how can they contribute? If they feel overlooked, they will no longer share their ideas and insights. Diversity with inclusion tells a different story. It creates a beautifully engaging tune.

Inclusion starts at the top. Great chairs make every effort to create an atmosphere where multiple voices are heard, and opinions are valued. Rewarding people for their performance in line with company values is key, says Christine de Larcy, Chair, UK Board Practice at Harvey Nash. “People will behave the way they are rewarded so it’s important that there’s no disconnect between the behaviours being discussed and the way people are individually rewarded.”

The board, and particularly the chair, often underestimate the power of role modelling, says Professor Peterson. “People look at the top team, the top cadre, and say, ‘Does this look like me?’ If it doesn’t, they can feel vulnerable and at risk. If they feel that way, they won’t give their best.” To bring out the best in everyone, leaders should exhibit the values they wish to encourage in their team. In other words, great chairs say what they mean and mean what they say by acting consistently. To build the right culture, they role-model cultural values.

Great chairs know about the digital agenda

Modern boards are wrestling with a digital agenda. Great chairs are digitally aware. The LI-Harvey Nash survey demonstrates that upping the digital IQ in the boardroom is not a one-size-fits-all task. Boards take different approaches – from bringing in specialist consultants to appointing chief data officers. “Some even set up separate digital advisory boards,” says de Laryg.

Chairs in a fast-changing digital world should consider increasing diversity in terms of age and technical expertise. For instance, they might engage with younger, digitally-savvy employees through reverse mentoring, or perhaps appoint a technical CIO.

De Laryg says: “The challenge of having a boardroom with digital immigrants is that people don’t always want digital natives sitting at the table. But it’s the job of every non-executive director (NED) and chair to make sure they are digitally educated.”

Great chairs manage conflict

Diverse perspectives can inevitably lead to heated exchanges. But, if well-managed, a board can draw from the richness of perspectives that diversity brings.

Professor Peterson, who has studied conflict for more than 25 years, says: “Effectively managed conflict is the basis of trust and effective decision-making.

Great chairs consciously use supportive and non-threatening language. For instance, starting a sentence with ‘yes, and’ as opposed to ‘no, but’ is one subtle but powerful way to manage the positive flow of debate. By adopting positive, growth-oriented behaviours and language, leaders can help boards to cohere while continuing to accept and promote new, challenging ideas and opinions.”

Great chairs know when to go

Great chairs instinctively know when to step down. They have succession plans in place so they can confidently hand over the reins. De Laryg says: “Research conducted by the QCA shows that from an investor’s perspective, the best chairs go proactively. They don’t wait for there to be a problem.”

Board evaluations allow for honest feedback loops. Despite this, the LI-Harvey Nash report revealed that 41% of respondents based in the Asia-Pacific region had never experienced a board evaluation. Great chairs actively seek external information. Board evaluations can provide just the impetus some leaders need to step down for the good of the board.

Great chairs ask questions, seek alternative views and listen

The most effective boards are led by people who spend their time listening, not talking. Soft skills – supportive listening, empathy, emotional intelligence and fostering inclusive cultures – are more than twice as important as traditional skills such as value creation, the report showed.

“Effective chairs need to be strong leaders, especially in times of change,” notes

Effective chairs need to be strong leaders, especially in times of change, notes Professor Peterson. He **points to research** by Niro Sivanathan, Associate Professor of Organisational Behaviour and PhD candidate Hemant Kakkar at LBS, which reveals that in times of uncertainty people choose dominant leaders over respected and admired candidates.

“Strong leadership does not mean authoritarian leadership,” explains Professor Peterson. “Great chairs have a point of view, but are also open-minded. They listen more than they speak, they have inclusive processes and a high degree of emotional intelligence.”

Article provided by



The Leadership Institute aims to have a profound impact on the world through supporting the generation and application of path-breaking research on leadership.

Learn more

leadership

What worries leaders?

[See more](#)

Author

RANDALL PETERSON

Professor of Organisational Behaviour

[View articles >](#)

Comments (0)

You must be a registered user to add a comment here. If you've already registered, please log in. If you haven't registered yet, please register and log in.

[Login/Create a Profile](#)

Most read this month

Six trends to look out for in 2018

[Voices](#)

Are you at risk of burnout? Here's what to do

By [Richard Jolly](#)

[Leadership](#)

Too much information?

By [Dan Cable](#)

[Leadership](#)

