

Quality time

Chairing the First 100 Days

Chairmen of plcs are defined by the legacy they leave at the end of their tenure, but their first 100 days in the role will be a key milestone.

The proverbial first 100 days is the period commonly used to gauge how well a new chairman has bedded-in with the board and whether they have begun to set the tone of their tenure. In that brief period, they must build bridges with management, glean insight from around the business and identify what needs to change on the board. Success will largely be determined by the key conclusions made in that valuable first quarter at the board's helm.

For any chairman, the relationship with the CEO is the lynchpin for the success of the business. The chairman should assess whether the CEO lacks experience in a particular field of expertise and add value by plugging those gaps with his/her own experience.

At a recent Chairman's Lunch hosted by Criticaleye, some Members proffered the following pearls of wisdom for any chairman about to embark on their first 100 days in the role:

- Make it clear that the only voice executives should listen to for direction is the CEOs
- Establish the right working relationship with the CEO explicitly
- Understand the business and its people before you decide what chairman you want to be
- Get a good feel for the temperaments and collective temperature of the board
- Balance shareholder interests with the interests of the board and the company's culture
- Establish a link to the external and internal auditors
- Focus on the financials before the people; where does the money flow from and to?
- Understand the strategy to date and why it has so evolved
- Assess what are the real levers in the business
- Don't take what you hear first as gospel; there will often be others that are better sirens
- Do your due diligence, duly and diligently
- Be clear about your objectives in the role and communicate them to the board
- Be prepared to adapt your basic principles
- Listen

Lead the debate about what culture the board wants to achieve

Simon Laffin, Independent NED of market research business Aegis Group plc, says: "The new chairman's most important task is to establish the relationship with the CEO. The CEO will worry that the chairman will interfere too much, and the new chairman will want reassurance that the CEO won't give him any nasty surprises. It's a bit like an arranged marriage. Both parties are chosen by others, but you've still got to live together."

Ian Durant, Chairman of real estate firm, Capital & Counties Properties plc (Capco), adds: "Within the initial months, the chairman can encourage informal communication among directors, including NED interaction with management and, crucially, establish their relationship with the chief executive informally."

ONLY FOOLS RUSH IN

While '100 days' may seem a little arbitrary, it will be an important period for the chairman to take stock. It will give them time to get to know the executives, to find out not only how they can best support them, but also to challenge them on all areas of the business. This should also be time enough to engage the board's non-executives to understand what they like about the company and what they want to change.

Sir Peter Mason, Chairman, Thames Water Utilities Ltd, and Senior Independent Director at BAE Systems plc, says: "Spend as much time as possible with senior executives, both on a one-to-one and a group basis. This will help you to form an early view of the skills and experience around the boardroom table and enable you to begin to think of first steps in board succession, even in those first few months. You should also develop an understanding of the risks inherent in the business."

Rick Haythornthwaite, Non-executive Chairman of MasterCard Inc and Network Rail Ltd, suggests informal meetings might aid the bonding process. "Get to know the NEDs, in particular their style and experience," he says. "They will be wary of your arrival so decide early whether there is a need for change and get on with it – the sooner that you get to a stable board the better. Establish NED dinners if they do not exist and put a date in the diary to meet the board with partners in a social setting. Both steps deepen relationships quicker and make for better dialogues."

But to gauge what kind of board has really been inherited, the chairman can always hold a board strategy day, as **Alison Carnwath**, Chairman of commercial property company Land Securities plc, explains: "Once you have spent time with the CEO and other senior management and talked to shareholders, you should assess your board and begin to form a view of what the critical short and medium-term challenges are. Holding a board strategy day is one way of bringing this all together."

EXPLAIN YOUR RAISON D'ÊTRE

A major aspect of the role in the first 100 days is to remind everyone that the CEO is running the company and that the chairman's role is to run the board. If changes are necessary on the board, the chairman should therefore become the conduit. And key to this is being visible. "Get around the business centres so that staff can see you," says Sir Peter.

Fundamentally, you should be clear about your objectives as incoming chairman. "It's important for the chairman to set the tone," says **Leslie Van de Walle**, Criticaleye Associate and Chairman of building material company SIG plc. "Show that you are keen to understand the business and its culture but also communicate clearly the areas

that you want to focus on. In doing so, for a medium-sized company, you should also keep in mind the need to balance the level of entrepreneurial flair on the board with the need for corporate strategising.”

Ian says: “Establish a simple articulation of what you want to achieve as chairman. You should lead a debate among the directors about what culture and tone the board wants to achieve for the company and its board and identify any governance black holes ahead.”

Perhaps a more subtle way for the chairman to make their intentions clear is through their actions around the board. Simon explains: “The most useful weapon for a chairman is the question. The executives provide lots of answers and it’s not the job of the chairman to overrule them. Just keep asking those questions to make sure that the executives realise that they haven’t got all the right answers just yet.”

Rick adds: “Put a date toward the end of the 100 days for one speech or media interview in the diary on arrival – this will make it clear that you will have a public voice, albeit rare, and it will keep the media off your back. Above all, it will force you and the CEO to define the split of communication roles.”

Towards the end of the 100 days, the chairman, and where appropriate the NEDs, might begin to seek answers to the following:

- Is there a need to bring forward the next scheduled review of strategy?
- Is the leadership team the right team for the strategy in place?
- How can the board and chairman add the most value?
- How does the board need to organise to fulfil this objective?

Reflecting on his first 100 days as chairman, Leslie Van de Walle outlines the following considerations as crucial for success:

- Build relationships – with all stakeholders, but particularly with the CEO and shareholders
- Understand the business – the financials, culture and industry competitors
- Set the tone – outline your objectives, what should stay the same and what could be improved
- Be ready for anything – your broad experience should always enable you to improvise

The chairman should always be aware of the need to improvise

EXPECT THE UNEXPECTED

Before the chairman enters in to the first 100 days, there are certain things he/she should already know and be prepared for: if they are entering a distressed business, for example, those initial three or so months might require a more direct, forceful approach.

Steve Marshall, Chairman of construction and engineering services company Balfour Beatty plc, says: “The default setting for the role of the chairman, as dictated by UK Corporate Governance, is one of a back-seat facilitator. In reality, the scope of the role does vary and much depends on the personality of the CEO, the specific nature of the company and its relative health. In a turnaround, for example, you’ll have to step-in and be more hands-on.”

Martin Bloom, Non-executive Chairman of the quoted renewable energy venture, Renesola Ltd, adds: “Outside factors will influence your relative success at being adaptable. Whether it’s changing risk profiles from earthquakes or volcanic ash or other external influences that require the board to refocus strategy or personnel, the business you came into at the start of your tenure as chairman is bound to change significantly, sometimes in those first 100 days. The chairman should always be aware of the need to improvise and this is where their broad range of experience in different countries, sectors and specialisms can add real value.”

In short, the role is also about being able to handle surprises confidently, as Steve says: “Stay completely balanced at the back of your corporate toboggan wherever possible, but always be prepared to redistribute your weight from one side to the other very quickly indeed.”

If you consider that the average stay of a chairman in a plc is six years, the first 100 days represents just five per cent of their total tenure. Therefore, not everything that needs to be done can – or should – be achieved in the first few months.

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Featuring commentary from:



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