



# Creating an Effective Board

The expectations on Chairs and non-executive directors seem to get higher with each passing year. **Criticaleye** looks at how to build a Board that delivers strong organisational performance and meets the needs of different stakeholders



Stepping into the Chair role can be a daunting prospect. No doubt the incoming person will have plenty of business experience to draw on, but they will still need to learn how to orchestrate discussions, manage egos and retain a degree of objectivity when evaluating the performance of the management team.

A key theme across the two days of discussion at Criticaleye's [Non-executive Director Retreat 2018](#) was how to manage the Board effectively as a Chair.

Here is a selection of what the speakers had to say:

### Cool Heads Under Pressure

The quality of the Board as a collective remains something of an unknown quantity until trouble occurs.

**Matthew Blagg**, CEO at Criticaleye, said: "The strength of a Board is only truly tested once a business' performance starts to dip or a crisis occurs. Until those situations arise, you don't really know how aligned the executive and independent directors are and whether they can contribute and add value."

**Bridget Rosewell**, Non-executive Chair at the DVSA, commented: "It's very easy to make it work when nothing's going wrong, but when you get a problem emerging two things can happen: one is the Chair hangs the CEO out to dry and you generate a blame game; the other is where you end up with an operational problem and the NEDs become executive. That undermines and infantilises the execs."

*“The strength of a Board is only truly tested once a business' performance starts to dip or a crisis occurs”*

There is a temptation to panic when a big problem does occur, which is why many of the speakers said it was important for independent directors to have some scar tissue.

**Jamie Pike**, Chair of Spirax-Sarco Engineering and a Board Mentor at Criticaleye, explained: "One of the things about a crisis is that you think the whole world is going to collapse on you, and that any moment everybody is just going to walk out and it just stops, but you probably do have a bit more time than it seems in these situations. You don't have to move instantaneously to fix stuff."

He recounted an example where difficulties persisted, and it took longer than expected to recruit a new CEO: "A lot of worry was wasted, on my behalf; I could have been a bit more comfortable about it. Once you've been through one

of these things, you get a sense of when it is going wrong and when you can afford to just let life move on."

### Understanding the Business

It was felt that NEDs should take time to understand a business, such as meeting managers outside of the ExCo and holding offsite meetings. But it raised questions about how the Chair managed this as, if done poorly, it could undermine a CEO, and it seemed not every independent director wanted to be so engaged.

**Vindi Banga**, Senior Independent Director at GlaxoSmithKline and M&S, as well as a Partner at private equity investment firm Clayton Dubilier & Rice and Chair of Kalle, was unequivocal in his view about the need for a proactive approach.

He said: "On the Board, you will have some people who devote more time than others. It's important to have a common level of understanding, and so if you find that certain directors are minimalistic then, as a Chair, it is your responsibility to either encourage them to get around inside the company or to leave because they aren't adding any value."

These roles are increasingly demanding. "I don't think you should underestimate how long you need to know the business. You have to invest time in it, but you also have to invest time in the industry outside it, because otherwise you only have one lens," he said.

**Bridget** acknowledged that it is tough to find the right balance. "You need to know enough about the business to be aware when the executives tell >



you things that are not right. It's not because they are lying to you, but because they believe the wrong thing themselves," she said.

"There's another perspective out there – so, you need to know enough to pick up on that. You're not responsible or accountable for delivery, but you are responsible for the business. It's a tightrope that I continually worry about."

### Supporting the CEO

The bottom line is that the CEO and Chair must trust one another, otherwise Board meetings are going to be uncomfortable for everyone involved.

**Bridget** told the audience that "the Chair and CEO need to be sufficiently close to one another to be happy having dinner together and have non-work things to talk about, but not so pally that they'd go on holiday together."

She added that the Chair should focus on helping a CEO to succeed. "If the job of the Chair is to challenge the CEO, I think we're in entirely the wrong place.

#### TOP 5 PRIORITIES FOR BOARDS

1. Retaining key talent and developing skills
2. Improved performance management
3. Digitisation
4. Organisational design
5. Innovation

Source: Criticaleye NED Retreat Research 2018

*“What does it matter if the CEO is a bully, so long as they get things done? It is important, because all the good people will leave eventually”*

The job of the Chair is to support the CEO in their ability to do their job in an effective way.”

However, a Chair has to know when to step in if performance drops or certain behaviours turn out to be unacceptable. She said: "Someone asked me, 'What does it matter if the CEO is a bully, so long as they get things done?' It is important, because all the good people will leave eventually."

**Vindi** reiterated the point that the relationship between the CEO and Chair is crucial to the success of any organisation. He commented: "The CEO runs the company and the Chair runs the Board; they have to complement but also challenge each other. The relationship is that of a coach and a captain, having someone by your side to bounce ideas off.

"Not all the players on any sporting field are the same, and so you form a team that works."

He went on to add that, in public companies, the SID has a vital role to play and therefore has to remain objective. "There are two sides to every issue, and whether it's a problem between the Chair and the CEO, or between directors and management, when either side come to you as SID you need to involve yourself and see what is really happening.

"The most important thing is not to take sides; the moment you are seen to be siding with one party is when you lose your impact." ■

To find out more about Criticaleye's 2019 Non-executive Director Retreat, [click here](#)

Featuring Commentary From:



**Vindi Banga**  
SID  
GlaxoSmithKline



**Matthew Blagg**  
CEO  
Criticaleye



**Jamie Pike**  
Board Mentor  
Criticaleye



**Bridget Rosewell**  
Chair  
DVSA

Contact the contributors through: [www.criticaleye.com](http://www.criticaleye.com)