



Board effectiveness and the chair of the future: Executive summary

Across organizations and countries, the board chair role has been amplified. Explore five key forces behind this expansion—and how chairs are stepping up to meet new demands.

Editor's note: Deloitte professionals spoke with board chairs in 16 countries from a range of industries on the changing demands of the chair and what organizations and boards will need from their chairs in the future. While we plan to publish a full report later this year, here's a summary of key insights emerging from those conversations.

In popular conception, the term “chair of the board” has an honorific ring to it—a title conferred after a long career of hard work and achievement. In truth, this view downplays the mission-critical work chairs do and the importance of the role. First-hand accounts from board chairs around the world, without exception, describe a position as demanding as it is personally rewarding.

Chairs today play a critical role in the success or failure of their organizations; they serve as a trusted sounding board and guiding hand for the CEO and other board members. Huge forces are redefining the role in real time: unforeseen events, such as the pandemic and geopolitical disruption, adding to the inexorable challenges of digital transformation, climate change, heightened regulation, and investor scrutiny.

To get a better sense of how the position is changing and what the chair of the future can expect, Deloitte held interviews, roundtable discussions, and surveyed more than 300 board chairs in 16 countries.¹ In these conversations, several striking—and somewhat unexpected—points of commonality emerged. As global chairs navigate a new world of challenge and opportunity, our survey revealed these five fundamental areas of change:

1 Organizational governance needs more chair input

Some fundamental qualities that make for successful chair and board relationships with management have not changed. As ever, the chair and CEO benefit from a high level of mutual trust. And chairs need to understand the company and be willing to work hard and give generously of their time and experience.

What has changed is the depth and breadth of that involvement. Chairs increasingly need to act as a guiding hand on topics ranging from resilience to technology and culture. The pandemic also proved that when organizations are forced to change due to unforeseen events, they can succeed by focusing on innovation, digital transformation, improved efficiency, and speed.

How chairs can lead moving forward:

The chair has a special responsibility for the long-term success of the company. As one chair in the United Kingdom put it, the chair is the ultimate chief reputation officer. Recognizing that fear of change is often a greater obstacle than change itself, many chairs believe it's their job to encourage management to be bolder and faster in how they assess risks and rethink operating models. In doing so, however, they must recognize and respect the line between encouragement and oversteering, between governance and management. Having open, trusted, and regular communication with the CEO is a must, they say.

2 Society expects more from businesses

Chairs globally see the changing relationship between business and society as one of their key areas of focus. Without exception, across countries, they feel a deep sense of responsibility for the impacts their businesses have on communities and the planet—both negatively and positively. Increasingly, they see a close connection between prosperity for communities and the environment and the future of their own business.

Views on how to help navigate these evolving responsibilities vary. Most chairs acknowledge a responsibility to prevent harm to local communities and address society's most pressing challenges. A US chair explained, "Boards have to think about all their stakeholders holistically—customers, employees, suppliers, investors, regulators, and government." Some emphasize a more urgent need to secure society's acceptance of business operations as part of a social license to operate.

How chairs can lead moving forward:

Chairs recognize that they have a key role in driving the company-society relationship, including stakeholder engagement, ESG strategy, and fair remuneration practices. Steps include adding societal concerns to the board agenda and discussing how management plans to address them.

Many chairs emphasized that everyone has a role to play. As businesses increasingly recognize their power to effect positive change, chairs can also support management in their efforts to organize industrywide responses.

3 Climate change requires businesses to respond

Chairs are increasingly preoccupied by the enormity of climate change and the challenges and risks for the company, whether regulatory, reputational, or operational. Despite the scale of the issue, particularly regarding Scope 3 emissions, chairs see significant opportunities for businesses that take climate change seriously and shape strategies to address their impact.

Meeting these challenges requires effective partnership between the chair and the CEO, the board and the management team. While implementation falls on management, chairs believe boards can play a vital role by placing climate change high on the agenda. A chair in South Africa explained, "If we as business leaders don't recognize the impact of climate change and put it on companies' agendas, we will not have a sustainable business. Chairs need to

understand these issues to be able to drive these agendas."

How chairs can lead moving forward:

All chairs agreed on the importance of educating the board on the climate challenge. While this, of course, involves devoting time to reading and self-study, chairs find value in inviting internal and external climate experts to the board to raise climate fluency levels. Yet there's less consensus on whether boards should add a climate specialist or a specialist committee. For example, while 75% of Italian chairs surveyed note their organization has an ESG committee, others say this is a topic for the whole board as these issues should be embedded in business strategy.

Likewise, chairs see a variety of ways to set and implement climate strategy. Some say management should create climate change strategies and the board should review and approve them. Others say the board should take a more direct role in setting goals and direction for management to implement.

4 Crisis leadership is becoming the norm

Even before the pandemic, chairs and boards perceived an increasing frequency of crises than in the past, and many had already experienced crises in their organizations.² Chairs note that managing crises today calls for greater speed in decision-making, action, and communication,³ under greater public scrutiny than ever before. Some say their companies now operate in a sort of continuous state of crisis management.

But operating in crisis mode has had its benefits. Encouragingly, chairs have learned much about their own and their companies' ability to respond, adjust, and embrace digital technologies under pressure. Concerned that their companies could revert to old ways after a crisis ends, many chairs are working to incorporate agile and responsive thinking and action as part of everyday business.

How chairs can lead moving forward:

To support agility during crises and beyond, chairs say they are holding shorter but more frequent meetings and enabling members to attend virtually, to fit those additional meetings into their schedules. And they have also intensified communication with the CEO and had greater access to the CEO's leadership team. The chair of one South African firm reported that during crises, "almost daily calls" with the CEO become the norm.

Chairs also emphasized their vital role in preparing their boards and companies for uncertain futures, for example, by leading the exploration of scenario planning. Companies that managed to ensure business continuity during the pandemic took decisive measures to reconfigure their business models, accelerating digital transformation. And organizations that had started their digital journey years earlier had a much easier time in the pivot. As one chair shared, "Our investment in predictive analytics about two years before COVID-19 paid off."

5 The board now operates in a hybrid and agile mode

Like the companies they serve, chairs adjusted quickly to the pandemic, leading board meetings virtually. After a steep learning curve, many found participation improved and meetings became more agile, shorter, more frequent, and often more focused. Others noted that scheduling became easier, since members could be more flexible with virtual rather than in-person meetings. This agility has led to greater understanding that boards can convene at short notice to discuss a matter of urgency.

Yet many chairs and board members miss some key aspects of face-to-face interactions. For example, remote meetings make it harder to read the room and pick up on nonverbal communication. And some felt that the more exploratory board conversations were short-changed.

How chairs can lead moving forward:

Chairs expect to capture the best of both options by adopting a hybrid model of virtual and in-person board meetings and are currently evaluating best practices. For example, chairs may use virtual meetings to discuss ongoing board business, such as monitoring progress, financial reporting, and risks.

In-person meetings, meanwhile, may be devoted to topics involving the direction of the organization, such as strategy, climate, and technology; diversity, equity, and inclusion; and executive pay. To make board and committee meetings as effective as possible, chairs are exploring how pre-reads and other materials could be deployed to help streamline agendas.

Whatever the mix ultimately looks like, chairs agree that they will have to work hard to ensure broad participation among members, and to build respect, trust, and consensus. As one chair from Australia noted, "It's not about having the answers, but having a process to get to the answers."

A dvice for the chair of the future

Serving as an effective board chair has never been easy. Yet chairs are being asked to provide leadership and direction to an unprecedented degree. And they are being held accountable as never before—by the public; the media; investors; customers, suppliers, and employees; and by regulators.

Today's chairs must walk a fine line between sometimes opposing choices. They must steer the longer-term strategic direction without overstepping; manage the board while encouraging debate and a multiplicity of views; support management while challenging their assumptions; and engage a wide range of stakeholders without being hijacked by every demand. A chair from the United Kingdom explains, "Build a relationship with all stakeholders so you can discuss issues with them in difficult times."

The following advice, assembled from the collective wisdom of the 300 chairs who participated, may help provide a road map for the chair of the future.

Eight leading practices for being a board chair ...

1. Build relationships. Create bonds with the board, management, stakeholders, and, especially, with the CEO, while also maintaining detachment and independence of thought.

2. Show decisive leadership.

Empathy is important, but so is being assertive, when necessary.

3. Understand the business. Chairs will struggle if they don't know the many facets of the business, its operations, people, competitive landscape, and culture.

4. Lead on purpose and values. Chairs must make tough and, at times, unpopular decisions in the long-term interest of the reputation of their organizations.

5. Be a learning leader. Confronted with many unknowns, chairs must be comfortable asking for help and continuing to learn and lead a "learning board."

6. Nurture a broader skill set. Technical skills matter, but so do emotional intelligence and the ability to draw out the best in others.

7. Embrace diversity. Diversity in all its forms drives productive debate and discussion and helps prevent groupthink.

8. Be a good listener. Adding value to the organization requires listening to those around you, especially when opinions vary, to ensure views are fully explored before drawing a consensus.

... And five for becoming a chair

1. Be careful not to overcommit. Given the demands of serving as chair, think seriously about the number of board appointments you accept.

2. Be realistic. This is a prestigious position, but one that carries great responsibility. Be prepared to roll up your sleeves and work hard.

3. Build your pathway. Most chairs have held other board positions prior to taking on the leadership role.

4. Manage the transition from CEO to chair. If you have stepped up from CEO to chair, the transition, particularly of your mindset, can be challenging, especially for first-time chairs.

5. Get a mentor. Chairs are willing to support each other. Find someone who has already experienced the challenges to help you embrace your first chair role with confidence.

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