

# The role of the chairperson

Board Leadership Centre



**In the evolving corporate governance landscape, the role and responsibilities of a chairperson continue to transform as well. The Capital Market Authority (CMA) of Saudi Arabia has issued a Board Members Guide which sets out the responsibilities and duties of the chairman of the board. In this document, we present the key stipulations of this guide.**

Today, a chairperson's role truly has many facets to it, the most important being leading an effective board of directors. While board dynamics will differ, this document aims to articulate some broad contours of what it takes to be an effective chairperson. It is appropriate to mention that every board is different and has its unique needs. Considering the need of the hour, the chairperson must be agile and run the board proceedings according to the circumstances of the entity while staying aligned with the other board members and taking them along towards the common goal of entity's growth and success.

## Maintaining the equilibrium

For the success of the organization, it is imperative for management and the board to work as a team and the chairperson works as an interface between the two and ensures that both parties are marching to the same beat. It is important for the chairperson to instill confidence in board and management that their views are being heard and acted upon.

Some of the broad areas of focus for a chairperson to drive transparent and trust-based relationships are listed next.

## Indicative responsibilities of a chairperson

While some may tend to oversimplify and indicate that a chairperson's primary responsibility is to preside over board meetings and manage the dynamics in the boardroom; saying so would be an understatement. The chairperson is pivotal in creating the conditions for overall board and individual director effectiveness, both inside and outside the boardroom. Based on our discussions with chairpersons around the globe, an effective chairperson is expected to perform the following responsibilities, however, the list of responsibilities is not exhaustive and included here for guidance purposes and should be read in conjunction with the guide:

- Lead the board and set a forward-looking agenda concentrated on strategic matters rather than routine approvals.
- Set the style and tone of meetings to promote constructive debate and effective decision-making.
- Uphold the highest standards of integrity and probity.
- Ensure that the board receives accurate, timely and reliable information to make sound decisions.
- Build and maintain sustainable relationships with the shareholders and provide coherent leadership.
- Ensure that the board devotes sufficient time to discuss complex or contentious issues and arranges informal meetings for preparation whenever required ahead of the board meetings.
- Ensure that the independent and non-executive directors have sufficient time to consider critical issues and are not faced with unrealistic deadlines for decision-making.
- Take a lead in organizing a well-constructed induction program for new directors which is comprehensive, formal and tailored.
- Continuously coaching the new directors in and outside the board meetings.
- Ensure that sub-committees of the board have members who possess the relevant skills required and their workload analysis is performed on regular basis.
- Ensure that the performance of individual board members and of the board as a whole and its committees is evaluated at least once a year.
- Identify and meet the developmental needs of individual directors, with a view to enhance the board effectiveness.
- Fostering an open, inclusive discussion which challenges executives, where appropriate.
- Ensure effective implementation of board decisions.
- Being a sounding board and mentor to the CEO.

## Strengthening relationships with stakeholders such as:

### CEOs

Having a high level of trust between the chairperson and the CEO is important for success of the business. Hence for a healthy relationship, a chairperson should respect the boundaries between the board and the CEO. To avoid ambiguity and confusion, their relationships should be based on trust, respect, and clarity of roles.

### Shareholders

Robust governance standards help safeguard the interest of shareholders and enhances the long-term value of the company. A chairperson can play a key role in establishing the right balance between the interests of management and company's stakeholders. It is also important for chairperson to define the board's role clearly. Unless roles are clear, the relationship between management and board will always stay tense and ineffective. Apart from the traditional act of balancing, the stakeholders expect from the chairs to articulate the purpose of the company and how they are nurturing the right kind of culture in the organization.

### Board committees

Committees are small and accordingly their members should possess relevant expertise, and discussions therein are always candid. The chairperson has to be on top of the committees' work through monthly meetings/calls with the chairpersons of the committees, as appropriate, during which he/she gets updates on their plans, open issues, and ideas for the future.

## Ensure value creation from the board

With a continuously evolving world order and increasing volatility in the business environment, the responsibility of a chairperson has escalated to ensure the depth of involvement of the board in important matters. Today, in many organizations, CEOs look up to the chairperson for guidance on relevant issues and public-facing matters to help the business pivot and respond to unforeseen events.

The board composition and distribution have now become a very important topic on the board agenda. The importance of a diverse board can never be overstated and is paramount for value creation. It is important for the chairperson to ensure that board has the right mix of members representing diversity of qualifications, skills, experience, gender and background.

## Role of a change agent

A chairperson is also expected to challenge the status quo and bring new perspective and innovation problem-solving approaches to the table. Organizations today are looking at their boards, specifically at the chairperson, as an asset that can be leveraged in times of need. They look for people who have first-hand experience in crisis management and can engage with board, stakeholders, and investors when required.

With the board agenda getting complex and challenges like geopolitical and technological disruptions and climate change, the role of board and the chairperson are constantly being redefined. The chair needs to adapt to new skillset requirement, nurture talent pool, ensure skill and gender diversity on the board, and be comfortable with emerging trends and topics to be effective in his/her position. Boards and the chairperson need to move beyond arm's length relationship with themes such as strategy, technology integration and digitization, talent, risk assessment, etc.

## Additional considerations for the chairperson

### Guide on the side

Effective chairpersons speak little; their interventions are focused on process and people rather than on content and are encouraging. Accordingly, they facilitate a discussion rather than directly arriving at a decision themselves. It is the CEO who would be at the driving seat and the chairperson can only guide them through their experience and expertise.

### Join forces

Meeting the board of directors individually before and after board meetings and interacting with them well ahead of time to identify the agenda of the board meetings might be a good idea.

### Taking tough decisions

Expectations are rising from the chairperson to be the driving force during crisis management and set the direction for the board and the company. Also, based on a granular understanding of the business, a chairperson may confront the issues at the heart of the business.

### Take a forward-looking approach

Regardless of how the organization's future direction is developed and voiced to the wider world, it always helps for the chairperson to be aware of the current circumstances of the organization. Bringing 'a strategic and long-term lens' for their organizations can add a lot of value.

### Staying on top of matters

It is important for the chairperson to stay on top of key matters and study the external landscape of business to identify what might be coming over the horizon. An outside-in view can help identify areas for improvement and new potential opportunities.

### Judicious use of two warriors: patience and time

Knowing when a discussion has run its course and should be wrapped up is one of the skills of a good chairperson. Since the role definition and expectations from the chair are continuously expanding, they also need to ensure significant time commitment and offer time and experience generously.

In conclusion, an effective chair, provides leadership not to the company but to the board, enabling it to function as the highest decision-making body in the organization.

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## Board Leadership Centre

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