

# Beyond the boardroom: The role of a chairperson

Board Leadership Center

In the evolving corporate governance landscape, the role and responsibilities of a chairperson continue to transform as well.

Keeping in mind the criticality of this role and also bringing the required independence and rigour, various reports have recommended separation of the roles of chairman and managing director at listed firms and limiting chairmanship to only non-executive directors. While this recommendation didn't go through, and it is not mandatory today; it might be worth giving a thought to the intent behind it. After all robust corporate governance is not just about the 'letter of the law' but about the 'spirit of it'.

Today, a chairperson's role truly has many facets to it, the most important being leading an effective team. While no 'one-size-fits-all', this document attempts 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 organisation while staying aligned with the other board members and taking them along towards the common goal of organisation's growth and success.



# Indicative responsibilities of a chairperson

While some may tend to oversimplify and indicate that chairperson's primary responsibility is to preside over board meetings and manage the dynamics in the boardroom; saying so would be a gross understatement. The chairperson is pivotal in creating the conditions for overall board and individual director effectiveness, both inside and outside the boardroom. As per our discussions with boards of leading organisations, today an effective chairperson is expected to:



Lead the board and set a forward-looking agenda concentrated on strategic matters rather than formulaic 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 organising a well-constructed induction programme for new directors which is comprehensive, formal and tailored, facilitated by the company secretary

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

Ensure effective implementation of board decisions.

# Maintaining the equilibrium

For the success of the organisation, it is imperative for management and the board to work as a team; 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:

## Strengthen relationships

### With CEO

Having a high level of trust between the chairperson and 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 relationship should be based on trust, respect, and clarity of roles.

### With 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 organisation.



## Ensure value creation from the board

With continuous changing 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 organisations, 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.

Many a times, board vacancies are filled in haste without paying adequate attention to its composition and distribution. However, 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 skills, gender, backgrounds, and demographics.



## Role of a change agent

As it is said – “if everything is going okay, it's going to just keep going okay.” A chairperson is also expected to challenge the status quo and bring new perspective and innovation problem-solving approaches to the table. Organisations 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 inexorable challenges like the Covid pandemic, geopolitical disruption, technological disruptions, and climate change, 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 digitisation, talent, risk assessment, etc.



# Leading practices for presiding board meetings

Based on our discussions with various boards and organisations, we have listed below some leading practices which have proved to be effective for chairpersons in discharging the duties of their role:

Try and **ensure punctuality** in the group

Help ensure that **focus** of the group is on **addressing and resolving business issues** and not personalities

Navigate the group towards **'what is right'** – and not 'who is wrong'

**Give everyone an opportunity** to put their point across – 2-3 minutes per person is reasonable time to make a point. Try and not let a single person hijack the meeting or exhibit superior intellect, knowledge, or excellence

Ensure that the group **keeps it to the point** and **not be ambiguous** or go off the topic

**Listen attentively** and **speaking slowly** and economically (keeping it brief) might help

**Use simple language** and avoiding jargons/technical terms can be considered

**'Attached detachment'** might play in your favour. It might be better to stay away from issues which are clearly under management's remit. It might also help to be aware of and **avoid unconscious biases**

Help **ensure healthy group dynamics**, where everyone is heard and respected

**Positive and constructive suggestions** go a long way in channelising discussions towards a successful closure



# Additional considerations for the chairperson

## Guide on the side

The chairperson can 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.

## Futuristic approach

Regardless of how the organisation'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 organisation. Bringing 'a strategic and long-term lens' for their organisations 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.

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## About the KPMG Board Leadership Center

The KPMG Board Leadership Center offers support and guidance to board members. We equip you with the tools and insights you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business. In addition, we help you to connect with peers and exchange experiences.

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