

The Independent Board Chair

Selection, Responsibilities and the Skills of Effective Chairs



Board leadership of U.S. companies is slowly evolving, shifting from a longstanding practice of combining the chair and CEO roles to increasingly separating the roles and appointing an independent chair.

Today nearly 60 percent of S&P 500 boards split the chair and CEO roles, and of those separating the roles:

- » About two-thirds — 66 percent — appointed a chair who qualifies as independent under applicable NYSE or Nasdaq rules
- » One-quarter — 25 percent — named an executive chair
- » Ten percent are chaired by a former CEO or another director who is not considered independent under exchange listing rules

In contrast, a decade ago combined chairs/CEOs dominated, with just under 60 percent of S&P 500 CEOs also holding the chair title.

The role and stature of the independent chair is unique, according to Spencer Stuart's interviews of a dozen seasoned independent chairs of S&P 500 companies.

- » **Stature:** The title carries a special weight and respect inside a company and with external stakeholders. A late [2022 Spencer Stuart survey](#) of more than 650 corporate directors supports this view, with two-thirds saying independent chairs have more stature than lead directors.
- » **Influence:** Independent chairs hold the gavel at meetings and, more so than lead directors, play an active role shaping board meeting agendas, influencing committee agendas and overall driving the boardroom agenda.
- » **Responsibilities:** Independent chairs tend to connect very frequently with the CEO, serving as an important mentor to the CEO.

Key roles of independent chairs

Independent chairs have a heavy lift as board leader. Their roles are many and varied.

1. Lead and optimize governance, board meetings and performance

- » Develop and maintain a strong and healthy relationship with the CEO, regularly speaking with CEO and holding calls to discuss board meeting agendas, schedules, board governance matters and other topics
- » Speak with each committee chair and board member on a regular basis for input on board agendas/materials, board effectiveness, and other topics of oversight and be available to discuss with other directors' concerns about the company or board
- » Work with CEO and corporate secretary to develop and finalize agendas for each board meeting
- » Lead annual meetings (and any special meetings) of shareholders
- » Preview and approve meeting materials and information provided to the board
- » Facilitate effective and candid communications to/between directors and management team
- » Lead the board in setting expectations for "tone at the top"
- » Along with the chair of the nominating and governance committee, lead the annual board evaluation and oversee implementation of any resulting recommendations

2. Call and lead board meetings and/or executive sessions

- » Call and lead regular/special board meetings, ensuring sufficient time for discussion of all agenda items and participation by all directors
- » Call executive sessions of non-executive directors or full board
- » As appropriate, discuss with the CEO matters addressed at executive sessions

3. Advise chairs of board committees

- » Consult with committee chairs with respect to agendas and information needs relating to committee meetings
- » Provide advice to nominating and governance committee on the selection of members/chairs of board committees
- » Assist board chairs/committees in the management of their workloads
- » Attend committee meetings in an ex officio capacity

4. Participate in shareholder engagement

- » Represent the board and independent directors in shareholder outreach
- » Be available, when appropriate, for consultation and direct communication on topics including corporate governance, executive compensation, and other environmental, social and sustainability matters

5. Help with board succession planning and director onboarding

- » Interview, along with CEO and chair/members of nominating and governance committee, director candidates and provide input to the committee
- » Mentor and counsel new members of the board to assist them in becoming active and effective directors

6. Mentor and advise the CEO

- » Act as sounding board, adviser and mentor to CEO
- » Provide board feedback to the CEO

Selection process for independent chairs

One size does not fit all when it comes to selecting the independent board chair. The chairs we interviewed agreed that the process must be tailored for each board and structured in a thoughtful, respectful, “no drama” way to avoid damaging board dynamics and creating a contest (real or perceived) that may leave one or more directors feeling rejected by their peers. And always, unique specialized considerations — such as a new CEO, a first-time CEO, board leader retirement, corporate merger/acquisition, company crisis — must be considered in selecting the board leader.

In some cases, one director may be the clear candidate or identified in advance as part of board leadership succession planning. In other cases, the nominating and governance committee may informally survey board members for thoughts on board leader candidates. In these situations, frequently a few names rise to the top, and in many cases the board leader naturally emerges from one of the committee chairs. According to the chairs we interviewed, directors are rarely asked in an open forum to raise their hand if interested in the role.

The interviewed chairs had mixed views regarding the best backgrounds for independent board leaders. Some believe the best board leaders are former chief executive officers. Not only have they walked in the CEO’s shoes, they may have more perceived stature with the CEO by virtue of their experience, according to these chairs. Others disagreed, saying a former CEO may have trouble distinguishing between governance and management roles. All agreed on the need for significant board experience and demonstrated leadership skills. Most agreed that a retired individual is best suited to lead a board, since the time commitment required in a crisis would be difficult to handle if fully employed.



The importance of soft skills

While solid professional skills and experiences are important for an independent chair, a trusted relationship with the CEO along with strong soft skills are more important, according to the interviewed chairs. Key soft skills for a board leader include:

- » High EQ, taking into consideration the CEO's style and the board's culture and having the innate ability to be fair but firm, objective, empathetic and respectful
- » People leadership skills, with the ability to harness and focus the board's work and build consensus
- » Strong listening and communications skills, with the ability to effectively communicate between the board and management and diplomatically lead sometimes difficult conversations
- » Low ego, with the board leader avoiding creating the impression with other directors or with management that the leader is trying to run the show
- » Courage, with a willingness to diplomatically and effectively tackle difficult issues

The interviewed chairs were unanimous in the importance of giving the CEO the opportunity to weigh in on the selection of the board leader, though all stressed that the final decision rests with the board. Nominating and governance committees generally lead the process across the finish line, talking with potential candidates, making a recommendation, and quietly socializing the recommendation with the CEO, the current board leader and the board.

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Roles and responsibilities: executive chairs and non-independent chairs

Executive and non-independent chairs generally fall into two categories:

- » **Company founders or members of their families** — often appointed due to their long history with and knowledge of the company and, in many cases, their significant ownership of the company.
- » **Former CEOs or top company executives** — appointed in many cases to facilitate a smooth CEO succession. When appointing the former CEO as executive or non-independent chair, boards frequently cite the value of the former CEO's tenure and deep knowledge of the company, its businesses, strategies and culture and say splitting the roles enables the new CEO to initially focus on learning about and running the company, while the chair focuses on running the board.

In our experience, best practice if appointing the retiring CEO as executive chair or non-independent chair is to communicate that the chair role is likely short term, no longer than 12-18 months. The board should emphasize that it plans to reconsider the board leadership structure as the new CEO matures in the role and that it expects the former CEO to retire from the board to facilitate a desired change in board leadership.

While executive chairs tend to have a more operational role, the primary boardroom role of both executive chairs and non-independent chairs is the smooth functioning of the board, with duties including:

- » Call board and shareholder meetings
- » Preside over board and shareholder meetings
- » Establish and approve board meeting agendas, schedules and materials, frequently in consultation with the CEO and, if applicable, the lead independent director
- » Facilitate the flow of information between the board and senior management
- » Provide advice, counsel and feedback to the CEO
- » Lead the annual board evaluation, provide feedback to committee chairs and individual directors, oversee implementation of any resulting recommendations (working with independent lead director, if applicable)
- » Be available to take on additional responsibilities as requested by the board and/or the CEO

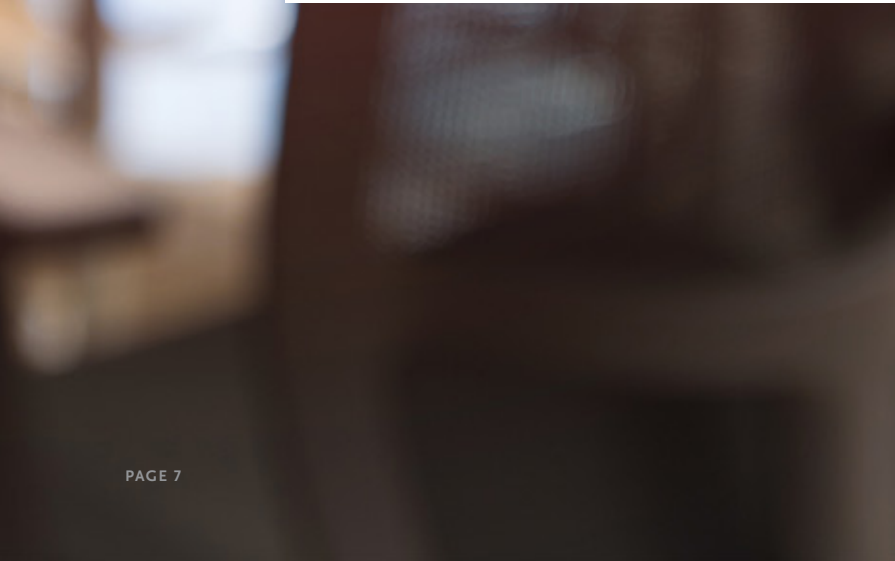
Of S&P 500 boards with an executive chair or non-independent chair, nearly all also appointed an independent lead director. These lead directors generally have a slimmed down role, with responsibilities including:

- » Provide independent leadership of the board
- » Lead board meetings when the chair is not available
- » Call and lead executive sessions and other meetings of independent directors
- » Be available to engage with company stockholders
- » Ensure the board fulfills its oversight responsibilities
- » Serve as liaison between the chair and independent directors
- » Serve as liaison between the CEO and independent directors



Conclusion

U.S. boards increasingly are separating the CEO and board chair roles and appointing an independent chair. This is an influential position that is critical for board performance, its interactions with shareholders and its relationship with the CEO and management team. When selecting an independent chair, boards should carefully embrace a thoughtful “no drama” process that considers the needs of the company and the CEO, as well as the necessary leadership skills. Our discussions with independent board chairs underscore the importance of soft skills — such as emotional intelligence, people leadership, listening and communication, a low ego and courage — for building a trusted relationship with the CEO, committee chairs and other directors.





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