



What makes a great Chair in the public sector?

Praesta Partners is the UK's premier firm of executive coaches, based in London but operating both nationally and globally. We coach senior leaders including CEOs, main board directors and management team members and other key senior executives. Our clients range across several hundred organisations in the private and public sectors, including FTSE 100 and 250 companies, private equity owned businesses, leading professional services firms and all areas of financial services.

All of the Praesta team have had senior level business careers before becoming coaches - many were board members, CEOs, partners or managing directors of major organisations in their first careers. Thorough initial training, continual professional development and regular supervision are integral to how we work. As well as one to one coaching, we offer team and organisational coaching and board effectiveness reviews. We are also leaders in working with executive women.

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Introduction

In the UK public sector there is a wide range of bodies of different kinds that support the business of Government. Their nature and numbers may change over time, but they remain an important part of the landscape. Praesta clients who are Chairs of such bodies have wanted to explore with us the key ingredients for success in the role.

We have talked to a number of Chairs and Chief Executives with experience of both the public and the private sectors, and have drawn on key reports and publications about Board governance. To summarise our findings:

- The role of Chair, whether in the public or the private sectors, requires a distinct set of skills;
- A positive relationship between the Chair and the Chief Executive is critical to organisational success;
- The Chair must help the organisation to get full benefit from the non-executives on the Board;
- Private sector norms of good governance are highly relevant to the public sector and a good place from which to start; and
- A Chair with private sector experience will be struck by specific differences in the public sector, arising from the role of Ministers and Parliament, the existence of multiple stakeholders and objectives, and a high degree of public scrutiny. The successful Chair needs to understand these differences and have strategies for handling them.

This booklet explores our findings in more detail and offers some possible actions at the end for public sector Chairs to think about. We hope you will find it valuable. We have long experience of supporting Chairs, Chief Executives and top teams in their roles and would be pleased to discuss with you further.

The fundamental principles for an effective Chair

There are many different types of public body and it is impossible to generalise on every detail of their constitution. However, all of our interviewees agree that the fundamentals are those that apply in any sector:

- > Ensure clear governance
- > Use your “levers” effectively
- > Review Board performance regularly
- > Recognise the distinct skills required of the Chair
- > Invest in relationships – especially with your Chief Executive and non-executive Board members.

If you are already an experienced Chair, these principles may be second nature and your main interest may be in the sections at the end of the booklet. But a quick refresh may still be useful!

Ensure clear governance

Corporate governance is the system by which organisations are directed and controlled. It describes the relationship between the various players at the top of the organisation, the structure through which they operate and make themselves accountable to stakeholders, and the processes by which they make decisions. The corporate governance framework for businesses in the UK operates:

- Through legislation, particularly the Companies Act;
- Through regulation, and through the Combined Code which is the responsibility of the Financial Reporting Council.

For the public sector, an Independent Commission chaired by Sir Alan Langlands produced “The Good Governance Standard for Public Services” in 2004.

All agree it is essential to clarify the distinct leadership roles played by the Chair and the Chief Executive. This can be even more important if the Chair has previously held a Chief Executive role and has limited experience as a non-executive. The standard set of assumptions would be:

- The Chair and Board appoint the Chief Executive;
- The Chair runs the Board; the Chief Executive runs the organisation;
- The Chair facilitates from the wings, the Chief Executive drives from centre stage;
- The Chair leads the Board, in conjunction with the executive, in working out the strategic direction of the organisation and the priorities for resources. The Chief Executive implements;
- The Chair and the Board monitor organisational and executive performance, and ensure accountability to stakeholders;
- The Chair provides cover for the Chief Executive when the going gets tough: if the Chief Executive does not deserve that cover, the Chair may need to consider dismissal.

Board member:

“The Chair leads us in constructively challenging the executive, searching for the unknown unknowns in terms of risk to the business, and ensuring that the Board is measuring the outcomes that matter.”

Chair:

“Ideally, you decide what powers are to be reserved to the Board and devolve the rest, rather than try to specify everything that is to be devolved.”

Chair:

“I have found that close reading of the Combined Code has been extremely helpful in my work in the public sector.”

Use your levers effectively

With these guidelines in mind, the Chair can review the current state of the organisation using the levers which properly belong with the Board. In particular, it is the Chair’s responsibility to:

- Appoint and appraise the Chief Executive;
- Clarify the responsibilities of the Board and the executive, and ensure that everyone understands them;

- Set the forward agenda for the Board to focus on the key strategic and business issues;
- Ensure that the executive understand the objectives of papers commissioned for Board meetings;
- Encourage the non-executives to challenge the executive constructively, and guard against “groupthink”;
- Review the cycle of non-executive appointments to the Board and plan ahead for opportunities to fill gaps in experience /expertise.

In planning Board agendas, the Chair also considers:

- Is there clarity on the performance measures to be reviewed at Board meetings?
- Does the Board have the information it needs to support horizon-scanning and decision-making?
- Is adequate time allowed for the Board to review risks and agree strategies for managing them?
- Does succession planning get discussed and is the Board satisfied of the arrangements for senior staff appointments and performance management?

Depending on the circumstances, the Chair may want to take soundings with a mentor or trusted colleague on how to exercise these levers most effectively. This may also be the moment to get an independent assessment by commissioning a formal Board effectiveness review.

Chair:

“My predecessor allowed the Chief Executive to determine the agenda for Board meetings. The result was overlong papers and presentations which prevented us from discussing the key strategic issues. I have changed that.”

Chair:

“Looking back, I should have sat down when I first took up post, and consciously used the set of Board responsibilities to take a systematic look at where we were and what we needed to act on.”

Regularly review Board performance

The Hogg Review of the UK Corporate Governance Code (2009) recommended amongst other things that there should be an external review of Board performance in UK listed companies every three years.

In parallel, the Walker Review of Corporate Governance in the banking industry noted that the general reputation of individuals considered for Board-level appointments can override objective evaluation of the skills they bring. This is particularly true when it comes to highly-tuned listening and facilitation skills, and the ability to observe, interpret and draw conclusions about what people are saying or not saying when they attend the Board.

Board evaluation thus needs to address both the **content** of Board discussions, and **the way that business is conducted**, including process, skills mix, culture and behaviours. An astute Chair uses it as an opportunity to identify areas that need strengthening or approaching from a fresh perspective. It may also highlight areas where Board members have collective or individual development needs. A good Chair takes those development messages seriously.

Chief Executive:

“The Board review identified some lack of clarity about which decisions are reserved to the Board or require a formal input from them. We are now doing something about it.”

Chair:

“I find it helps to have regular one to ones with individual non-executives. Sometimes that is the best way to find out what is really on their minds and to encourage them to surface issues in the Board. It also provides a safe space to give feedback.”

Evaluation does not stop at the Board as a whole. In the private sector, there is a well-established process for **reviewing the performance of the Chair**. Once a year the nominated Senior Independent Director takes confidential views from all of the other non-executives as well as the Chief Executive, and

uses the summary feedback for a 1-1 with the Chair. The Chair is expected to take that feedback seriously. In extreme circumstances, it may lead to a discussion about his/her future as Chair.

In the public sector, decisions on the future of the Chair rest with Ministers, but there is still scope for a process to allow Chairs to respond to feedback from colleagues. It is currently up to individual organisations to arrange this, whether using a senior non-executive as facilitator, or bringing in a third party. At least one of our interviewees has chosen to translate the private sector model across to the public sector body that he chairs, and to use the Deputy Chair to collect annual feedback.

Board member:

“I was once on a Board of a business where the CEO became Chair and appointed the Finance Director as Chief Executive. The Chair could not let go, and in the end, the Board had to ask him to stand down.”

Chair:

“It does not work if there are competing egos. If the Chair is too prominent, the Chief Executive can be fatally undermined.”

Evaluation of **Chief Executive performance** has been the subject of some debate in recent years, in both the public and the private sectors. There is general recognition now that it is not sufficient to judge success by financial performance alone, important though this may be. The Board needs to agree what success would look like on a number of dimensions, such as strategy, culture, operations, and position comparative to competitors/benchmarks. They then need to agree how achievement will be monitored and measured, and how the views of employees and stakeholders will be taken into account. A good Chair will give regular informal feedback to the Chief Executive throughout the year and work with him/her on any development areas, but at least once a year there will be a formal process to determine remuneration, and to highlight any critical issues of concern to the Board.

Chair:

“It was my role to explain to our Chief Executive why the Board thought that he needed to move on, after 12 successful years in post.”

Chair:

“The Chief Executive has many fine qualities, but does not require his Directors to work as a team. I have had to tell him this is not acceptable to the Board”.

Recognise the skills required of a Chair

Good corporate governance does not ensure good Board performance, and the skills needed of executives and non-executives are not identical.

We asked our interviewees about the skills needed of an exemplary Chair, and their views coincided with the results of a survey conducted with 215 Directors in 2004 by Praesta’s predecessor, The Change Partnership. The respondents took it for granted that all Chairs would have certain skills such as strategic thinking, personal presence and relationship management at the highest levels. In addition, though, they identified ten differentiators:

The ten differentiators

A good Board Chair:

- Gives guidance in private to the CEO as a mentor and sounding board, but does not undermine their responsibility for delivering the strategy;
- Guides the CEO on what should come to the Board and ensures that all Directors understand the context in which options are being discussed;
- Creates the conditions for long term success by promoting diversity of skills, experience and personal attributes amongst the Board Directors;
- Gives more or less time to the organisation at short notice, according to need, such as a major change of direction, or the arrival of a new CEO;

- Demonstrates the organisation's core values to internal and external stakeholders, sets the tone of the organisation and communicates in an open and accessible way that inspires confidence;
- Has had previous non-executive experience in this or another organisation before becoming Chair;
- Has broadly-based rather than sector-specific experience;
- Is prepared to work at understanding the organisation and what it needs of the Chair;
- Is personally accountable for Board performance;
- Balances the need for the Board to address current issues, with the imperative of quality time to discuss key strategic and leadership matters concerned with future performance.

To combine all of these attributes requires a Chair who can see things from the CEO's perspective; can act as coach and mentor; has moral authority and inspires confidence within the organisation; is committed to the organisation's long-term success; and is an exceptional communicator. The Chair's ultimate responsibility is to ensure an ordered CEO succession, and to take any necessary tough decisions about changing the leadership without destabilising the business. The Chair thus needs a huge degree of self-awareness, self-discipline and personal integrity, as well as the humility to do all of this without being centre stage. A sense of humour at the right moment can also help! Great Chairs are exceptional people.

Chair:

"I make it very clear to my Chief Executive that I won't interfere in the running of the business, but I don't expect my access to people, sites and clients to be closely controlled. I expect to be out there taking the temperature, and bringing any issues back for the Chief Executive to consider."

Chair:

"My role in a Board discussion is to dock the ship successfully, having heard the debate and weighed the views expressed. It is a big mistake to come out with a personal view early in the discussion."

What does that mean for the skills of the Chief Executive? He or she needs all the skills and attributes which go with effective leadership and management of any complex organisation, but also needs to know how to get the best from the Chair. If the Chair does not initiate, the Chief Executive needs to prompt a very early discussion on how they will work together, including the rules of engagement for Board meetings, the particular interests and working style of the Chair, and how the two of them will best divide their representative and ambassadorial roles outside the organisation.

In addition, the Chief Executive must think proactively about how to win the confidence of the other non-executives and to get the best from the executive's interaction with the Board. Some of this is about hygiene factors, such as ensuring that the Board gets the information it wants, and that Board papers are well-written and circulated well ahead of time. Other aspects are more about relationship-building:

Chair:

"I once appointed a first time Chief Executive. He was a very good manager but I needed to coach him on how to interact with the Board, when to surface issues with them, and critically to recognise that Boards do not expect to be treated as rubber stamps."

Chief Executive:

"Very early on, I spent time talking to each of the Board non-executives, finding out where their expertise and interest lay, as well as any concerns they might have about the organisation and the way it was run. I learned that it was best to share my emerging thinking with them before seeking decisions at the Board."

Chief Executive:

"I had a concern that some of our non-executives with deep expertise were getting drawn into running with an issue, rather than providing advice to the executive and leaving them with responsibility to follow through. This caused a lot of confusion about accountability, and I had to seek opportunities to talk it through with them and the Chair."

Invest in the Chair/CEO relationship

Writing down the respective roles and responsibilities of the Chair and Chief Executive is essential, but there is no alternative to working at the relationship on a day by day basis. In particular, many Chairs have a past history as successful Chief Executives, and may instinctively want to intervene, in what they consider to be the best interests of the organisation. Experienced Chairs tell us that they seek to avoid this trap by reviewing the number of days per week that they need to be in role, as someone without executive functions. In addition, they:

- Make sure there are regular opportunities for 1-1 conversations with the Chief Executive – not only about tasks but also about how best to work together;
- Discuss business issues by asking open questions of the Chief Executive, rather than seeking to impose an opinion;
- Ensure that any disagreements are discussed, and if at all possible, resolved, in private conversations or with the mediation of a trusted non-executive colleague;
- Work on the understanding that the Chief Executive will not spring surprises on the Board, nor seek to bounce them into decisions;
- Make sure that employees and stakeholders see the Chair and Chief Executive appearing in public together as one team.

Chair:

“It has to be an open and trusting relationship of mutual respect – even though there is the possibility that one day the Chair may need to fire the Chief Executive.”

Chief Executive:

“The Chief Executive role can be a very lonely one. On some topics there is no one else I can talk to. I look to the Chair for a receptive ear and constructive advice.”

Chair:

“A good relationship between the Chair and the Chief Executive is very beneficial for the company. If it does not exist, it is very difficult to compensate.”

What's different in the public sector?

We spoke to Chairs and Chief Executives who had operated in both sectors. The consensus was that the good practice described above should be universal, but there are additional complexities in the public sector which Chairs need to be aware of.

Whereas a private sector Chair is appointed by the Board Directors, a public sector Chair is a ministerial appointment, and the Minister will expect the Chair to steer the Board and organisation to achieve the objectives set for them.

Depending on the nature of the organisation, the Minister may expect the Chair to take a close interest in the detail of the business, and may want regular progress meetings where each is accompanied by supporting officials. When this happens, the skilful Chair needs to build the relationship with the Minister, without undermining the leadership role of the Chief Executive within the organisation. In particular, he/she needs to ensure that any action items from meetings at the sponsor Department are clearly assigned to the executive team for follow up, and that the Chief Executive is not impeded in access to the key decision-makers and influencers.

If the Minister does not ask for regular progress meetings, the Chair nevertheless needs to remember that he/she is accountable to that Minister, and find ways of maintaining a relationship, so that any problems that arise - including any doubts about the performance of the Chief Executive - can be handled in a spirit of partnership. A Chair who floats free of the sponsoring Department may prosper as long as things are going well, but becomes vulnerable if they are not.

Chairs and Chief Executives in the public sector need to be sensitive to the political environment, and to public opinion. They need to establish strong working relationships with civil service counterparts and recognise when to consult on decisions. Ideally they will have complementary skills and support each other in getting the relationships right.

Other factors that affect the expectations of a public sector Chair are:

- It is not always easy to define who in the public sector equates to the private sector **shareholder interest**. Multiple stakeholders must be managed, and the Chair and Chief Executive need to agree between them who will lead in each case – or where they will consciously manage the relationship together;
- Chairs in the public sector may find that they are presumed to be **the public face of the organisation**. They may need to take a conscious decision on whether to accept the role, or seek to persuade others that this lies best with the Chief Executive;
- When it comes to **reputation management**, a public sector Chair can rarely stay out of the spotlight. The Chair needs to agree with the Chief Executive how they and the Board will be alerted to emerging issues in time to make an input, and be ready for media interest in everything that the organisation does or spends money on;
- Public sector Boards are expected to expose their proceedings to **public scrutiny** to a degree unfamiliar to many companies - and may moreover risk judicial review of some of the decisions they take.

Chair:

“No public body Chair could keep below the parapet when issues or allegations arise over value for money.”

Chief Executive:

“The Freedom of Information Act, the Public Accounts Committee and political accountability add another huge dimension to how things are managed, including risk.”

Chair:

“Chairs with predominantly private sector experience may need to familiarise themselves with public sector accounting conventions, the complexity of the regulatory environment, and the expectations of Ministers.”

Chair:

“Your appointment as Chair may be subject to a Select Committee hearing. Even if it is not, you need to understand the workings of Parliament, and be prepared to give an account of yourself if asked.”

The public sector Chair also needs to know that they do not have quite the same autonomy over appointments as in the private sector:

- **Selection processes** in the public sector are usually led by the relevant Government Department and approved by a Minister. The rules on public appointments must be followed, and a representative from the Office of the Commissioner for Public Appointments may be involved. Unlike in the private sector, the Chair does not usually have the last word on a Chief Executive appointment, but needs to find ways of articulating any concerns that he or she may have about particular candidates;
- Similarly, public sector Chairs may not always have the final word on the **appointment of Board members**, and may therefore have greater challenges in building a cohesive team;
- If the Chair of a private sector company has serious concerns about **Chief Executive or Board member performance**, he/she is likely to take soundings with the Senior Independent Director and then decide what action to take. In the public sector, the relevant Government Department will expect to be consulted, and the eventual decision may not always lie in the Chair's hands;
- In some cases in the public sector, **none of the executives are full members of the Board**, but are described as "in attendance". The Chair has to ensure that their views nevertheless get full attention;
- Sometimes the sponsor Department may expect to have a senior official present at Board meetings as an "**assessor**", which can impact on the dynamics of Board discussions.

Chair:

"Public sector Boards can be more diverse in the experience that they bring than many private sector Boards, so the dynamics of Board management can be different, and require more investment from the Chair."

Chair:

"It's really important to do your due diligence before accepting an appointment, so that you understand what is expected of the Chair of this body, and how your skills match those of the Chief Executive."

Closing thoughts

The role of the public sector Chair can be a lonely one. At Praesta Partners we have supported many Chairs and Chief Executives through challenging times. We should welcome talking to you about the challenges in your own organisation.

Ten things for the public sector Chair to think about:

- > Check that Board members have a shared understanding of governance
- > Think about your levers and use them wisely
- > Regularly review Board and Chief Executive performance
- > Ask others to review your own performance against the key skills for a Chair
- > Build a strong relationship with your CEO – or part company
- > Understand the politics and the expectations of Ministers
- > Identify your stakeholders and how you need to work with them
- > Be prepared for the media spotlight
- > Consider designating a “Senior Independent Director” to support you
- > Think about your other sources of personal support.

Further Reading

The Hogg Review of the Corporate Governance Code, 2009

The Walker Review of corporate governance in UK banks and other financial entities, 2009

“The Good Governance Standard for

Public Services”: OPM and CIPFA, 2004

“What makes a great Board Chair?”
The Change Partnership, 2004

“Evaluating the CEO” by Stephen Kaufman, *Harvard Business Review*, October 2008

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