



Board effectiveness and the chair of the future: Five fundamental forces that define the modern chair's role

The role of the board chair is expanding. Insights gleaned from conversations with board chairs around the world provide a roadmap for how chairs can address new demands.

About the Deloitte Global Boardroom Program

The Deloitte Global Boardroom Program brings together the knowledge and experience of Deloitte member firms around the world to address critical topics of universal interest to company boards and the C-suite. Supplementing geography programs, its mission is to promote dialogue among corporations, their boards and management, investors, the accounting profession, academia, and government. In addition to the publication of thought-pieces on critical topics, the Deloitte Global Boardroom Program hosts a series of must-see webinar discussions with eminent panelists to enable boards and management of global companies to challenge perceived wisdom.

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Contents

Preface	2
Organizational governance needs more chair input	5
Society expects more from business	7
Climate change forces business to respond	9
Crisis leadership is becoming the norm	11
Board operations call for digital enhancement and agility	13
Advice for the chair of the future	16
Endnotes	19

Preface

LEADING THE BOARD of a major corporation in today's rapidly evolving environment is a privilege, and also, at times, a challenge. Every industry is reinventing itself in the face of stiff competition: innovating market offerings, seizing opportunities created by technology while fighting to be attractive in the war for talent, and increasing resilience when faced with supply-chain disruptions, financial volatility, and geopolitical instability. Meanwhile, organizations across industries and geographies must take swift, bold actions to address the climate challenge. And raised societal expectations of company behavior means that the social license to operate increases outside scrutiny of every move.

The chair's role has been transforming for some time; the trend toward greater transparency and accountability has been inviting the chair of the board to become increasingly visible to a wider group of stakeholders, not just shareholders.

What does it take to be a successful chair in this environment? The Deloitte Global Boardroom Program undertook research to find out, and in this publication, we offer it to you. This report presents the reality, aspirations, and advice expressed by more than 300 chairs. It was collated from Deloitte's research into the chair of the future in Australia, Belgium, Canada, China, East Africa

(Kenya and Uganda), Germany, India, Ireland, Italy, Japan, New Zealand, the Netherlands, South Africa, the United Kingdom, and the United States. These board chairs, who represent major listed companies and significant private, sometimes family-owned firms, provided their insight into fundamental questions such as: *What will the "chair of the future" look like? What skills, capabilities, and experiences will be required to be a successful chair? And how should chairs oversee management as their organizations face these manifold challenges?*

The primary focus of the chairs' advice is on the evolving role of the chair and how behaviors of chairs can pivot during periods of challenge and upheaval. Several striking themes emerged from these interviews around the world, which are described in this report as *the five forces of change*.

This review offers an opportunity for current and aspiring chairs to learn from prominent board chairs who generously shared their experience and ideas. We hope that this report sparks fresh conversations and raises awareness in anyone who is curious about one of the most influential roles driving the impact and future success of business: the chair.

Sharon Thorne, chair, Deloitte Global

Introduction

BOARD CHAIRS HAVE seen their roles and responsibilities grow dramatically over the past few years. It's a job that's become all-encompassing.

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.¹

But huge developments are redefining the role in real time: unforeseen events, such as the COVID-19 pandemic and geopolitical disruption, add to the inexorable challenges of digital transformation, climate change, increasing regulation, and investor scrutiny. Yet as they become more active on virtually every front, chairs must also take greater care to respect the boundaries between their role (governance and oversight) and those of the CEO and the C-suite team (management and operations). A chair from Ireland observed that boards should not be “drawn to problem-solving”; instead, chairs must focus on bringing “a strategic and long-term lens” to their organizations.

To get a better sense of how the position is changing and what the chair of the future can expect, the Deloitte Global Boardroom Program brought together interviews, roundtable discussions, and surveys of more than 300 board chairs in 16 countries (see Methodology sidebar).

In these conversations, several striking—and somewhat unexpected—points of commonality emerged. As chairs navigate a new world of challenge and opportunity, the research revealed five fundamental forces of change (figure 1):

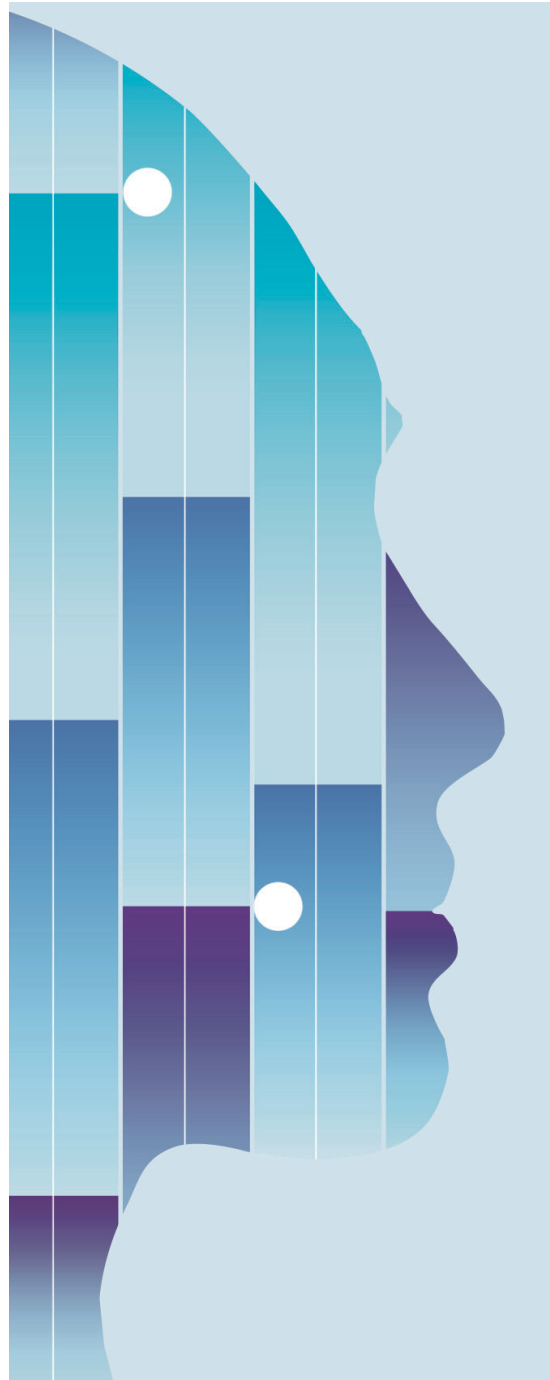
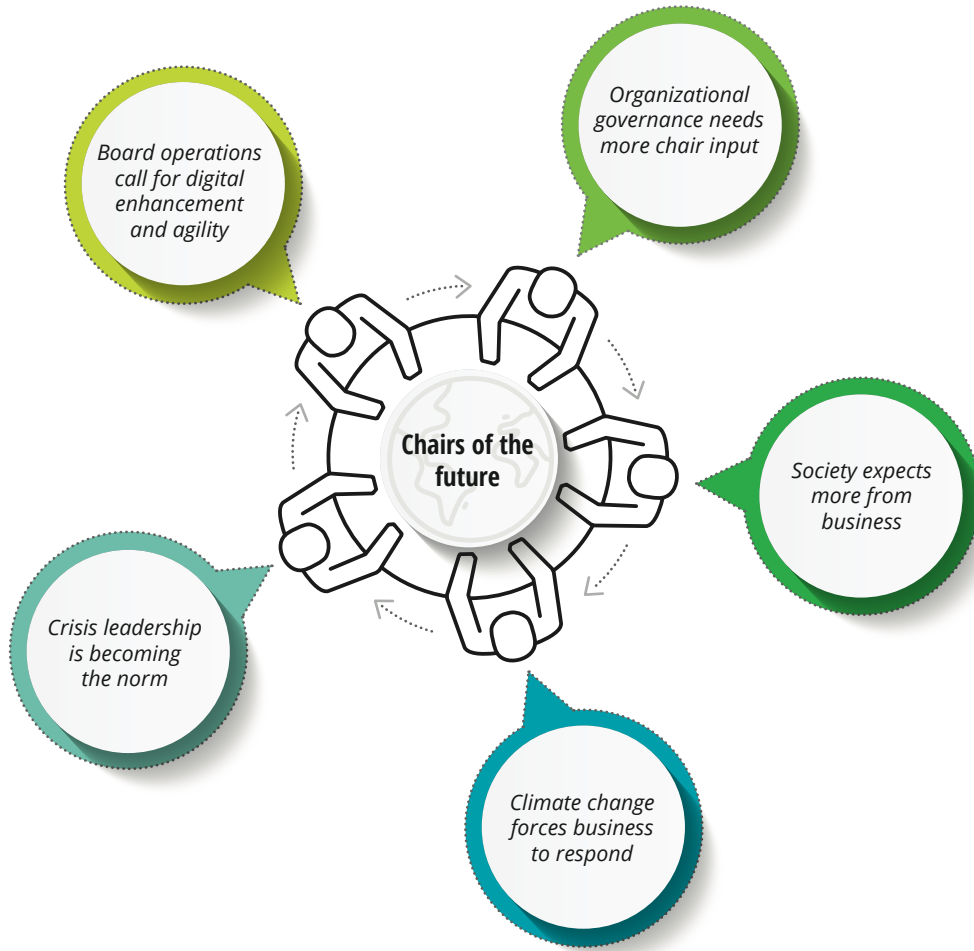


FIGURE 1

Around the world, chairs say their job is fundamentally changing

Five forces expanding the role



Source: The Deloitte Global Boardroom Program.

Organizational governance needs more chair input

SOME FUNDAMENTAL QUALITIES that make for successful chair and board relationships with management have *not* changed. Having a high level of trust between the chair and CEO, for example, remains essential to a successful relationship between them and to the success of the business. CEOs should have a trusted and confidential sounding board in the chair, and be willing to be vulnerable without fear of repercussions. The chair of a company in Belgium noted, “Vulnerability means reflection and questioning, which is a good thing.” Chairs should also have a deep understanding of the companies they serve and be willing to offer their time and experience generously.

What *has* changed is the depth and breadth of that involvement. While many chairs reported that board meetings are less formal than in the past, the responsibilities of board service and, in particular, of the chair, have escalated. “You can’t be a faraway figurehead. You need to understand the business you are involved in. You are not effective if you only know how to run boards,” one South African chair stated.

As “the ultimate chief reputation officer,” as described by a UK chair, the chair should provide a guiding hand on a wide range of internal and public-facing matters. While the challenges can be daunting, the pandemic proved that chairs could help their organizations pivot and respond to unforeseen events and even emerge stronger by focusing on big-picture goals such as innovation,

digital transformation, improved efficiency, and agility.

“You can’t be a faraway figurehead. You need to understand the business you are involved in. You are not effective if you only know how to run boards.”

— *Chair, South Africa*

HOW CHAIRS CAN LEAD MOVING FORWARD

As traditional roles evolve, chairs can encourage new thinking and help foster innovation. Recognizing that fear of change is often a greater obstacle than change itself, many chairs believe it is their job to help management be bolder and faster in how they assess risks and rethink operating models. Chairs should:

- **Serve as stewards of the organization.** Protecting and monitoring the company’s reputation and holding management accountable for their performance has always been among the most important functions of the chair. But today, fulfilling that mandate may require more decisive action. Society, governments, but also investors and other stakeholders now expect far more from companies when it comes to corporate citizenship, responsible behavior, and driving positive change on social and environmental issues. As one US chair put it, “There are more

expectations from investors for boards to articulate the purpose of the company; how the board is involved in understanding the culture of the company [and] how you assure that you're creating and nurturing the right kind of culture for today's corporation."

- **Help accelerate strategic initiatives.**

Chairs agreed that one of their most important functions is to encourage and prompt management to move faster on key strategic initiatives, especially with regard to digital transformation and the future of work. "All forms of innovation fall under the strategic role of the board of directors," a Belgian chair observed. A leading German chair insisted that this means looking beyond the buzzwords and colorful slides to help management recognize that thoughtful and thorough digital transformation is vital to the success of the company.

- **Scan the horizon for risks.** As part of accelerating strategic initiatives, respondents agreed that chairs must prioritize discussions about risk assessment at the board table and ensure that companies pay attention to risks, such as cyber and supply chain risks. They must also engage in continuous horizon scanning to identify emerging risks—searching for unknown unknowns. Cybersecurity is a top concern, and cyber threats call for ongoing vigilance, assessment, action and investment. Many viewed supply chain risks as a threat that will live on for years after the pandemic. Chairs in China and Germany, in particular, mentioned long-term supply chain challenges as concerns.

- **Cultivate talent and culture.** Chairs across regions said their responsibilities include

assessing whether company culture supports the organization's strategies and promotes responsible and ethical behavior. Yet this must be undertaken thoughtfully. As the chair of a Belgian company put it, "Corporate culture is very much determined by the CEO. The board can guide and influence the CEO in this regard, but this remains difficult as the board does not have day-to-day operational responsibility." One way that chairs *can* influence culture is through talent selection. Going forward, in addition to handling CEO succession, several chairs suggested boards should help develop talent at least one level below that of CEO—while respecting the prerogative of the CEO to select their own team. Now is a good time for chairs to influence culture shifts across their organizations. Managers and employees with fresh memories of the pandemic may be more receptive than ever to having discussions about culture. The chair of a German company noted that the pandemic has given businesses "a much higher awareness of the importance of the human touch."

- **Support and challenge the CEO.** While open, trusted, and regular communication with the CEO remains essential for the chair of the future, this does not mean unconditional approval. Chairs should be ready to challenge ideas and assumptions put forward by the CEO and senior management. "The board needs to ask difficult questions," the chair of a company in Belgium noted. But, of course, the CEO and management must be allowed to manage. "Once the decision has been taken," the Belgian chair added, "the board needs to go into support mode and give its full support to management, in good and bad times."

Society expects more from business

CHAIRS GLOBALLY SEE the changing relationship between business and society as another key force affecting their role—and are holding management accountable for it. Without exception, across countries, they feel a deep sense of responsibility for the positive and possible negative impact their businesses have on communities and the planet. Increasingly, they see a close connection between prosperity for communities and the environment and the future of business. One chair of a Japanese company recognized that doing business itself is, or should be, a matter of “improving the world.”

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.” There is increased recognition that securing society's acceptance of business operations should be part of any organization's social license to operate. Others talked about a need for corporations to collaborate with governments, and with other companies, to help solve pressing societal problems. For example, the chair of an organization in India spoke about his organization's partnership with 15 companies to build a shelter for migrant laborers who were especially hard hit by the pandemic.

Of course, the idea of being a good corporate citizen is not new. As one chair of a private, family-owned company in Germany noted, “Sustainability and ethical values have been part of our corporate culture

for decades.” Yet what appears to have changed is the sense of urgency, and the risk of being left behind for those who fail to adapt and change.

HOW CHAIRS CAN LEAD MOVING FORWARD

Chairs recognize they play a key role in driving the company-society relationship and effecting positive change through environmental, social, and governance (ESG) strategies and stakeholder engagement. As this responsibility deepens in the years to come, chairs should work harder to:

- **Bring societal concerns to the board.** Across geographies, chairs agreed that challenges to the traditional idea of capitalism compel them to lead the way in broadening and redefining the purpose of the business. This requires keeping environmental, social, and governance issues front and center. As a chair in East Africa put it, “The ESG agenda and focus areas need to be visible and factored into the board calendar for discussion.”
- **Drive stakeholder engagement.** While the idea of stakeholder capitalism has been gaining pace for a while, many chairs noted that the pandemic highlighted the need to consider every stakeholder and community that company activities affect. “Strategy has to be a stakeholder conversation, not just a shareholder conversation,” the chair of a UK company said. Some boards are creating shadow boards or board councils composed of younger managers and employees and walk-in clinics for employees to share concerns; others are holding stakeholder forums that welcome

not just shareholders but customers, suppliers, communities, government, and nongovernment organizations. The goal is much more than putting a positive gloss on the organization. As the chair of a company in Australia put it, the idea behind these efforts is to “stay focused on doing the right thing by all stakeholders.”

- **Integrate ESG into business strategy.** Social and environmental issues can no longer be viewed as something separate from a company's business strategy, chairs agreed. A commitment that exists only in writing without tangible action will be discovered and reflect poorly on the company's reputation. The chair of a company based in East Africa explained, “It needs to be woven into the business strategy, be part of your business DNA, and have an impact across the entire value chain.”
- **Promote ESG-aligned performance frameworks.** While ESG is becoming a shared agenda globally, chairs feel that more needs to be done to develop integrated performance measurement and incentive frameworks to drive integration of ESG and strategy to ensure a better balance between business, social and ethical concerns. A chair based in the

Netherlands explains: “I learned that we have to put a greater spotlight on some themes and more explicitly measure them. For example, with respect to diversity: Are we actually doing it? What goals do we want to set?”

“The ESG agenda and focus areas need to be visible and factored into the board calendar for discussion.”

— Board chair, East Africa

- **Debate the profitability and sustainability equation.** Many chairs noted that achieving social and environmental sustainability goals are essential to the sustainability of the business, and few would question that ESG initiatives may require new investment without immediate returns in the short term. “It is, indeed, difficult to achieve both environmental conservation and profit generation at the same time,” said the chair of a Japanese company. “But I would like to deepen discussions within the board of directors on how to achieve both.” Chairs will have to make sustainability part of any conversation about profitability and be willing to “lift their head above the parapet,” as one UK chair put it, on issues influencing public trust in business.

Climate change forces business to respond

GIVEN THE ENORMITY of the challenge and the operational, regulatory, and reputational risks it poses, climate change is top of mind for many board chairs around the world. As the chair of a company 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 the agenda.”

“There is no excuse for not moving forward. Climate puts the whole survival of the company at risk.”

— *Chair, a company headquartered in the Nordics*

Meeting the challenge requires close collaboration between the chair and CEO, the board and management team. While implementation falls on management, chairs believe boards should play a vital role by placing climate change high on the company agenda. “It’s an iterative, dynamic process,” a UK company chair explained. “The board has been actively involved with management in assessing the risks and opportunities around climate change, in developing the policies for the near term and long term, and in setting the targets.” In fact, many chairs highlighted not just the challenges, particularly regarding Scope 3 emissions, but also the opportunities that could emerge for companies that take climate change seriously and shape effective strategies to address its impact.

HOW CHAIRS CAN LEAD MOVING FORWARD:

All chairs agreed on the importance of educating the board on the climate challenge. This, of course, involves devoting time to reading and self-study, but chairs also find value in inviting climate specialists to the board to raise climate fluency levels.

There’s less consensus on whether boards should add a climate specialist or establish a specialist committee. For example, while three-quarters of Italian chairs surveyed note their organization has an ESG committee, some chairs from other countries say the board should explore climate issues together. Regardless of structure, most chairs coalesced around these necessary tasks:

- **Encourage and, if necessary, “cajole” management.** Chairs have a clear role in making sure that management is thinking seriously and taking actions. “The chair’s role is to support, cajole, keep people honest, to give encouragement and to push through the right behaviors. The CEO has to own it. The chair has to ensure the CEO thinks it’s important,” a UK chair explained.
- **Connect climate change to strategy.** Chairs agreed they must help their companies understand that climate change is an integral part of business strategy. Many see this as protection against the risks of inaction: “There is no excuse for not moving forward,” noted a chair of a multinational company. “Climate

change puts the whole survival of the company at risk.” Yet many also view a climate change strategy as a key business opportunity. When it is introduced by governments “a properly structured carbon pricing mechanism that sends clear market signals could unleash a tidal wave of innovation,” one UK chair reported. “There would be huge economic incentive to go out and develop new technologies that reduce greenhouse gas emissions.”

- **Bring stakeholders along.** Chairs of the future will likely become frontline climate ambassadors between a company and its stakeholders. A key challenge may be managing

the expectations of investors and shareholders who would likely be pressing management to achieve ambitious climate goals *and* impressive earnings at the same time. “On the one hand you have investors telling us they’re keen to see us taking a bold stand on addressing climate change, and on the other hand you get the kneejerk reaction: this involves capital expenditure so therefore the share price should go down,” the chair of one UK company stated. Chairs also emphasized the importance of clearly communicating the actions companies are taking as part of their climate strategy to shareholders, including through meetings with large shareholders.

Crisis leadership is becoming the norm

EVEN BEFORE THE pandemic, chairs and boards perceived an increasing frequency of crises, and many had already experienced crises in their organizations.² Chairs in New Zealand observed that during the pandemic, the experience of those who had navigated a crisis before became invaluable in dealing with the uncertainty and providing guidance to the board. Uniformly, chairs note that managing crises today calls for resilience and greater speed in decision-making, action, and communication,³ under increased public scrutiny. Challenges can arise quickly, leaving boards little time to digest and understand every issue fully before acting. Indeed, chairs and boards may be compelled at times to take a leap of faith, making decisions with less information than desirable. In fact, some chairs said 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 a lot about their own and their companies' ability to respond, adjust, and embrace digital technologies under pressure. Concerned that their companies might 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, 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 the number and cadence of

communications with the CEO and had greater access to the senior management team. Looking ahead, the chair of an organization based in India expects boards to resolve smaller issues by having more frequent virtual meetings. Chairs also emphasized their role in preparing their boards and companies for uncertain futures, for example, by leading discussions on scenario planning.

Companies that managed to enable business continuity during the pandemic also took decisive measures to reconfigure their business models, accelerating digital transformation. And organizations that started their digital journey years earlier had an easier time pivoting. As one East Africa chair shared, "Our investment in predictive analytics about two years before the pandemic started to pay off."

- **Get involved at a deeper level.** Chairs recognized that crises compel them to intensify their involvement in the company's activities. The chair of a New Zealand-based company reported that in the height of the pandemic, the board was engaging more frequently with management and asked for regular updates from the front lines. The benefits appear to flow both ways: Boards have more current information to inform their oversight and decisions, while management benefits from having experienced voices in their corner, enhancing the sense of collective responsibility. "Huge pressure was on management's shoulders," the chair of one UK company said. "The executive team found it very valuable to have someone to talk to during the crisis."

- **“Devolve” decision-making.** Paradoxically, while crises can require greater hands-on leadership, chairs and senior leaders must be careful not to stifle local decision-making.

That’s especially true for companies with operations across multiple countries and regions. One such company, based in Australia, urged its local managers to “get on with it” when responding to emergencies, rather than waiting for permission to act. Yet decentralized leadership also poses risks said the chair of a Netherlands firm. “In January 2020, I naively thought a ‘common enemy’ would bring everyone together. I hadn’t expected it, but it resulted in a huge division instead,” the chair noted. Thus, chairs and CEOs must be deliberate about how and when to allow for more localized decision-making, striking a healthy balance between involved leadership and flexibility.

- **Prioritize people.** Regardless of industry or business size, chairs said the pandemic compelled them to think harder about issues such as workplace safety, mental health, and culture. “Prior to the pandemic, you took the wellness of your people for granted,” said the chair of a South African firm. “But COVID-19 brought these issues into the boardroom.” As the chair of one US company noted, “One thing I’ve learned in the last year is the importance of

“We deliberately created scenarios that were much more negative than what we were hearing around us. We wanted to factor in the consequences if the crisis lasted much longer than expected.”

— *Chair, Netherlands-based company*

compassion for the human condition.” Some chairs joined virtual town hall meetings with employees and customers to hear their concerns and help management explain its company’s responses. Virtually all chairs agreed that the lessons learned will result in more empathetic leadership and inform the human side of their responsibilities moving forward.

- **Bolster resilience by preparing for the unknown.** A central role for chairs, respondents agreed, will be to help their companies prepare for what they can’t expect and emerge stronger. Many chairs said they are encouraging more scenario planning—testing responses to a shifting array of challenges and thinking about issues such as cash flow and resilience. “We deliberately created scenarios that were much more negative than what we were hearing around us,” the chair of a Netherlands-based company recalled. “We wanted to factor in the consequences if the crisis lasted much longer than expected.” And, of course, chairs and board members can offer the vital benefit of their own past experiences managing their way through business crises.

Board operations call for digital enhancement and agility

BOARD OPERATIONS—THE HOW, when, and where of board work—are being transformed. Chairs of the future may need to balance the new with the perennial: running the board more nimbly and with more flexibility, while safeguarding the fundamentals of providing valuable corporate stewardship.

Like the companies they serve, chairs adjusted quickly to the pandemic, leading board meetings virtually. After a steep learning curve, many found engagement improved while 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 meetings, and travel restrictions provided more time in the day. Boards now have experience convening at short notice to discuss matters of urgency.

Yet many chairs and board members missed some key aspects of face-to-face interactions. Remote meetings make it harder to read the room and pick up on nonverbal communication, they said. And some felt that the more exploratory board conversations were short-changed. Thus, chairs must work a little harder to keep directors focused and attentive. As the chair of a Japanese company said, “Outside directors bring a wide range of views

to the board, so I believe it is more important for me, as a chair, to summarize the opinions of each director, to manage the time for discussion, and to conduct proceedings from a bird’s-eye view so as not to miss any issues.”

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— *Chair of a Japanese company*

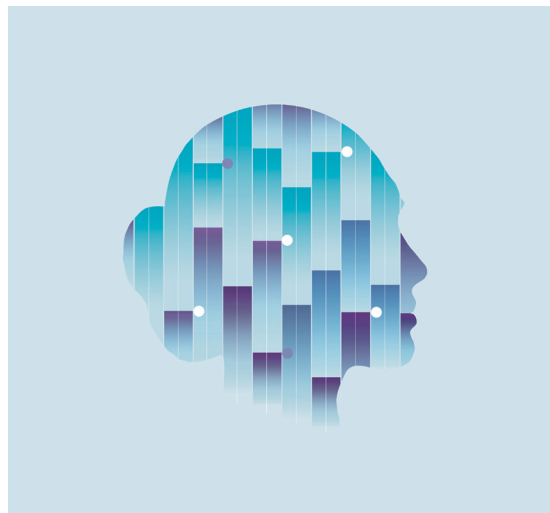
Even with the return of in-person gatherings, virtual meetings have demonstrated their usefulness and are clearly here to stay. Chairs must decide which works effectively under which conditions, and double down on fundamentals to facilitate a successfully functioning board.

How chairs can lead moving forward:

Chairs expect to capture what is effective from both options by adopting a hybrid model of virtual and in-person board meetings. 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; important workforce matters such as diversity, equity, and inclusion; and executive pay. To make board and committee meetings as effective as possible, chairs are constantly exploring how prereads and other materials can be deployed to help streamline agendas. Whatever the mix ultimately looks like, chairs agreed they must strive to:

- **Challenge the agenda.** Chairs say they are giving careful consideration to prereads and other materials handed to them by management. A chair recalled having served on previous boards where management “only made available what they wanted us to know.” Yet many chairs said they must also work to prevent information overload. Chairs may consider, for example, whether materials convey key information without unnecessary detail. “We have moved from a 450-page pack to under 100 pages,” an East Africa chair said. “We are on a journey.”
- **Foster balance and control.** To achieve consensus and trust, chairs agreed they must work to ensure their boards operate in a respectful way. Some board colleagues may need to be encouraged. “Some directors are more forthcoming than others,” said the chair of a Canadian firm. “And the ones who are not as forthcoming are always worth hearing because they bring a different point of view.” One way to draw out less vocal directors is to expand their responsibilities. The chair of a US company noted, “When we have a director whose voice isn’t as strong in the boardroom as you might want, one of the best things you can do is make that person chair of one of your committees. What happens is they take the bit in their teeth and they step up.”
- **Build consensus.** To have a successful board, whether in-person or virtually, one of the most important qualities a chair can offer is the ability to build consensus. Chairs stressed that consensus doesn’t mean universal agreement on every subject; it means board members can speak freely and work together in an environment of trust. “We have to understand each other and we have to be able to speak as a board collectively,” said the chair of one US company. “Because on governance matters, [ultimately] decisions are going to be *board* decisions, and not decisions made by the chair.” A chair from a company in Belgium added, “After the debates, the supervisory board needs to step outside with one voice.”
- **Use committees wisely.** Chairs universally pointed to the value of assigning committees to work through technical or specialty issues, sparing the wider board from being swamped by too much detail. Chairs in Italy, for example, said their committees debate and explore regulatory and governance themes, including executive pay. Chairs in China also expect committees to play a bigger role in governance, and talent retention, among other areas. The



chair of an Indian organization reported forming a digital transformation advisory council. Considering the range of issues facing boards and chairs today, specialist committee or board advisory group work seems only likely to grow. At the same time, chairs in Belgium identified a risk with committee proliferation: If too much gets shunted off to committees, the full board may struggle to oversee key issues. “This is the main reason why an ESG committee has not been established—to ensure that the topic remains firmly on the board agenda,” one chair explained. Other solutions have also been seen—for example, many boards allow every board member to attend committee meetings, should they wish.

- **Build and maintain the board community.** Chairs help the board gel and evolve from a group of talented individuals into a successful team. Approaches may include having in-person or virtual social gatherings, chairs said. “Zoom drinks” entered the board lexicon, thanks to the pandemic. In particular, chairs agreed that a strong, welcoming induction for new directors is essential to build community and maintain continuity. Chairs across regions also said they welcomed independent board evaluations. A chair from South Africa, for example, noted that these evaluations reveal the strengths of individual directors and also create opportunities to replace underperformers. Ongoing board education is also a must, and education must be targeted to specific needs and goals, such as emerging issues likely to disrupt the industry. Before launching an education program, chairs should consider, “What are our gaps in knowledge at [the] committee and full board level?” Chairs also highlighted the benefits of listening to the views of younger generations via “reverse mentoring” programs.

- **Make diversity and inclusion a governance imperative.** Chairs emphasized the importance of nurturing new members who may offer different perspectives from those of existing board members. While demographic diversity remains important, diversity of thought and experiences are critical, too. These skills include “an ability to inject creativity and different perspectives into strategy setting and decision-making,” chairs in China noted. As the chair of one US company put it, “It’s not just about diversity for diversity’s sake. You need to take a longer look at where the company is going in terms of its strategy and what skill sets that is going to demand.” And, importantly, a boardroom must be not just diverse; it needs to also be inclusive for everyone to feel able to speak up and share their perspectives and wisdom.
- **Nurturing talent, on the board and beyond.** This leads to the important question of what role chairs play in developing future talent, on the board and across the organization. While advancement in technology may ease the pressure to some degree, many chairs mentioned an intensifying war for talent, connected to the “Great Resignation” of last year.⁴ Here, chairs can help set the tone at the top for the best talent to join the organization—either on the board or further down the ranks of the company. “There’s also, with respect to your talent, a whole new notion of what does the future of work look like in my company, how do you recruit and retain the best talent, particularly when we are in an absolute war for talent right now,” said the chair of a US company. Engaging with younger generations in the workforce is especially important here.

Advice 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. A key challenge is trying to “find the balance between supervising, facilitating, and acting as a sounding board,” explained the chair of a Netherlands-based company. Different situations will call for all of those roles, the chair advised, “so work on your communication skills.”

Board chairs are being held accountable much more than before—by the public, the media, investors, customers, suppliers, employees; and, of course, by regulators. Today’s chairs must walk a fine line between sometimes opposing choices. They should 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.

One chair of a Japanese firm noted, “It is natural that short-term profits should be taken into account, but to be a sustainable company, it is more important to operate the boardroom from a longer-term perspective.” The chair of a UK company advised, “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 chairs who participated, may help provide a roadmap 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 the independence of thought.

– ***In their words (Belgium):*** “The relationship between chair and CEO needs to function. Only then can you realize an added value.”

2. Prioritize for the long term. Don’t sweat the small stuff. Understand and focus on what really matters.

– ***In their words (Italy):*** “Often, top management is focused on some stakeholders and on the short term; the chairman and the board must contribute to broadening the perspective and fostering a long-term vision.”

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

- ***In their words (UK):*** “See and experience the business for yourself. Management reports are not always objective.”

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.

- ***In their words (East Africa):*** “Be willing to stand alone if necessary.”

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

- ***In their words (New Zealand):*** “As a new or incoming chairperson, regularly seek advice and feedback from other experienced members of the board and collect multiple points of view to form your own perspective.”

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

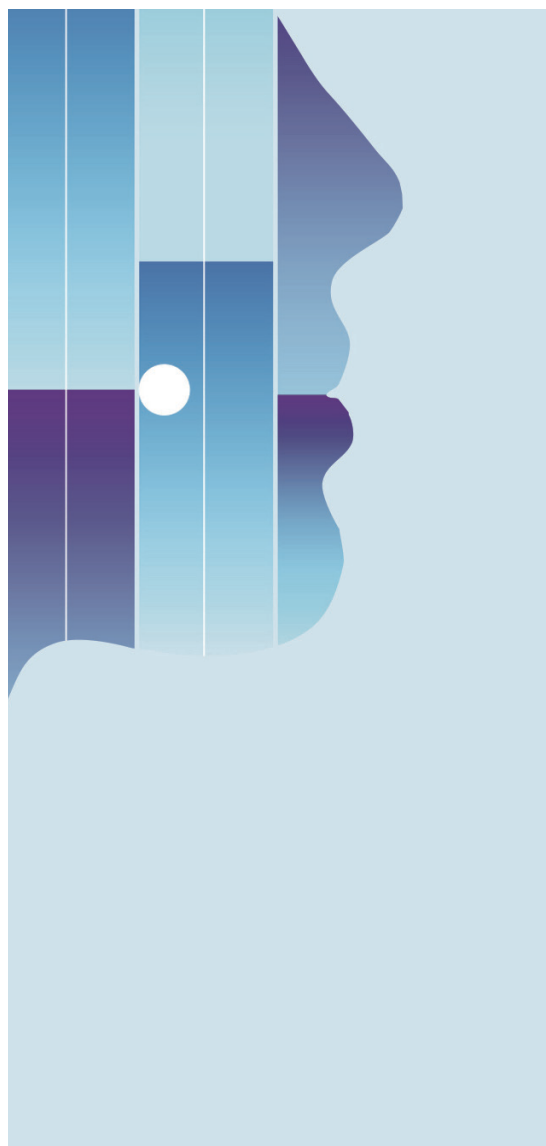
- ***In their words (UK):*** “Be curious about what is happening in the world and why, whether that be technology, societal change, or politics.”

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

- ***In their words (India):*** “We need people with diversity of experience and skill sets who can adapt to the changing environment.”

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

- ***In their words (Germany):*** “Clear leadership is important, but chairs should always be listening, mediating with, and involving stakeholders.”



... AND FIVE FOR *BECOMING* A CHAIR

board members and chairs, listening and observing how they do it.”

- 1. Be careful not to overcommit.** Given the demands of serving as chair, think seriously about the number of board appointments you accept.
 - ***In their words (Germany):*** “Do not underestimate the time and personal commitment that the serious exercise of this responsibility entails.”
- 2. Be realistic.** This is a prestigious position, but one that carries great responsibility. Be prepared to roll up your sleeves and work hard.
 - ***In their words (Ireland):*** “It’s a much tougher job than people think. You really need to immerse yourself, especially in the beginning.”
- 3. Build your pathway.** Most chairs have held other board positions prior to taking the leadership role.
 - ***In their words (East Africa):*** “My best learning has been from other seasoned
- 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. This is something to watch, especially in the rare circumstance of moving from CEO to chair within the same company.
 - ***In their words (East Africa):*** “The challenge is when you [still] want to be an executive, yet you are [now] a nonexecutive chair.”
- 5. Find 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.
 - ***In their words (US):*** “Get somebody who’s been through it all. Been a CEO. Been a chair ... And let them talk to you about things they did well [and] things they didn’t do well.”

METHODOLOGY

As part of Deloitte’s commitment to supporting the next generation of business leaders, the Deloitte Global Boardroom Program has brought together in this report the findings from “Chair of the future” research conducted in 16 countries.⁵ This report collectively reflects the insights of more than 300 board chairs of some of the largest companies in the world, listed and private entities, as well as a number of large family businesses. The research was gathered via interviews, roundtable discussions, and surveys over the past few years.

Some of the commentary reflects the role of chairs during the COVID-19 pandemic, but the focus is primarily on the role of the chair in the context of business strategy. The report offers readers the opportunity to learn from prominent board chairs who shared their experience and ideas.

Endnotes

1. OECD, OECD Corporate Governance Factbook 2021, 2021.
2. Deloitte, *Stepping in: The board's role in crisis management*, September 2019.
3. Ibid.
4. Steven Hatfield et al, "From Great Resignation to Great Reimagination," Deloitte Global, accessed August 16, 2022.
5. Countries represented: Australia, Belgium, Canada, China, East Africa (Kenya and Uganda), Germany, India, Ireland, Italy, Japan, New Zealand, the Netherlands, South Africa, the United Kingdom; and the United States.

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