

# Role of the Chairperson, Good Board Governance and Managing Dissent in the Boardroom

A wide-ranging discussion of important issues that impact the successful functioning of a board

As part of the Directors Development Program, Namrita Jhangiani, Egon Zehnder, hosted a panel discussion on the subject of “Role of the Chairperson, Good Board Governance and Managing Dissent in the Boardroom”. What ensued was a wide-ranging question and answer session with panel members S S Mundra and Deepak Satwalekar on important issues that impact the successful functioning of a board. S.S. Mundra is the chair of the BSE and earlier was the Deputy Governor of the Reserve Bank of India (RBI) retiring in 2017, and previously was the Chair and Managing Director of the Bank of Baroda. Deepak Satwalekar was the Managing Director of HDFC Limited, and then was the Managing Director and CEO of HDFC Standard Life Insurance Company Limited. He has also worked closely with the RBI and chaired several RBI committees on Corporate Governance and public sector banks.

## **What are the three attributes of a great chair?**

Satwalekar listed the ability to manage from different points of view, a willingness to “leave the ego at home” and most importantly, the ability to be a team leader. Chairs must see themselves not as top of a hierarchy, but as a “first amongst equals. It’s not a dominant role that you have as much as a coordinating role.”

Mundra's top three attributes: An ability to facilitate collaboration between management and directors, previous operating experience and finally, a skill that might be more difficult to quantify: "I think the person who is going to be chair of the board should be quite comfortable in themselves. And when I say comfortable, it means they have a passage in life and career where I think now, they're not looking for anymore achievement or anymore, say, crowning glory kind of thing. They have done whatever is to be done so comfortable in their skin."

### **How can a chair secure alignment in the boardroom? What if the chair and CEO disagree?**

The topic of managing difficult interactions is one that both speakers agreed is a constant challenge. The structure of boards has morphed over the years so that what was once a monitoring or controlling entity is now more of a partnership. But with that evolution has come an expansion of debates that can sometimes become counter-productive. The ability of a chair to secure alignment – especially when the debate is between the chair and the CEO – emerges as a critical skill.

The key to achieving alignment, said Mundra, is preparation. A chair must spend time preparing, designing and managing the meeting agenda, understanding the points where there may be a difference of opinion. The chair must conduct discussions ahead of the meeting to discover common viewpoints. These are the building blocks that will be necessary to securing alignment. "You pre-empt it, rather than try to deal with it when it has happened," he said.

And when the debate is between the chair and the CEO, the chair must internally recall his role in the larger scope of the business, said Satwalekar. "If an ex-CEO migrates to becoming the chair, they've got to leave that baggage behind. The realization that they are no more the CEO has to come in first. If it doesn't come in, you got a disaster on your hands. It cannot work. So that's the reason why I said the chair has to shed any ego that they have of being the driver. They are first amongst equal even amongst the board members. But having said that: how do you build up that rapport? The CEO must believe that the chair is not there to trip them up -- that the chair is there to help grow and support the CEO."

Satwalekar contributed his own personal example as an illustration. “An important element to securing alignment is to be clear from the outset of your own parameters,” he said.

“I’ll give my own personal example. I was once asked to be a nominee director of a international financial institution. And I said I have never been a nominee director, but I’ll go there on two conditions. One is that what gets discussed at the board will stay at the board. I will not come and brief you on what got discussed. You may hear it as a shareholder from others, but not what got discussed in the board. And the second is if there is a decision to be made between the interest of you as an investor and the company, I will vote for the company. If those two conditions are acceptable to you, I’m happy to become a nominee director, and I think that’s important for you to understand where should your loyalties be once you become a director. It’s a huge responsibility to all shareholders, not to one class of shareholders. You cannot say that I will look after the interests of this group and ignore the others. It has to be all shareholders, all stakeholders that you need to look at.”

By stating important parameters up front, it reduced debates and disagreements going forward, he said.

### **How do you handle the challenge of time management?**

Regulation and how to manage the time it demands is a constant issue for boards. A chair must organize efforts so that issues of regulation do not overwhelm all meetings. Mundra addressed this issue by laying out a three-point strategy for efficient board time management.

- First, beyond regular board meetings, there should be at least one board meeting scheduled that is purely devoted to discussing strategy. This ensures strategy secures sufficient time and attention and is not pushed aside by other pressing matters.
- Second, a board must use the committee structure. Delegate items and issues to committees. That way some issues can be dealt within committees and will not take up valuable board meeting time.

- Third, as a director, train yourself to go through the calendar and agenda and focus on the items that most need your attention. That may be a fraction of what is presented to you in the paperwork. You can't spend your time on 100 pages. Get a comfort level for what needs to be discussed in the meetings rather than attempting to complete the full agenda.

### **Please weigh in on a controversy: Chair and Managing Director. One person or two?**

Should the chair and managing director roles be held by the same person? Business leaders and regulators often debate the topic. Both speakers agreed separation of the two made more sense.

“From a governance point of view, it's helpful to separate the two roles. Because the responsibility of the Managing Director or the CEO is for the growth of the business and for the business. And the chair is for managing the board. “It's important that the chair understands this. It may be that at some point in time they may need to be the public face to support the Managing Director. That's fine, but they are not the public face. So, I think it's important to get that clear -- who is actually running the business.”

Mundra added that government structures address this issue – and opt for a separation rather than a consolidation of power. Consider the roles of Office of the President and the Prime Minister. “While the Prime Minister is the executive authority and has to run the country day-to-day basis, the President is not expected to. When it comes to a particular crunch or crisis, it is the Office of President which has been vested with certain authority. So that checks and balances. I would also really be in favor of splitting this role otherwise it's too much of concentration of authority and power at one place which could be good in many areas, but it can create equally large problems,” he said.

### **Are good directors born or made?**

Not surprisingly, the speakers responded: both. Directors can learn the technical competencies needed to tackle the job. At the same time Mundra and Satwalekar agreed, individuals must come to the position with certain innate qualities that will make them successful in the role.

Skills can be acquired over a time of running a company. This is where the necessary skills of running meetings, dealing with conflict, creating alignment and managing will emerge.

But to be a successful director, these technical skills must be paired with broader abilities. A director must have confidence – to ask the right questions, to get others to ask questions, to engage at thinking on a higher level. They must be individuals who have a wider view and the ability to achieve less technical, “next level” thinking.

### **What are the best ways to manage dissent?**

Disagreements will happen. It is inevitable. On any board, you will have knowledgeable people and strong personalities. People will have different viewpoints. The key to managing disagreements, said Satwalekar, is to ensure that you yourself do not become disagreeable.

“Disagreeing is not a bad thing,” he said. “If you are a good leader, you will welcome dissent within your team. People should be free to express their views. However, being disagreeable is a bad thing. You need to be able to express your views without picking up a fight. I think when you say that people have to go and express a dissenting vote, to some extent I think it’s a failure of the chair. That someone had to vote against, means he/she did not get convinced about what the rest of the board was trying to say, and they had to express it in that way. That’s not a good thing to happen.”

As boards tackle increasing complex issues, ranging from sustainability to diversity, equity and inclusion, the role of the chair is more important than ever. An effective chair must ensure the board has a healthy culture and that each board member is able to contribute their unique value in all decisions. They are also responsible for the development of each board member—whether that is into a committee leadership role or to eventually be the board chair themselves. The chair, ultimately, must set the tone and be a role model for how to act, including being vulnerable and transparent when there are questions they don’t have the answers to yet.

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