

8 Questions to Ask Before Selecting a New Board Leader

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Summary. Too many companies don't apply the same rigor and analysis to selecting a board leader as they would for a new chief executive — and yet in today's environment, board leadership is more important and urgent than ever. The authors, who have collectively... [more](#)

Today's corporate boards are under a lot of scrutiny. They must respond to activist shareholders, concerned employees, community members, and others in a hyper-sensitive political environment. They're also tasked with ensuring diversity in their organizations, as well as their own ranks. Board leadership is more important — and urgent — than ever.

Unfortunately, our collective experience — the four of us have interacted with well over a fifth of the governing boards of the Fortune 1000 — indicates that many boards don't have a thoughtful and disciplined process for selecting, evaluating, compensating, or removing a board leader. Nor do they have enough clarity on which responsibilities belong to the chief

executive versus the non-executive board chair or lead director.

Without such a process, boards suffer from fractious oversight or even misdirection as their leaders fail to sufficiently align and focus them on the firm's strategies and opportunities.

To understand where improvements to board-leader selection most need to be made, we interviewed more than two dozen directors and executives who are leading or have led some of America's best boards. (Most of their companies are global in operations.) They helped us identify eight questions board members should be asking before embarking on the search for a new leader.

1. Are we aligned on the qualities we're looking for?

"The board should begin with a discussion of the job description," and directors should then "agree on what the role requires," said Irvine Hockaday, the former CEO of Hallmark and a former lead director at Dow Jones, Ford Motor, Estée Lauder, and Sprint. "It should be a thoughtful and fulsome discussion" that brings all directors into the dialogue and considers all directors as prospects for that calling.

In looking for a non-executive chair or lead director, boards should be searching for:

- Someone who can maintain a collegial yet objective relationship with the CEO that is built on trust.
- Someone with relevant strategic experience to help guide the company in the right direction.
- Someone with the courage to challenge management and the board when appropriate and encourage the same of other directors.

"There's no doubt you want a lead director who can push back on the CEO," said DuPont CEO Edward Breen, who is also the board leader at Comcast. But he also warned that "they better have a very open, honest, and collegial relationship with each other."

2. How active should the CEO be in the selection process?

A new board leader is someone whom the chief executive will be working with on a regular basis, so it's essential that the CEO be involved in identifying and interviewing candidates and vetting and picking the finalists. The board leader and the chief executive

will be making many of the key decisions on strategy and talent together, so they should have a voice in selecting one another.

3. Are the CEO and board leader clear on their respective roles?

If the role of the board leader is not defined clearly, a host of operational problems could arise, including a wedge between the board and the CEO or even the board second guessing the CEO. We know of several companies where activist investors have texted the non-executive chair in hope of opening a separate channel to the top.

To ensure role clarity, boards would do well to follow Breen's example. When serving as the CEO of Tyco International, he was considering Jack Krol, the former chair and CEO of DuPont, for the conglomerate's board leader. Breen asked Krol to write down what he thought his duties should be as lead director at Tyco, and, in turn, Breen listed what he believed were his own CEO duties. The two then compared notes and found that they largely complemented one another. Breen wanted Krol to be involved in finding top talent for the board. At the time Tyco was in life-threatening crisis, and Breen decided to replace the entire board. "We had to hire 11 board members and I just didn't have the time to tackle that," Breen said, "so I asked Jack to do it, and he took a big burden off my back."

Maggie Wilderotter, former chief executive of two publicly traded companies and a director of many more, applies a "decision rights matrix" that identifies the key responsibilities for the board and CEO and then specifies which are discharged by the directors or the top executive. "For each of these decisions, there is clarity of ownership," she explained. Who is accountable for the decision, who is consulted, and who is informed?"

Once the candidate and the CEO agree on their roles, the two lists should be discussed with the full board. Through our conversations with many board members, we've learned that this process is rarely followed — but many said they ought to embrace it next time around.

4. Has the board agreed on the right capabilities for a board leader?

As boards become increasingly diverse, a board leader needs to have the emotional intelligence and persuasive skills to collect and interpret multiple points of view from the directors and then

deliver them to the CEO in a cohesive and comprehensive manner.

Glenn Tilton, the former CEO of Texaco and United Airlines and a lead director at Phillips 66 and AbbVie, put it this way: “Most of the authority a board leader has is quite implicit and very subtle. It’s really the power of personal persuasion.”

A big question that boards will need to answer is whether their leader should have CEO experience. Over the past five years, the number of active or former CEOs chosen for board seats has dropped by nearly a third.

We believe CEO experience is an asset for a board chair and the following example illustrates why: When a global media giant contemplated making a sizeable acquisition, older members of the founding family, who controlled a significant percentage of the voting shares of the target company, said they would not sell at any price because they wanted to protect their legacy. The acquirer’s lead director, who had deep experience working with directors from when he was a CEO, suggested that younger members of the family, who he anticipated would be more willing to sell, talk with the older generation on their board, persuading them to sell the business at a handsome premium.

5. What will we do if multiple directors are interested in the board leadership role?

Having two or more directors competing for the lead job can be awkward. One step boards can put into place in advance of selecting a new leader is to ask directors to complete a survey in which they identify the three or four directors that the board could not live without. If those raising their own hands haven’t been mentioned, they are unlikely to be board-leader material.

6. How much should we pay the board leader?

The work of a board leader is difficult and time consuming, often imposing at least twice the time burden faced by other directors. For that reason, boards might be tempted to pay the board leader significantly more than other directors and even the heads of the board’s primary committees.

While every company has its own history and pay practices, the directors we interviewed advised against this, because it could create the appearance of a two-tiered board. Explained one Fortune 50 CEO: “If you’re going to be a lead director of a decent-

sized public company, you're not doing it for the money. So why create the optics that one director is more senior than others?"

That said, the board might want to establish a process for a special equity grant for when a lead director performs extremely well — for example, helping the CEO through a crisis, successfully leading a succession, or guiding a major acquisition.

7. Should we set term limits?

There's been an ongoing debate over whether lead directors should have term limits. Among the S&P 500 in 2022, lead directors had on average served 4.4 years. Our conversations suggest that term limits are not necessary. Why force a relatively new board leader to step aside if they're still performing well?

Hallmark's Hockaday adds a face-saving twist:

Why not set a term that can be renewed? When the term is ending, it forces a discussion of how the board is functioning and how well the lead director is engaging. That way, when you have somebody who is good in the job, you don't have to automatically make them step down. On the other hand, if someone is not performing well, this triggers a discussion of whether you want to renew or not.

8. What is the succession plan for our board leadership?

Just as companies wisely have a plan in case their CEO is incapacitated, they should do the same for the board leader. "I can think of nothing more important than getting the right board leader with the right temperament and skill set at your side," offered Denise Ramos, director of Bank of America, Phillips 66, and RTX and former CEO of ITT Inc. And for that purpose, she said, "companies should put in place a board leader succession plan much like for the CEO."

To ensure that the company has a rich pool from which to select a leader, governing boards ought to recruit more CEOs onto them. To that end, the institutional investor community would be wise to revisit the notion that active CEOs be limited to serve on only one outside board. It might well be suitable, for example, to encourage chief executives to sit on more than one board when they are only a year or so from retirement.

Governing boards should perform an annual review to ensure they have the right leadership in place — for now and the future. Boards at companies such as British Petroleum, Hewlett Packard, and Wells Fargo have forced out their board leaders, often because of a crisis at the company. Tilton noted that all board leaders should be selected on the assumption that they will face one or two major crises that could send the company in one direction or another. Their veteran leadership at such junctures may well determine the destiny of the business.

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While every company has its own history, culture, and way of doing things, asking these eight questions will help ensure boards are applying the same rigor and analysis in selecting the right board leader as they would for a new chief executive. After all, the success of the CEO and the company have increasingly come to depend on it. “Many boards have begun to realize how much more impactful this role has become,” observed Bonnie Hill, director of Bank of California, former lead director of Home Depot, and former director of Yum! Brands. Added Charles Elson, also a boardroom veteran, “I have worked directly with boards — and am familiar with many more instances — where the failure to have an appropriate board leader created a disaster for the board and the entire company.”

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