Chairman of the Board Research

A Survey of Russian Organisations

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Key Findings

Fifty members from the Russian Managers Association completed a survey that explored views on Chairman of the Board and other aspects of Board performance. Although the number responding is small, the findings present some useful insights into Board performance within Russia.

In summary there is general consensus that:

- The Chairman displays integrity
- The CEO displays concern for shareholders
- The Chairman is trustworthy
- The CEO has an open relationship with the Chair
- The Chairman is disciplined
- The Chairman is robust
- The CEO respects the Chairman
- The CEO is not undermined by the Chairman
- The CEO and the Chairman are of a like mind.

One key variable where views of opinion differ is the effectiveness of certain roles of the Board. Some of the key findings include:

- The Chairmen consistently rate themselves higher than do other Board members
- There is generally a good relationship between the Chairman and CEO
- It is not clear whose responsibility it is to drive the vision, develop and enable an understanding of the organisation’s strategy
- The role of the Senior Independent Director lacks clarity.

The findings have implications for:

- The understanding of the decision-making process at Board level
- Board member development
- Potential Board member replacement
- The future role of the Senior Independent Director
- The future role of the Board and the impact on the organisation.

These findings are fairly consistent with recent findings undertaken in the UK and Australian surveys.
Chairman of the Board

Introduction

Up until recently, global research into Board effectiveness has been limited. In order to gain a greater understanding of Boards, the Cranfield team have interviewed Non-Executive Directors, CEOs, Chairs and Executive Directors in the US, UK, Australia, Turkey, Ireland, Germany, Russia, Belgium, China, France, Scottish Public Services and Scottish Third Sector.

Following on from the outcomes of these interviews, a survey instrument was developed focusing on measuring how well Boards are perceived to be performing, especially with respect to the Chair, the CEO and the Board itself. Surveys have been undertaken with private sector organisations from the FTSE100 to FTSE350 in the UK, along with similar organisations in Australia and South Africa the Scottish Public Services, and most recently, Russia. Surveys are currently on-going in China and shortly to continue in the USA.

The database now contains data from around 1,000 Chairs, CEOs, Executive Directors and Non-Executive Directors worldwide, supported by additional qualitative data from over 1,500 Boards.

Survey of Boards in Russia

This report focuses on the effectiveness of Boards in Russia. Board directors from a sample of Russian companies, who are members of the Russian Managers Association (RMA), were invited to participate in an important international, non-attributable survey of Chairmen of the Board and Board demographics and dynamics.

The aim of the RMA is to unite managers at all levels. Members consist of Chief Executives in Russia’s leading companies as well as in small-medium sized enterprises. A questionnaire was electronically sent out to members of the RMA and staff within the RMA helped collate the responses. Respondents were asked to complete the questionnaire with respect to one Board that they are/were a member of.

The questionnaire was divided into a number of sections. The first set of questions focused on demographic information about the respondent and the operation of the Board
on which they sit. The second part of the questionnaire invited participants to give their opinions of the Chairman using a rating scale (1=Not at all true to 9=Very true) in a number of key areas:

- Strategic decisions
- Governance
- Risk
- Style
- Qualities
- Performance.

In further sections, participants also rated the performance (using the 1 to 9 scale) of:

- The Board
- Senior Independent Director
- The CEO.

In total 50 questionnaires were completed. Considering the nature of respondents and the dearth of Board data available within Russia, this was deemed to be an acceptable response, but care needs to be taken concerning making generalisations about the nation as a whole, as the sample may be skewed towards a typical type of respondent grouping.

The remainder of this report focuses on the key findings from the survey and highlights areas that require consideration at Board level. The report also draws on findings from the UK, Australia and South Africa as appropriate.

**Characteristics of the Board**

Whilst the Chairman is responsible for the overall leadership of the Board, the Board typically comprises of those who have other areas of responsibility: notably, the Executive Directors (which includes the General Director/CEO) and other members, who have an objective input – which includes Non-Executive Directors and a Senior Independent Director. The following table (see Table 1) shows a breakdown of respondents from the survey – a sizeable number hold the position of Chairman.

<table>
<thead>
<tr>
<th>Current position held</th>
<th>Number of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>16</td>
</tr>
<tr>
<td>Senior Independent Director/Non-Executive Director</td>
<td>11</td>
</tr>
<tr>
<td>Executive Directors</td>
<td>23</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
</tr>
</tbody>
</table>

Table 1
The sample has the following demographic profile:

- Boards tend to be male dominated, yet around 1 in 7 respondents (14%) are female.
- The majority of respondents (64%) are well-qualified and hold either a Doctor of Science or Master degree.
- The age group differs by area of responsibility. The following table (see Table 2) shows the age split by role. Chairmen tend to be younger (under the age of 50), with other directors being more likely to be older on average.

<table>
<thead>
<tr>
<th>Age</th>
<th>Chair</th>
<th>Executive Directors</th>
<th>Senior Independent / Non-Executive Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>0.0</td>
<td>4.3</td>
<td>0.0</td>
</tr>
<tr>
<td>30 to 39</td>
<td>25.0</td>
<td>13.0</td>
<td>9.1</td>
</tr>
<tr>
<td>40 to 49</td>
<td>56.3</td>
<td>43.5</td>
<td>36.4</td>
</tr>
<tr>
<td>50 to 59</td>
<td>18.8</td>
<td>30.4</td>
<td>45.5</td>
</tr>
<tr>
<td>60 or over</td>
<td>0.0</td>
<td>8.7</td>
<td>9.1</td>
</tr>
<tr>
<td>TOTAL (%)</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2

In terms of the way the Board operates:

- Two in five (40%) work on a Board that has between 1 and 5 members and 46% have between 6 and 11 members. Boards with 12 or more members are in the minority (14%).
- In 52% of cases Board meetings are held on a monthly basis with a further 26% indicating quarterly.
- Meetings typically last for up to half a day (78%) or a day (16%), rarely longer.

International Comparisons

The demographic findings are consistent with the UK and Australia in that the majority of respondents are male and are well qualified. However, the age of Chairmen in Russia seems to be somewhat lower compared to the UK and Australia, where most Chairmen are in their 60s.

Overall Findings

The survey was divided into a further four sections, whereby respondents were asked to rate the Chairman, the Board, the Senior Independent Director and the CEO on a number of issues. Generally, speaking the results are very positive.
Chairmen are rated highly, more specifically with respect to:

- Displays integrity (average score=8.12)
- Is trustworthy (7.86)
- Is disciplined (7.80)
- Is robust (7.78)
- Takes a long term view (7.74).

The Board is rated highly on the following:

- Benefits from the Chairman’s contribution (average score=7.63)
- Is attentive to corporate reputation (7.62)
- Is not divided (7.29)
- Is attentive to risk management (7.22).

The Senior Independent Director is generally not rated highly, but they score highest on the following:

- Is clear about his/her role (average score=6.86)
- Is attentive to shareholders (6.67).

The CEO has a good professional relationship with the Chairman and is rated highly on the following:

- Displays concern for shareholders (average score=8.12)
- Has an open relationship with the Chairman (7.86)
- Is not undermined by the Chairman (7.76)
- Respects the Chairman (7.76)
- Drives the strategy (7.66)
- Communicates well with the Board (7.62).

International Comparisons

The findings relating to the Chair are consistent with the UK and Australia where integrity and trustworthiness are rated highly. Similarly, the key findings for the Board also emerge, with the exception of ‘Benefits from the Chairman’s contribution’ which scores higher on average in Russia. The rank order of scores for CEOs is also similar across the countries, further highlighting the indication that the way Boards operate are somewhat homogeneous across the countries.
Influences on Opinion

It is often reported that the background of individuals can have a significant influence on their opinion with respect to business issues. When taking demographic variables such as age, gender and education level from the survey into account, there are no significant differences in view between age groups (under 40, 40 to 49, 50 or over) and education level (Specialist, Master degree, Doctor of Science, Professional degree) when analysing the performance of the Chairman, the Board, the Senior Independent Director and the CEO.

When looking at gender, however, there are some significant variations in opinion, especially with respect to the performance of the Senior Independent Director and the CEO:

- Females are more positive in their responses compared to their male counterparts. This finding is unique to Russia.

Looking at variables such as position on the Board, size of the Board, number of Board meetings, and the typical length of these meetings, there are no significant differences of view, although this is probably down to the sample size. Although not significant, views do differ in relation to the performance of the Chairman, the Board, the Senior Independent Director and the CEO in that:

- Boards that hold meetings more frequently are generally more positive towards the Chairman and the Board Directors
- Chairmen are more positive about themselves and other Board Directors than those in other positions.

International Comparisons

In the UK and Australia the only variable that has a significant influence on opinion relates to the position on the Board. Whilst this finding would seem true for the Russian sample the findings are not significant due to the small sample size.
The Chairman

This section explores the views of Chairmen in more detail.

The results of the survey show that Chairmen rate themselves higher with respect to strategic decisions, governance, risk, style, qualities and performance compared to how other members of the Board rate them (also a finding for both the UK and Australia), particularly with reference to the following:

- Displays integrity
- Is easy to talk to
- Encourages consensus
- Emphasises shareholder relations
- Summarises well.

Although other Board members rate the Chairman fairly high, the Chairmen score themselves as being significantly better on these statements (see Figures 1 and 2 for more detail on the relatively high scores for Chairmen).

![Diagram showing views on performance](image-url)
Another area of possible contention is with respect to strategic decisions. The results indicate that the Chairman believes that he/she strongly:

- Drives the vision
- Determines the organisation strategy
- Enables understanding of organisation strategy.

Other members of the Board are less likely to believe this to be the case, possibly because they understand that this is not the sole responsibility of the Chairman and that other Board members have an input.

The greatest discrepancies between the views of Chairmen and other Directors with respect to the rating of Chairmen are shown in Figure 3. The views differ most within the sample of respondents with respect to the style and qualities of the Chairman. In other words, the extent to which the Chairman, for example:

- Is easy to talk to
- Encourages feedback on his/her performance
- Encourages consensus
- Is persistent, and
- Identifies corporate reputation vulnerabilities.
International Comparisons

The statements in the above table would seem to be important in determining how successful a Chairman can be. The overall scores for these statements were compared with the UK and Australia (see Figure 4). The scores seem to be fairly similar overall, although Russia scores higher with respect to the role the Chair has in:

- Enabling an understanding of organisation strategy
- Asking Board members to determine items for the Board agenda.
The Chairman / CEO Interface and the Board

It is critical that the Chairman/CEO interface works well and is seen to function effectively; otherwise this dysfunctionality will affect Board performance and the wider relationships between the Executive and Non-Executive Directors.

The following figure (see Figure 5) highlights the performance of the CEO, as viewed by General Directors/CEOs and others from the sample. General Directors/CEOs tend to be more positive in their views compared to others, especially with respect to:

- Interacts well with the Senior Independent Director
- Visibly benefits from the relationship with the Chairman.
In comparing the views of Chairmen and General Directors/CEOs the survey shows that there is generally a shared understanding between these two roles, in that the General Director/CEO and the Chairman believe that they are of a like mind, have an open relationship, with a high degree of respect (see Figure 6) – although the Chairman score slightly lower. Other members of the Board score similarly to the Chairman.

Other aspects of the Chairman/CEO relationship shows that the Chairmen score themselves fairly similarly to the CEOs with the exception to the following:

- Effectively evaluates the performance of the Senior Independent Director (see Figure 7).

International Comparisons

The interface between the CEO and Chairman is generally similar in the UK and Australia (see Figures 8 and 9), although in Russia, whilst they claim that the CEO and the Chairman are of a like mind, the respondents indicate that the CEO does not visibly benefit from the relationship with the Chairman.
The CEO ...

Communicates well with the Board
Has an open relationship with the Chairman
Respects the Chairman
And the Chairman are of a like mind
Delineates duties from that of the Chairman
Is not undermined by the Chairman
Visibly benefits from the relationship with the Chairman

Not at all true
Very true
Views of Others Views of General Directors/CEOs Views of Chairmen
n=50

Average scores

Figure 6

The Chairman ...

Clearly delineates his/her role from that of the CEO
Works well with the CEO
Works well with the CEO to realise the goals of the organisation
Is professional in the search for CEO replacement
Effectively evaluates the performance of the Senior Independent Director

Not at all true
Very true
Views of Others Views of General Directors/CEOs Views of Chairmen
n=50

Average scores

Figure 7
International Comparisons
The CEO ...

- Displays concern for shareholders
- Has an open relationship with the Chairman
- Respects the Chairman
- Is not undermined by the Chairman
- Drives the strategy
- Communicates well with the board
- And the Chairman are of a like mind
- Delineates duties from that of the Chairman
- Determines the vision
- Visibly benefits from the relationship with the Chairman
- Adopts a different style to the Board compared to the management team

Average scores

<table>
<thead>
<tr>
<th>Country</th>
<th>UK</th>
<th>Australia</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all true</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very true</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 8

International Comparisons
The Chairman ...

- Works well with the CEO to realise the goals of the organisation
- Clearly delineates his/her role from that of the CEO
- Works well with the CEO
- Is professional in the search for CEO replacement

Average scores

<table>
<thead>
<tr>
<th>Country</th>
<th>UK</th>
<th>Australia</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all true</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very true</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 9
The Senior Independent Director (Non-Executive)

The Senior Independent Director role includes consulting with members of the Board on issues relating to the Chairman and is available to shareholders if they have concerns that cannot be resolved through the normal channels of contact with the Chairman or CEO.

The survey shows that although the role is looked upon fairly favourably by other members of the Board, scores are not high on average and it would appear that there is a great deal of uncertainty about the role.

There is general contention about the role of the Senior Independent Director in five key areas:

- Leads the search process for a new Chairman
- Is the person shareholders approach when difficulties arise
- Acts as the ‘link’ between the Board and the Chairman
- Holds separate meetings with Board members
- Offers feedback to the Chairman (see Figure 10).

<table>
<thead>
<tr>
<th>Task</th>
<th>Average Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leads the search process for a new Chairman</td>
<td>6.44</td>
</tr>
<tr>
<td>Offers feedback to the Chairman</td>
<td>6.00</td>
</tr>
<tr>
<td>Is the person shareholders approach when difficulties arise</td>
<td>6.00</td>
</tr>
<tr>
<td>Acts as the ‘link’ between the Board and the Chairman</td>
<td>6.00</td>
</tr>
<tr>
<td>Holds separate meetings with Board members</td>
<td>6.00</td>
</tr>
</tbody>
</table>

Boards do not seem to be taking full advantage of the role of the Senior Independent Director, especially as potentially being the person to approach when difficulties or issues arise that need addressing at Board level.
International Comparisons

The UK also draws on the role of Senior Independent Director, whilst Australia has a Deputy Chairman who performs a similar task. The following figure (see Figure 11) highlights the comparisons across the countries. It would seem that there is no consistent understanding as to the role and contribution of this particular position.

Figure 11
The Board

In terms of the performance the Board particularly scores high overall in that it:

- Benefits from the Chairman’s contribution
- Is attentive to corporate reputation (Figure 12).

Figure 12 shows that although consensus is fairly strong overall, areas where respondents are positive but where there is less strength in agreement overall, relate to whether the Board:

- Has clear criteria for Board member replacement
- Benefits from the Senior Independent Director’s contribution.

![The Board](image)

**Figure 12**

International Comparisons

In the UK and Australian surveys, Board performance is rated highly, with similar findings between the two countries. Although Russia scores high, the scores are generally slightly lower in comparison to the other two countries (see Figure 13).
International Comparisons
The Board ...

<table>
<thead>
<tr>
<th>Criteria</th>
<th>UK</th>
<th>Australia</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits from the Chairman’s contribution</td>
<td>7.69</td>
<td>7.05</td>
<td>6.59</td>
</tr>
<tr>
<td>Is attentive to corporate reputation</td>
<td>7.36</td>
<td>6.52</td>
<td>6.88</td>
</tr>
<tr>
<td>Is not divided</td>
<td>7.09</td>
<td>7.09</td>
<td>6.10</td>
</tr>
<tr>
<td>Performs effectively</td>
<td>7.44</td>
<td>7.30</td>
<td>7.51</td>
</tr>
<tr>
<td>Is attentive to risk management</td>
<td>7.14</td>
<td>7.69</td>
<td>7.24</td>
</tr>
<tr>
<td>Is diligent in governance application</td>
<td>7.05</td>
<td>8.01</td>
<td>6.38</td>
</tr>
<tr>
<td>Emphasises enhancing shareholder relations</td>
<td>7.09</td>
<td>7.37</td>
<td>7.08</td>
</tr>
<tr>
<td>Is well balanced in terms of member skill/experience</td>
<td>6.50</td>
<td>7.40</td>
<td>7.08</td>
</tr>
<tr>
<td>Challenges the Chairman when necessary</td>
<td>6.10</td>
<td>6.51</td>
<td>7.08</td>
</tr>
<tr>
<td>Has clear criteria for board member replacement</td>
<td>7.69</td>
<td>7.51</td>
<td>6.51</td>
</tr>
</tbody>
</table>

Figure 13

Board Development

The results show that, generally speaking, Boards within the Russian sample are performing fairly effectively. However, views do differ amongst Board members. The findings overall are fairly similar to the UK and Australia in a number of areas.

Issues that are worthy of consideration at Board level could include an open debate about the following questions:

- Why do the views of Chairmen differ significantly from those of other Directors concerning certain aspects of performance and how can these gaps be addressed?
- How open is the Chairman to feedback on his/her performance, open to development and what is their impact at Board level?
- Is the CEO aware of his/her impact on the wider relationships between themselves, the Chairman and other Directors?
- Whose responsibility is it to drive the vision and develop and enable an understanding of the organisation’s strategy?
• What are the management development requirements for Executive and Non-Executive Directors at Board level?

• What is the role of the Senior Independent Director and are Boards utilising them effectively?

• What are the impacts of the above on decision-making and the future performance of the organisation?

• What value is gained from the Board?

• In fact, what is the competitive advantage of Boards?

**The Future Board**

The results show that there is room for considerable improvement in the performance of Boards in Russia, both now and in the future. Issues of further consideration at Board level include:

• What will Boards in Russia look like in five to ten years time and how will they be run?

• How will the Board be a necessary and essential part of the running of the business?

• How important will the role of the Senior Independent Director be?

• How will Board member/Chairman replacement take place?

• How will the Board work in partnership with management and yet be sufficiently separate in order to fulfil their risk and vulnerability responsibilities?

• Who will be responsible for driving the mission/vision/strategy of the organisation? Is there a need for clear delineation?

• Are Board members sufficiently in touch with the corporation in order to realistically appreciate how to discharge the responsibilities of the organisation towards shareholders/stakeholders?

• How will effective governance be exercised at Board level and followed through the organisation if insufficient attention is given to Board member/Chairman development and succession?
The latter point is an interesting one as it is not clear as to how this would take place. Age is generally not an issue within the sample, as the majority tend to be aged below 60, and perhaps member replacement is not on the agenda of the majority of respondents.