



The INSEAD Corporate  
Governance Centre

# Boards-CEO interaction and how to develop a right skill set for the CEO

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# Poll: What is the key board's role vis-à-vis CEO in your company?

1. Challenging
2. Supporting
3. Advising
4. Mentoring
5. Motivating
6. Collaborating on value creation
7. Educating
8. Setting targets
9. Observing from afar
10. Other



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# Board and CEO interaction models

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- Chair-CEO tandem governance
- Chair represents the board in relationships with the CEO
- Board (committee) actively interacts with the CEO

# Chair's strategies vis-à-vis CEO

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- Commanding
- Co-habitation
- Advising
- Mentoring
- Collaborating
  
- COVID-19 specifics
  - More time
  - More support and empathy
  - Mostly collaboration and mentoring

# Practices of effective boards

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- Operate in *Listen-Ask-Tell* mode
- Assume that relationships will evolve overtime and review them periodically, know which model they use at every point in time
- Assess the CEO's fitness not only company's performance
- Assume responsibility for the CEO's development
- Assume responsibility for the CEO's exit

# Case

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You are a board of a real estate development company which just completed an IPO which valued the business at 1 billion euros in the middle of COVID-19 pandemic. The IPO was a success largely due to the leadership of the new CEO, who took the helm exactly a year ago after being your NED for 3 years.

In the last 12 months in spite of the pandemic the company grew 30 percent and doubled its ebitda. The new CEO streamlined the operations, made the company 100 percent paperless, established effective cost controls, got rid of some old-timers and brought in young talent from the market.

During that time the board stayed very involved, set tight performance targets, gave the CEO very little spending and decision-making authority, often checked his plans and gave plenty of advice.

At the upcoming meeting you planned to evaluate and recognize the CEO's contribution to the successful IPO and possibly review the relationships with him. Unexpectedly he sent a memo asking the board to approve 5 million euros bonus pool for 10 managers (including himself) working on IPO, increase his spending authority from 10 to 100 million euros and let me him approve interior and exterior designs of the buildings the company is developing.

# Right skills set for a CEO: is there a place for a board?

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# Poll: Who is responsible for the adequacy of the CEO's skills at your company?

1. CEO
2. Shareholders
3. HR directors
4. Board committee
5. Board of directors
6. No responsibility is assigned
7. Other



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# What happens across Europe?

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- Two schools of thought:
  - Appoint a 100 percent ready CEO/replace when context changes
  - Appoint a CEO with growth mindset and potential

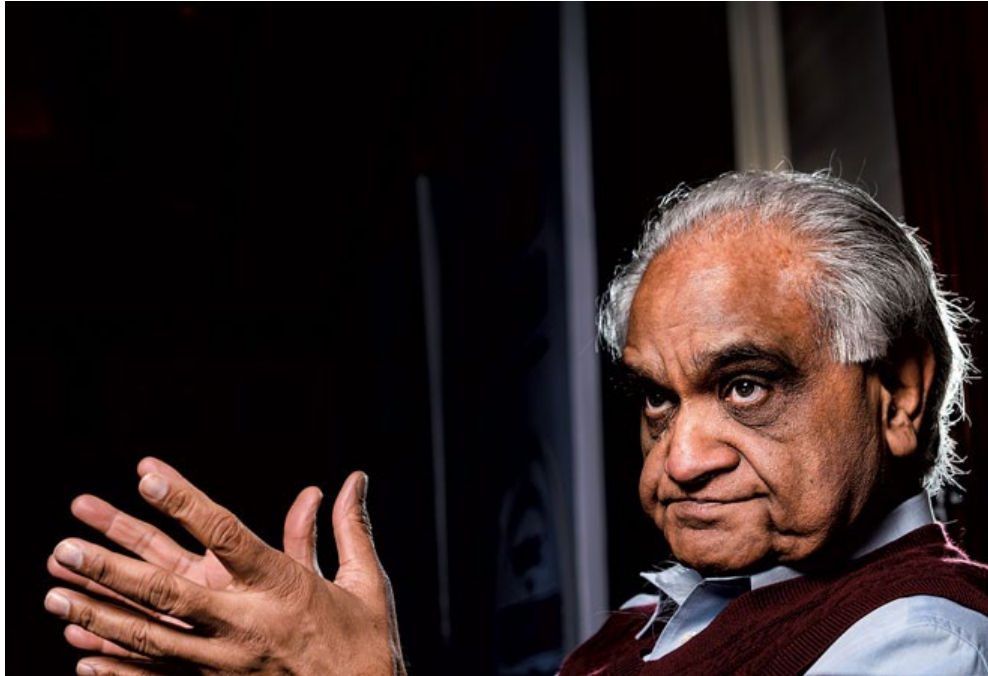
# What is a right skills set?

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- Process
- Content

# Ram Charan: How to hire a CEO?

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- Start with a strategic intent
  
- Right people to draft
  - Small committee
  - CEO experience
  - Knowledge of the business and the company
  
- The whole board to approve

# Content

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- Values
- Leadership fundamentals
- Hard skills: industry knowledge, finance, technology, etc.
- Pivot – 2-3 capabilities to succeed

## Competencies

- Business intelligence
- Social intelligence
- Technological savvy
- Talent assessment, selection and development
- Industry knowledge
- Global mindset
- Stakeholders' management

## Personal traits and values

- Passion for success
- Learning agility and adaptability to change
- Collaboration
- Sustainability
- Health, self-discipline and self-efficacy

## Critical success factors

- Mental toughness and adaptability
- Relationships with the founder



# Role of the board in CEO development

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## ■ Partner

- Advise
- Mentoring
- Support

## ■ Controller

- Expectations and targets
- Evaluation
- Feedback
- Reward



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