Helping a new chairman be effective

Eight chairmen or about-to-be chairmen of Forum members participated in a seminar for trade association chairman on 4 June. The seminar was led by Mark Boleat, founder of the Forum, who has wide ranging experience as chairman and chief executive of trade associations and other bodies.

Among the reasons they gave for attending was the wish to "hit the ground running", bearing in mind their relatively short tenure of office, and more generally the need to be prepared for what they should expect.

Surprises on taking office

New chairmen are frequently surprised at what they find on taking office. Most likely they were tapped on the shoulder by the current chairman or chief executive "The board feel that you are the right man to take on the chairmanship; its not very onerous – just chairing meetings that you attend anyway, hosting a few lunches and keeping an eye on the chief executive". The wise man knows he is being conned and hopefully tries to establish what the real time commitment is – perhaps two days a month but be prepared for more when you have to attend regional meetings and keep in mind the need to hire or fire the chief executive and stop your largest member walking out of the association.

The new chairman also finds that the board is rather different from other boards he has sat on. Governance arrangements may be rather loose, meetings may not be businesslike and ownership of issues can be diffuse. He will probably be amazed at the volume of government consultation exercise although perhaps re-assured when the chief executive tells him that most can be ignored as the government will take no account of their views. He will be concerned at the time taken to do things and the need to build consensus on some issues.

The new chairman is probably worried that the board contains representatives of businesses that compete head on and perhaps can't quite square this with his own experience round the board room table that competitive differences are left on one side; even fierce competitors recognise that they must work together on some matters.

Desired outcomes at end of chairmanship

The good chairman should want a clear view of his legacy – with members wanting him to stay on (hopefully because he is so good rather than because his nominated successor is so bad). A reasonable legacy is -

1. An effective trade association.
2. Sound finances.
3. Members value their membership of the association – if only this could be properly measured.
4. A good chief executive – appointed, developed or retained.
5. A good successor and board.
6. The association having a viable long term strategy.

And there is a final point. Chairmen have day jobs. Too many (particularly in the construction industry) have seen the chairmanship of the association as their aim, and neglected their business. Being chairman of a trade association and chief executive of a failed business is not a good combination, particularly as the sensible association has a built-in disposal mechanism for the chairman who becomes an embarrassment. So the chairman must ensure that his own business is not unduly adversely affected. However, he should be worried if his executive colleagues are keen for him to spend more time on association business including a lengthy tour of the antipodes and extended visits to develop contacts in China.

Due diligence checklist for a new chairman

When approached to be a non executive director of a commercial business the sensible executive now does not ask “how much” and “where do I sign”, but rather undertakes a due diligence exercise including meeting the board and the executives separately, studying the accounts and audit letters, perhaps seeing the auditors and any regulator and generally sniffing around. When approached to be a chairman of a trade association a similar due diligence exercise is needed.

The seminar developed its own checklist, shown in the accompanying box. If the chief executive cannot provide the information on the spot that is the first problem to be dealt with!

Due diligence checklist for a new Chairman

1. Financial position –
    a. Medium term forecast.
    b. Pension liabilities – are these understood and provided for.
    c. Property costs, particularly if a lease is due for renewal or the association has to move.
    d. Reserves – what is the policy and is it appropriate. The desired level of reserves must take account of factors such as whether the association own its offices and the stability of subscription income.
    e. Trends in subscription income – taking account of factors not within the control of the association such as mergers and takeovers.
    f. Quality of auditors. Trade associations are prized clients. Often a small association can get a good audit deal and advice on tax and other matters as the auditor sees this as a means of getting business. Ideally the auditor should have significant business with the members.
    g. Financial controls.

2. People –
    a. Chief executive – contract, appraisal reports, salary, plans for future, effectiveness.
    b. Other senior staff – problem cases, succession planning.

3. Major issues to be dealt with during chairmanship – policy or organisational.

4. Relationships –
    a. Members. There is a need to manage expectations as well as delivering what members want.
    b. Government and regulators.
    c. Other trade associations.
    d. The press.

5. Board
    a. Strength.
    b. Potential conflicts.
    c. Succession planning.

6. How effective is the trade association.

Assessing effectiveness for a trade association is difficult. The CEO should have a view, perhaps backed up by an internal or external study. The following stakeholders can be consulted – their perceptions may be an issue in themselves. The CEO should have his own views on each of the stakeholders' perception of the association.

    a. Members. Some associations conduct regular member surveys. Board members and regional representatives can provide a subjective judgment. Membership trends may give a more objective test.
    b. Government officials and regulators. In sectors where there are a number of government officials or regulators at a senior level who have regular contact with the association then their views will be very useful. However, many associations, particularly smaller ones, have no such contacts.
    c. Other trade associations, eg of customers or suppliers.

Working with the chief executive
A key working relationship in any organisation is between the chairman and the chief executive. So it is in trade associations. But the relationship is different from that in other organisations. It is more likely that the chief executive will have chosen the chairman than the other way round. And the chairman is likely to serve for just two years while the chief executive is a permanent appointment.

The chief executive has a duty to give, and the chairman a duty to request, full information about the chief executive's employment, including contract, terms and conditions, the results of any appraisals and salary progression. Sensibly, the chairman-elect should seek an early meeting with the chief executive to ensure that there is a common understanding of these key points and also for the chairman to understand the chief executive's own career plans. The chairman and the chief executive must develop a common understanding of their respective roles. It can make sense for this to be documented, particularly in associations where different chairmen may have very different ideas about their roles.

Some chairmen may regard getting rid of a chief executive as a success. Others regard losing the chief executive as their worst nightmare. Either way the chairman must be ready to recruit a new chief executive. Many get it wrong, by not being clear about the role and perhaps being overly influenced by their own HR Director whose knowledge of the trade association market is little or non--existent. There are three golden rules for a chairman looking for a new chief executive -

1. If you use a headhunter use one that knows about trade associations not the one the chairman's own business sector.
2. Remuneration needs to be attractive – another £10 - 20,000 on the salary may produce a much better field.
3. It is worth considering a part time appointment. A £100,000 person three days a week is likely to be better value than a £60,000 person full time.

Agendas
The chairman is responsible for the conduct of board meetings. He must ensure that he does not preside over a "fish or chicken" board, that is a board that endlessly debates whether to have fish or chicken at the annual lunch. A good tactic is to ensure that over a period of one year the board –

1. Reviews strategy and sets the annual work plan (with a full review of strategy every 3 – 5 years).
2. Sets the budget and subscriptions.
3. Reviews staffing issues.
4. Reviews membership trends and attitudes.
5. Analyses the market position of the association, including competitors and potential competitors.
6. Reviews the risk register
7. Reviews governance – a one page survey works well where there are no major issues.

The chairman also needs to be involved in planning board agendas, and ensuring that normal good practice rules for agendas apply –

1. Agendas go out a week before meetings – no late papers unless a major new issue.
2. Papers should be brief, stand-alone, clearly set out the issue and recommendations, and if more than a few pages have an executive summary.
3. The time of board members should not be spent by staff "speaking to" or introducing papers.

4. The presence of staff at board meetings is a difficult issue. A good practice is for staff to be invited to make presentations to the board on specific issues. This helps the staff feel involved and helps the board assess the quality of the staff.
5. Minutes should go out within two days of meetings.

Review

The good chairman wants his chairmanship to be evaluated. Depending on timing this can be part of the review of governance. If this does not work the chairman can ask a suitable member of the board to take soundings or even ask the board to review performance in a session without him. However, as in so many other areas the chairmen who most need to do this do not do it, and those who most need not to do so.

The review should cover chairmanship skills in and between meetings. But the good chairman will want to go back to the desired outcomes and measure his performance against the goals. The good retiring chairman can claim that he left behind -

1. An effective trade association, more effective than when he became chairman.
2. Sound finances.
3. Members valuing their membership of the association – partially reflected in rising membership.
4. A good chief executive. This can be a good new chief executive, an inherited chief executive who has developed strongly and the outstanding chief executive who has been persuaded to stay.
5. A good successor and board.
6. A viable long term strategy.

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