

SOE Board Talk

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This week SOE Board Talk discusses the role of the chairperson and the impact that an effective chair can make to the performance of the board (and ultimately) the SOE.

Please feel free to comment and provide feedback on SOE Board Talk and to share your director experiences. Remember, the SOEMU team [Assistant Secretary Ywao, Anari and Augustine] are here to help on all matters SOE!

Materials provided this week can be found in sections 3.2, 3.3 and 5.8 of the RMI SOE Governance manual.

Please contact SOEMU if there are any concerns or clarifications needed.

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One way to consider the role and duties of the board, is across four key elements that reflect oversight of the SOE's conformity and compliance on the one-hand and performance and results on the other:

- **Accountability**
 - Reporting to the Minister
 - Ensuring statutory and regulatory compliance
 - Review audit reports
- **Supervision**
 - Reviewing key management performance
 - Reviewing financial reports
 - Monitoring budgetary control and corrective actions
- **Strategic Thinking**
 - Reviewing and initiating strategic analysis
 - Formulating strategy
 - Securing SOE direction
- **Policy**
 - Approving budgets
 - Developing corporate policies
 - Monitoring and implementing on corporate strategy
 - Creating corporate culture

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The board has to balance its time and efforts between the four key activities. Strategic thinking and policy tend to have long-term implications, while supervision and accountability tend to have a shorter-term focus, however the boundaries are not rigid. If the board is not ensuring statutory compliance, it could have long-term value and strategic implications.

The chairperson is critical in ensuring that boards use time effectively and address the key activities proportionally. The chairperson creates the conditions for overall board effectiveness and success.

The chairperson should demonstrate the highest standards of integrity and probity, and set clear expectations concerning the company's culture, values, and behaviours as well as the style and tone of board discussions. Ideally, the chairperson is an independent, non-executive person.

As indicated, the chairperson cannot be the CEO and the chairperson must not try to act in type with the CEO or to interfere in the CEO role.

A chair must be prepared to commit at least one day a week (4 to 6 days per month) to duties and responsibilities connected with the role. Normally 1-2 days around each board meeting is required and there will also be social functions, sub-committees and contact with the shareholder. The chair must also maintain regular contact with the CEO and other board members. The chair has to be a pro-active communicator.

The style and management of the Board meetings, will, undoubtedly reflect the character of the directors, the broad composition of personality types, and particularly the nature/personality of the chairperson. There is no right or wrong type of person, however, personality traits are likely to impact on the dynamics of board deliberations and decision-making.

The Chairperson has 5 key roles:

- Shareholder relations
 - Facilitating advisory and monitoring processes between shareholder and SOE,
 - Ensuring shareholders are pre-warned of announcements or policy changes and material events – foreseen or unforeseen,
- Leadership
 - Leadership to the directors in planning and decision-making,
 - Representing the SOE, in conjunction with the CEO, in the community,
 - Championing SOE corporate values and ethical behavior.
 - Board member induction and board evaluations,

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- Board effectiveness
 - Encouraging all board members to contribute to deliberations,
 - Planning board composition and succession,
 - Establishing and working towards a shared vision,
 - Board member induction and board evaluations,
- Relationship management
 - Maintaining accountability,
 - Ensuring succession plans are in place at a senior management level,
 - Communicating with Minister and monitoring agency,
 - Meetings as requested by CEO with key stakeholders,
 - Meetings as requested by the CEO with potential sources of debt and equity capital,
 - Monitoring SOE planning and operations,
 - Building relationships,
 - Guiding strategy,
 - Helping define problems,
 - Monitoring/evaluating performance of CEO,
 - Representing shareholders and board to management,
- Board management
 - Chairing meetings of the board,
 - Setting appropriate meeting agendas,
 - Managing directors' performance,
 - Communications with directors between meetings,
 - Setting meeting schedules,
 - Monitoring meeting attendance,
 - Selecting information for distribution to board,
 - Ensure board papers are distributed in advance,
 - Coordinate appointment of committees and define terms of reference,
 - Attend committee meetings where appropriate,
 - Ensure all directors can make a contribution at board meetings, but none monopolize discussion.
 - Optimize the use of the board's resources.

The chairperson sets the agenda for the board's meetings and deliberations and has to serve as an effective team builder, a motivator, a diplomat and a conflict solver. In addition, the chairperson of a SOE is required to reconcile the needs and opinions of the government, SOE executives, and the board,. The chairperson must retain the trust of all parties and keep political pressures away from proceedings of the board.

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The chairperson is also a key contact point for the CEO if and when significant matters arise in the day-to-day operations of the business, and the Chair is the focal point and conduit for the CEO reporting to the Board. Effective relations with the CEO helps in achieving an appropriate balance of power, increasing accountability and improving the board's capacity for decision making independent of management.

The specialist tasks and responsibilities of the chairperson means that often a chair will be specifically nominated and appointed for the role, rather than just a selection among existing board members. Either way, selecting a chair requires greater consideration of personality type and attributes than is usually necessary for directors' selection. The chair needs to display particular leadership qualities, as well as having the key competencies and skills and interpersonal styles that will be different due to the issues being faced and the circumstances current to that SOE. Sometimes a particular type of person and personality (Sometimes, a collaborative chair may be more appropriate, while at another time, or for another SOE, a more autocratic chair may be preferred) is required to manage particular circumstances and this may mean that the ideal chair under certain circumstances/times may be the wrong personality type at other times.

The following diagram depicts some personality-types typical of board chairpersons:

