Board’s eye view: Waldemar Schmidt

Waldemar Schmidt is chair of Superfos and Thrane & Thrane, deputy chair of Majid al Futtaim Holding, director of Group4 Securicor and Alfa Laval and a member of London Business School’s Europe Regional Advisory Board. He was formerly group chief executive of ISS, one of the world’s leading facilities support services groups with offices in 35 countries around the world. So with over 25 years boardroom experience what are his perspectives on how an effective board should operate? Georgina Peters asked the questions.

What do you think are the characteristics of those boards that really work well?

Keeping focused on the board’s role is critically important, and one of the topics that I am very interested in is the company’s strategy, which must be deeply rooted in the whole organisation and not come and go with the CEO. That is the starting point. Companies that change their CEO and then give their successors just 100 days to build a new strategy don’t build long-term shareholder value.

To be effective, boards also need the right balance of people and clear structures of accountability. So this means ensuring that there is a blend of people with different competencies. This is something that people didn’t think about too much in the past and often you would find boards with people who had more or less the same profile. Today, companies are aware that they need boards that represent the whole spectrum of their product or service as well as the territory that they work in. As a result you see more and more boards having non-nationals, which is very important.

And another dimension, which is especially strong in the Nordic countries, is to have female representation on the board. In Norway there is a
The main focus is on strategy, taking the company forward. But there is also the control role – making sure that control is in place, that risk management is in place, that budgets are adhered to and all that daily stuff. There has been quite a change in the way boards spend their time. In the past I would say that most boards spent 80-90 per cent of their time discussing day-to-day business and very little time on the future of the company. That is changing. I’m not saying it’s 80 per cent strategy and 20 per cent control, but there is clearly a shift in how much time effective boards spend on looking ahead.

As well as having a wide range of people on the board isn’t the issue also about how the board can work together as an effective team?
I think companies are aware of this and certainly in every company that I am involved with we have at least one event every year where we go away and discuss the strategy and the key priorities for the year to come. What this also typically includes are dinners the evening before the board meeting, which allow people to discuss things more informally and get to know one another. So organisations are at least starting to deal with this issue.

Do you think the performance of boards is improving – especially in relation to governance issues?
A lot has improved over the last few years. For example, in every company that I am involved in the board’s work is evaluated and this is a very serious exercise. Five years ago, in most boards that I knew, you would have had one in every three or four directors who were not really suitable for the job, but since you didn’t have a contract with them and didn’t do an evaluation, it was hard to tell them that it was time for them to go. I think this happens far less now because, as part of the board evaluation, you also have a dialogue with every board member and people quickly find out whether they are up to the job or not.

And who is best suited to carry out these evaluations?
There are a number of ways of doing this. In some companies we’ve had consultants or headhunters in to do this for us but I think it is really a job for the chairman and the senior executive directors. In one of the companies where I am the chairman I recently spent between one and two hours with each director. I had a relatively simple questionnaire, which I used as a start point, and as a result of the conversations and feedback we have subsequently changed three very important things in the way we conduct our business.

Tell me more about the role of the board.
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What about the relationship between the chairman and the CEO?
This is an interesting area.
Sometimes you have the situation where the chairman was the previous CEO and that can be extremely difficult, especially when the chairman does not understand his new role and remains very operational. In more and more situations it is recommended that the CEO should not become the chairman. When I left my job at ISS, after 30 years with the company, I discussed this with my chairman and we immediately agreed that I would not sit on the board because it would not help the new CEO to feel at ease. As I said at the time, ‘if he is up to the job he doesn’t need me – and if he’s not up to the job I’m not coming back’.

And you think the CEO and the chairman’s job should always be separated?
That’s my opinion, yes. I know there are people who think otherwise, and there are certainly people who are in positions where they have both jobs, but I think it’s much better to have the role split. An ideal situation is one where you have a chairman who has skills that are different from the CEO and you don’t usually get that when the CEO becomes the chairman.
I also think that these complementary skills are important because the role of a CEO can sometimes be very lonely and there will be certain times when you, as CEO, need to talk to someone who is independent from the day-to-day business. In that situation the chairman has a very important role to play.

So the chairman is a kind of sounding board for the CEO?
Yes, he is. Somebody that he can speak to and that he should have an extremely good relationship with.

There is a lot of talk about CEOs feeling isolated. Do you think that’s true?
I think it depends very much on the CEO him or herself. If you have a good relationship with your peers then you can deal with around 95 per cent of your concerns, but the other issues you need to discuss with somebody else. For me there are two
somedbody else’s. One is the chairman and the other is my wife. I always use both because I have been fortunate to have a wife who is very interested in what I have been doing and who helps and supports me. When I had to deal with critical issues I usually talked to both.

When you recruit a CEO, what skills are you looking for? What marks out a CEO who is going to make it? First it has to be somebody with a proven track record, someone who has had a number of jobs with big responsibilities. A CEO who doesn’t have a good record of delivering results is not going to be employed by me. Then I always look for somebody who can take initiative, somebody who won’t need to be pushed by his chairman, and who enjoys the driver’s seat.

I also don’t trust CEOs who are loners. I like CEOs who recruit or develop high calibre people to have around them. I don’t think there has to be a huge gap in capability between the CEO and the next level so I think that’s another aspect – being able to recruit or develop a team with strong capabilities.

More than this I look for people who can make things simple and easy. There are too many people in the world who make everything too complicated – so guys who can phrase a business plan in a simple manner that everybody can understand and relate to is important. And the whole issue of dialogue with stakeholders is also key; so clear language and goals and clear strategies and simple messages is something that I look for.

How much time do you allocate to your board meetings?
I would say that in the UK I spend 20 working days each year on every board on which I sit. This will include 10 meetings as well as the dinners in advance of the meetings. Of course you also have preparation and altogether that adds up to about 20 working days. That’s normal but it also depends on how long your working day is and, if you are the chairman, it can be much more.

What do you enjoy about going to board meetings? Is it the cut and thrust of the debate? Does any real debate occur?
I think nowadays there is real debate – certainly on the boards on which I sit. I am sure there are boards where you don’t have real debate, but I have the luxury of being able to choose where I want to be. So I am not involved in anything where I don’t feel that I have the possibility of having influence, whether I am chairman or not.

What are the warning signs that indicate that a board is not working well?
First of all you have to look at trust. If you start feeling that there is a lack of trust between the executives and the non-executives or between groups of the board members, the non-executives and the chairman then that’s it; that’s a very early sign.

Then, of course, if you look at the business and it is not living up to its own expectations that is another sign that there is something wrong. If you are consistently failing to deliver what the market expects then you have to rely a lot on the CEO so he needs to be watched and supported very carefully at such times. You have to make sure that he feels confident and that he feels he has the support of the board. And that’s what I have always said when I am the chairman – my job is to make the CEO successful.