

## VIDEO SERIES

# Leadership in the Field: Interviews with Global Leaders

By Russell Reynolds Associates  
with Roger O. Crockett

Vodafone Chairman Gerard Kleisterlee discusses high-performing leadership—from the role of the board in setting a strategic course, effective CEO and Board relationships, and the Board's impact on truly innovative thinking.

AN EDITED TRANSCRIPT

## CHAPTER 1: Setting a strategic course

**Roger Crockett:** Especially in today's environment, Mr. Kleisterlee, how does the board go about setting the tone at a company? Describe the interaction between the board and management and among themselves.

**Gerard Kleisterlee:** The primary role of any board is to have oversight of management, to set a strategic course of the corporation, to appoint management and to see to it that there is proper risk management. Basically, that hasn't changed over time, but the way in which it's being done has seen a lot of changes. There needs to be proper process. There needs to be a thorough risk management process. There needs to be a good process in particular for CEO succession, which is a very important issue for any board. Then there needs to be a rich dialogue around strategy. I think creating a rich dialogue is one of the most challenging tasks for boards given the amount of process needing attention.

## CHAPTER 2: Global boards—different structures, same priorities

**Roger Crockett:** You have the benefit of serving on boards in various parts of the world. How do boards in different regions vary—from the United Kingdom to Germany to the United States?

**Gerard Kleisterlee:** Even within the same region, such as Europe, you find quite different practices across companies, although they all might have a common starting point with the same purpose and the same objectives. But in terms of implementation of the governance, you have the U.K. one-tier board, where, clearly, strategy is the role of the board, including both executive and non-executive directors. But the role of the chairman is a somewhat bigger one. The Netherlands has a two-tier board system, where there used to be more distance between the executive team and the non-executive directors. But with all the focus on governance and board practices, management and directors have come closer to each other.

The German system, in the context of German co-determination, has a large representation of workers on the board, which again results in different board dynamics. In the United States, you typically have the combination of chairman and CEO. After Enron, there was a move to split these two, and some companies have done this. But there is a tendency in some organizations to recombine these roles, and some actually have done so.

### CHAPTER 3: “Self-reflection—the mark of a strong CEO”

**Roger Crockett:** Splitting the roles of chairman and CEO is a notion that has been forced a little bit more in the United States. Do you feel this is the proper model?

**Gerard Kleisterlee:** Yes, I feel the separation between the chairman and CEO actually is the better model because, at the end of the day, the board represents the shareholder interests. That’s how a board should function. And the board appoints the CEO. It’s hard if the CEO also is the chairman, and, yes, then there is the independent lead director. But that’s a much tougher route than if there is an independent relationship with a chairman and a CEO. Of course, on boards where there is a separation between these two, the relationship between chairman and CEO is a critical one because that’s ultimately where the climate of the board gets determined. There needs to be an open and constructive relationship with room for criticism and feedback. The CEO and his executive team come together with predetermined positions and seek advocacy and support but, sometimes, also to air questions and doubts. I think showing some doubt, some self-reflection, is one of the key marks of a really strong CEO. Only people who are confident themselves are able to talk about subjects about which they’re not certain or they do not know—where they look for guidance, direction and reflection.

**Roger Crockett:** In today’s environment, should the chairman and the CEO meet more frequently—more so than they might have in the past?

**Gerard Kleisterlee:** I think they should. I’ve seen that change in the past 10 years. When I took over as CEO in the Netherlands in 2001, we came from a period where in a two-tier board system, the board was relatively at a distance. Collaboration between the chairman and the CEO was mostly around board meetings, driven by issues in between meetings—and they were not very frequent. I’ve gradually seen, over time, increased interaction with the chairman. The involvement is getting bigger. The boards and the executive team are moving closer. I think the only way to function as a chairman is if there is regular interaction between the chairman and the CEO and if quality time is spent discussing issues—whether about the longer-term strategy or the quality of staffing and the bench strength or about the risk management of the company. All these topics should not get discussed only in formal board meetings but, particularly between the CEO and the chairman, in informal settings where a more reflective kind of environment is created than that of the formal setting around the board meeting table.

### CHAPTER 4: Board diversity—because great minds *don’t* think alike

**Roger Crockett:** What about cultural and gender differences? How important is diversity in the makeup of a board?

**Gerard Kleisterlee:** It’s part of it, but we never should narrow down diversity to any of these single topics. A lot of focus is on gender diversity, but the real issue for me is difference of perspective. You should have a board where people are able to look at an issue from various angles, with a difference of perspective. That creates a rich dialogue. If we all think alike—whether we’re male or female, whether we’re Dutch, English or Italian—if we think alike, we have the same experience. If our minds are trained in the same way, we still don’t have diversity. You need to have diversity of perspective. What you need to be able to do is bring that diversity of perspective into a constructive setting. That’s where it’s important that

you not only have diversity but also that the diversity is heard. You need people who have the preparedness and the willingness to listen to someone having a different perspective. Then they might come to a totally different, enthusiastic conclusion: “Wouldn’t it be great if we could do this?”

### CHAPTER 5: “Don’t confuse invention with innovation”

**Roger Crockett:** You’ve served on a number of technology and telecommunications boards where innovation is all important. How do you define and help your organization drive innovation?

**Gerard Kleisterlee:** Well, innovation is a word that has been narrowed down too much. In my book, innovation is doing something uniquely new successfully. It has to be new, but it also has to be successful. And it isn’t about invention. In particular, in the technology industry, people very often confuse invention with innovation: “I’ve got a new technology!” “Who cares?” You have an innovation only if that technology serves to enable an application that people will embrace. You only know whether your innovation is really an innovation when you have success in the market.

**Roger Crockett:** Vodafone has been one of those companies that has been successful at innovation. What is unique to driving that innovation, to making sure you have successful products to bring applications to market that improve people’s lives?

**Gerard Kleisterlee:** Again, it’s creating an environment in which people feel encouraged to come up with new ideas; to challenge the established ways of doing things; to think out of the box or imagine beyond the current products and services or processes that you engage in your company. It’s thinking about new things because if you just continue executing what you’re doing, you’re standing still, and the world around you is moving faster.



**Gerard Kleisterlee** is Chairman of London-based Vodafone Group Plc, the world’s second-largest mobile phone operator with more than 400 million subscribers. Kleisterlee became Chairman in July of 2011, serving as a non-executive member of the Board. He retired as President, CEO and Chairman of Philips Electronics N.V. (Philips) in March 2011 after a career with Philips spanning three decades. Kleisterlee is one of the most prolific corporate governance executives in Europe. In addition to his role at Vodafone, he has been a member of the Daimler AG Supervisory Board since 2009 and a Non-executive Director of the Supervisory Board of Royal Dutch Shell since 2010. He also is a member of the Board of Directors of Dell Inc.



**Roger O. Crockett** is a veteran business writer, thought leader and speaker. He is the former Chicago Deputy Bureau Chief for *BusinessWeek* magazine and a contributor to *Harvard Business Review*. His perspectives on business, leadership and diversity are trusted by many of the world’s top executives and entrepreneurs.