The CEO-Chair Relationship

In the previous edition of *Good Governance*, we identified a number of critical elements in the CEO's relationship with his or her employing board. We indicated that we would explore each of these further. The first of the issues that we have chosen is the relationship between the CEO and the board chairperson.

Should there be a special relationship?

It is common practice — some would argue 'best practice', that there should be a special communication relationship between the CEO and the board chairperson. It is not uncommon to hear board members claim that ideally the CEO should communicate with the board through the chair. We have even worked with one board that expressed the collective view that, on the condition that the CEO presented full and frank reports to the chair about organisation performance, there was no need for the rest of the board to hear the good or bad news or to be involved in the performance monitoring process. But there are others who hold a different opinion.

At the far end of the debate is the radical governance thinker John Carver[1] who argues a cogent case for there being no independent relationship at all between these two key organisation leaders. Carver's point is that the CEO is employed by the board as a whole, not by the chair alone, and therefore accountability should be expressed to that entire body. There is also a view that where such a relationship exists it is almost inevitable that, by the very nature of the power imbalance, it will become one of superior and subordinate, leading to the chair 'managing' the CEO on a personal level. We have certainly witnessed this outcome and the damage that can ensue for the board and the CEO.

For what purpose?

When chairs and CEOs meet outside the boardroom the most common reason given for such a meeting is the desirability to keep the former up-to-date with events occurring in and around the organisation. Many boards expect their chair to be more familiar with the details of the organisation's strategic actions and activities than other board members might be. We don't advocate this as a maxim that should be applied to all boards under 'normal' circumstances. We do, however, recognise that such an expectation is commonplace. There may be certain 'abnormal' circumstances, such as when the organisation is mounting a major public campaign or when other circumstances require the chair and the CEO to 'sing the same song' in public. At such times there is an absolute necessity for the two organisation leaders to be 'in tune' and know exactly who is saying what and who is the point of reference for particular external groups or the spokesperson on particular issues. Regular meetings are likely to be required to ensure such co-ordination.

When chairs are very experienced in management and general business matters, it is not uncommon for a CEO to make use of this wisdom to assist with personal and professional development and to provide a sounding board for a range of managerial matters. Such a chair might meet with the CEO, say, on a bi-monthly basis in a structured mentoring arrangement. The topics for reflection and learning might be drawn from the organisation itself or they may be hypothetical. Ideally, the mentoring should be centred on the development of the CEO in the 'role' rather than on addressing problems in the particular organisation.

How often?

It is not uncommon for us to encounter CEOs and their chairs who meet weekly, sometimes several times each week. Under normal circumstances, we would wonder why this arrangement should be necessary. A competent CEO, properly empowered via sound delegation policies, should not need to meet with any member of the board on a regular basis in order to carry out their role. Neither should a board that has provided its CEO with appropriate delegations and receives sound reporting expect that its chair should form such a regular liaison. There is a real danger that regular, unstructured meetings will simply encourage the CEO to 'check' with their chair before making any decision of significance. In the end it may become a question of who is really making the decision – the CEO or the chair? This form of creeping 'upwards delegation' can easily undermine the board's ability to hold its CEO accountable.

We are reluctant to promote a 'rule' that applies to the frequency of CEO-chair meetings. Indeed, as we have mentioned, such a meeting arrangement might not exist at all other than for special purposes. Where there is an expectation of such an arrangement, however, its purpose should be clear to all board members and the general content should be declared upon request — confidentialities respected.

If it is common practice for the chair and the CEO to meet prior to the board meeting to co-ordinate and discuss the agenda, this might be an ideal time for the two leaders to 'touch base'. At this time it would be natural for them to share perspectives and discuss issues of relevance to the board. It is also an opportunity for the CEO to 'sound out' with the Chair any issues on which the CEO might benefit from an independent, non-executive viewpoint.

Notwithstanding this there are at least two further traps the parties should aim to avoid.

Avoidance of the 'filtering' factor

Whatever the frequency and whatever the reason for such a meeting, great care must be taken to ensure that it does not become a substitute for a more systematic sharing of information. A CEO must not assume that because he or she has told the chair about a board related issue that, therefore, the board has been told. In turn, the chair must take great care to ensure that he or she does not become a 'filter' or a 'gatekeeper' for information provided by the CEO that should be received by the full board.

Avoidance of the 'left in the dust' factor

If the CEO and chair are meeting regularly, there is a very real risk that they will advance their thinking about issues affecting the organisation and the board at a far greater rate that than other board members are able to. Such occasions can easily become 'mini board meetings' in which board issues are discussed and outcomes determined, arguably, prematurely. The rest of the board can be left feeling they have been left behind or, worse, excluded. It can make directors feel that they are left with no option but to 'rubber-stamp' decisions the Board chair and the CEO have already made.

Document the board's expectations of these roles and relationship

For these and related reasons it is important to anticipate such potential problems and to fully document the Board's expectations of both its chairman and its CEO. If there is board agreement that the CEO and the chair should meet outside of scheduled board meetings, a written board protocol should govern this special relationship. Boards are increasingly adopting a Governance Charter as the basis for defining and codifying their working style and accountability. It is not uncommon for such a Charter to contain a Chairperson Role Definition that, among other things, provides the basis for defining the chair-CEO role. Boards that have such a Charter might consider including a section something like the following:

With the approval of the board, the Chairperson may establish a regular communication arrangement with the Chief Executive in which there is an exchange of information. This might also provide an opportunity for the Chief Executive to use such sessions as a sounding board for proposed actions or to check interpretations of board policy. However;

- The Chairperson will recognise that such sessions are not used to 'personally' supervise or direct the Chief Executive.
- The Chairperson will not inhibit the free flow of information to the board necessary for sound governance. Therefore the Chairperson will never come between the board and its formal links with the Chief Executive.

1 Carver, John. On Board Leadership. Jossey-Bass. San Francisco. 2002. Pg 178.