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## Impact of the Chairman – CEO relationship on the board dynamics

### Description

As our Board Excellence team engages with boards for either best-practice workshops or board reviews, one of the key characteristics I am looking out for early on is an initial sense of the relationship between the Chairman and the CEO. This relationship has a profound impact on the board dynamics and overall effectiveness. In situations where this relationship is genuinely constructive, healthy & balanced, it becomes a key foundation stone in the overall partnership between the non-execs and exec board members that enables a high performance board. Where this relationship is either unbalanced or negative, it can cause severe problems for the board dynamics and can in many cases result in a dysfunctional board that ultimately lets shareholders & stakeholders down badly.

The Chairman – CEO relationship is a complex relationship in which it is quite challenging to achieve the optimal balance. A strong Chairman must achieve the delicate balance of genuinely holding the CEO's feet to the fire on their own overall performance ( and by extension the overall organisation ) while simultaneously strongly supporting the CEO and executive team to achieve the organisation's objectives. This spectrum of engagement from the chairman being prepared to fire the CEO for under-performance right over to rolling up the sleeves to be a highly effective sounding board to the CEO providing support on strategy, finance, sales, operations, M&A, crisis management etc., is a unique challenge for even the most experienced of Chairmen ! As Chairman, he/she must enable a culture of genuine challenge at the board to enable all of the non-exec board members discharge their key oversight duties by constructively challenging the CEO & executive team, digging below the surface to understand key performance aspects, debate key decisions and strategy formation with the CEO/executive team etc.

A strong CEO recognises this dual set of responsibilities of the Chairman and holds up their part of the bargain in terms of genuinely “walking the talk” in terms of

- openness and accountability for their own , executive team and organisational performance
- demonstrating the utmost respect towards all board members
- comfortable in facilitating and supporting genuine challenge and debate
- flagging early serious issues that could impact the organisation ( irrespective of the consequences & implications for their own and other executive team member's positions )

In return, a CEO leverages considerable benefits from a strong Chairman who has tremendous experience, wisdom and independence that can act as a highly valuable sounding board, provide key support in times of stress and roll up the sleeves to add serious value in times of genuine crisis.

Where the Chairman – CEO relationship is unbalanced, serious problems can develop impacting the overall board. The first of these problems is the case where the Chairman and the CEO are too close ! In this scenario which happens quite often, the Chairman starts to lose sight of his/her critical CEO oversight responsibility resulting in increasingly less robust challenge of the CEO and often discouraging legitimate challenge by the other board members. The Chairman can become overly protective of the CEO which can have a corrosive affect over time on the genuine high level of



challenge and debate that a highly effective board should have at its core. In the extreme case of this problem, the Chairman and CEO can end up creating a “mini-board” within the board ( sometimes supported by one or more non-execs ) which in reality becomes the de-facto decision-making component of the board whereby in quiet meetings outside of the main board meetings, the “real” decisions are made. This can both be explicit at the board meetings where all the board members recognise that this is happening and are often powerless to stop it or it can be very subtle whereby debate and challenge happen, are facilitated by the chairman but the sharper board members sense that this challenging debate will not really impact the ultimate decisions made by the Chairman and CEO. Not only is this problem extremely disempowering and demoralising for the other board members, it is also highly dangerous from a shareholder perspective as it represents an extreme case of a group-think problem where decision-making is concentrated in the hands of a small group of board members who have an unhealthy alignment and where the Chairman can have compromised their independence.

The other case of the Chairman – CEO relationship being problematical is where the relationship is negative, there is no partnership to speak of and there is no respect & trust between the Chairman and CEO. This can vary from the

- Chairman not respecting, rating or trusting the CEO
- CEO not respecting, rating or trusting the Chairman
- Chairman and CEO not respecting, rating or trusting each other !

This is a very serious situation that can effectively quash any hopes for a highly effective high performance board. Where a board environment is by default tense and hostile, you can often see the root cause being linked back to this problem. This also often results in factions being created on a board whereby groups of board members align with either the CEO or the Chairman. This is a disaster for shareholders as while you may have the pretence of a board, it is highly dysfunctional and falling far short of its responsibility to move heaven and earth working harmoniously together to add significant strategic value and excel as a high-performance board team on behalf of the shareholders and stakeholders. In cases where you hear of board members talking about “highly political boards” with plot and intrigue bordering on “Game of Thrones” complexity, I inevitably see a poor quality Chairman – CEO relationship that results in no effective partnership between the exec and non-exec board members. In most cases, it is extremely difficult to fix this problem which is why in the vast majority of cases, it requires either the CEO or Chairman to leave the board & organisation to enable the board sort itself out. This is quite a common problem and only highlights the critical need when hiring a Chairman or CEO to go the extra mile as much as humanly possible to assess the potential chemistry and potential for a healthy genuine partnership between the Chairman and CEO.

In summary, the Chairman – CEO relationship has a profound impact on a board’s dynamics, effectiveness and performance. Where this relationship is unbalanced or negative, it has a very serious negative impact on the board and really damages the ability of the board to discharge its duties to its shareholders as a high-quality board. In the optimal case, this relationship is a genuine partnership which balances the Chairman continually challenging the CEO’s performance & decision-making, holding his/her feet genuinely close to the fire while simultaneously supporting and enabling the CEO to out-perform !



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