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CEO – Chair & Board Relationship A Journey to Constructive Partnership

June 2018

Objective



Key relationships- CEO | Chair & Board relationship

- ❑ Differences between Canada and US

Understanding Board Operating Styles

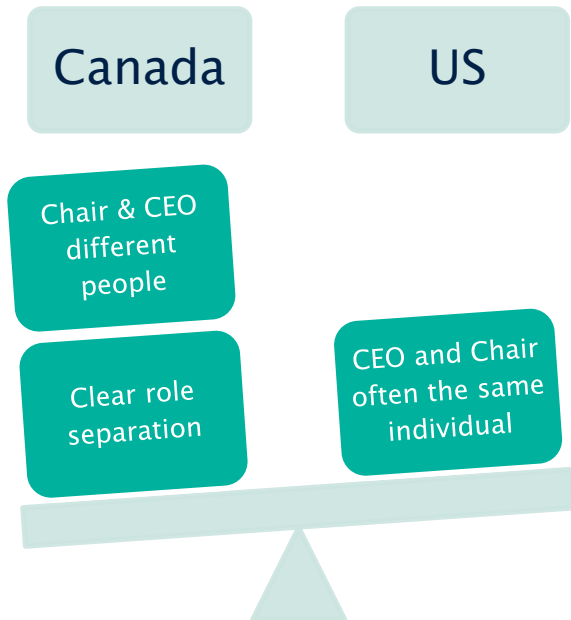
Achieving Constructive Partnership



CEO – Chair Relationship



Important structural difference between Canadian and U.S. companies–

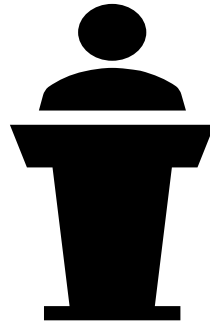


- ❑ U.S.– CEOs & Chair of the board– often same person
- ❑ US, like Canadian Port authorities, have separation of duties between Chair and CEO
- ❑ Canada– 70% of Canadian companies separate roles – have independent, outside director in the role of non–executive chair.
 - Some private or family–dominated companies have **Chair & CEO as one**

CEO – Chair Relationship



In Canada– strong view and court ruling– roles separate | different: CEO manages; the chair oversees management.



- ❑ company benefits from having twice as much talent at the top, each playing a distinct leadership role, and each supporting the other

Board takes a long–term objective view to steward organizational decisions

Open, direct and transparent relationship that benefits board and entire organization



CEO – Chair Relationship



Chair

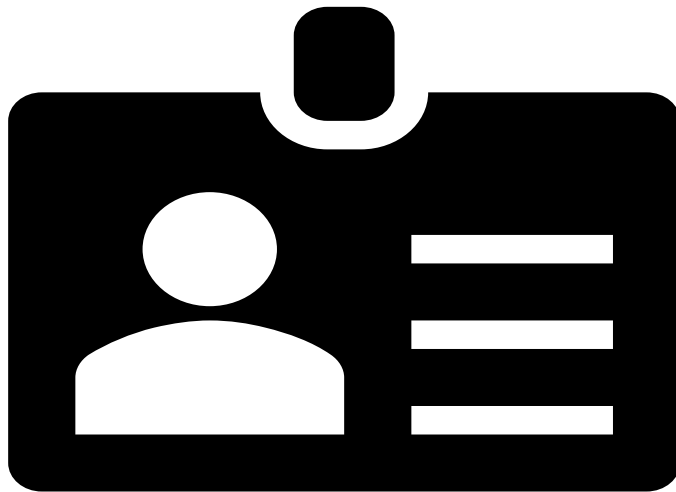
- Collaborate to establish objectives, agendas and processes



CEO



CEO – Chair Relationship



Profile: Ideal Chair

Usually a seasoned executive or community leader able to bring experience to issues, plans and strategies, discussions

Strategic | future focused

Knowledgeable about the business– brings balanced, unique insights | accesses contacts & network as needed

Effectively manages boardroom dynamics and external stakeholders– manages politics inside & outside of boardroom and PA

Deep understanding of governance

Guides without leading, supports without taking over

Promotes constructive dialogue and challenge, focuses discussion at the right level in the boardroom, ensures balanced participation of all directors

Ensures consistent, consensus-based decision making in best interest of the Port Authority

Strong communicator | facilitates effective information flow at, and between meetings ... openly, proactively, transparently

Effective ambassador and spokesperson in partnership with CEO

CEO – Chair | Board Relationships



Damaging Chair | Board Director - CEO Behaviours

Lack of respect and trust by either party

- Dominant Chair | Board director(s) competing with CEO– trying to run the business and micro–managing and interfering in day to day operations
- Chair | Board director in public disputes with CEO, challenging each other on fundamental matters of policy, issues. Board manipulation for own agenda
- Getting too cozy with CEO’s direct reports– go(es) directly to them directly without CEO’s knowledge

Weak or passive Chair who doesn’t deal with board performance issues; allows CEO to dominate or lead the board and drive own agenda

Chair | Board director not engaged in the business– “caretaker role”

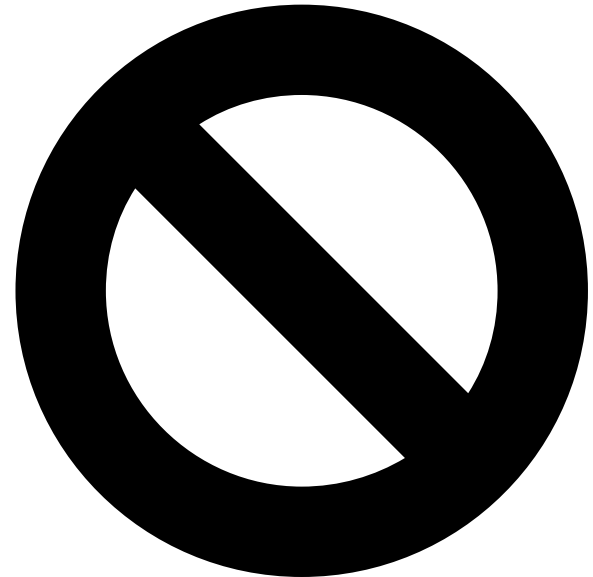
Chair doesn’t manage CEO’s performance on behalf of the board

Unclear understanding of responsibilities or lack of accountability by either party

Lack of focus on critical issues- personal agendas

Failure to define explicit goals

Absence of courage to raise concerns- lack of independent thinking resulting in groupthink



Role Clarity



Chair – advises the CEO | engages/leads the Board | effectively manages Board agendas, processes and decision rules

Board – governs the life of the organization | ultimate responsibility for oversight | is accountable to all stakeholders, but focus is on what's best for the organization

CEO – leads and manages the affairs of the organization | immediate responsibility to direct and manage the business | accountable to the Board

CEO- Chair | Board Relationships



Chair|Board – Oversight
responsibility for available
resources, environment, and
CEO’s personal
circumstances



CEO–supports Chair |
Board roles; impacts
external credibility and
reputation



Constructive Partnership



Exceptional Boards govern in a “Constructive Partnership” with the CEO – recognizing that the effectiveness of the Board and the CEO are interdependent

Key ingredients to an effective and productive relationship

- ❑ Trust and respect for each other’s skills, experience, competencies and values
 - ❑ Engaging Board members appropriately, enabling them to bring relevant skills | networks and insights to bear constructively on issues | strategies
- ❑ Developing shared ownership for objectives and deliverables
 - ❑ Understanding who will lead on which issues
- ❑ Agreeing on fundamental values and ethical standards
- ❑ Understanding the accountability and boundaries of their roles



CEO Required Competencies



- **Building constructive, meaningful relationships**
- **Communicating – openly, proactively, transparently**
- **Balance – strong views complemented by open-mindedness: flexibility**
- **Decisive-**
 - ❑ Making the right decision at the right time for the right reason
 - ❑ Able to act with best available information
 - ❑ Able to change views and course direction as additional, better information becomes available
 - ❑ Set and provide context for decisions
- **Willingness to seek and accept expert advice from Board**

Operating Styles



	Type 1 Fiduciary	Type II Strategic	Type III Collaborative
Board provides	Oversight	Foresight	Insight
Board's core work	Ensure accountability	Shape strategy; review performance	Reconcile value propositions; discern and frame adaptive issues; think collectively; make sense of circumstances
Board's source of power	Formal authority	Expertise	Ideas
Key question	What's wrong?	What's the plan?	What's the key question?
Problems are to be...	Spotted	Solved	Framed

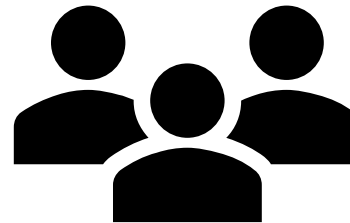
Working Towards Constructive Partnership



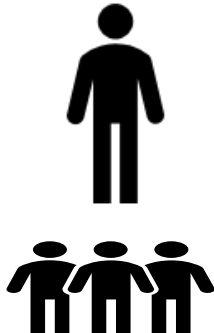
CEO displacing board
Governance by Observation



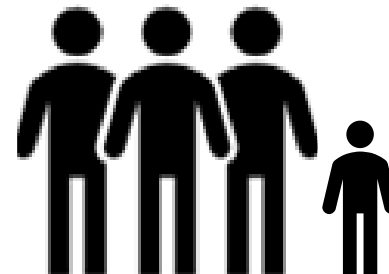
CEO is in a constructive relationship with Board
Governance as Leadership



CEO going through the motions with Board
Governance as Attendance



CEO is displaced by Board
Governance as Micromanagement



Achieving Constructive Partnership



- An “effective” CEO – Chair | Board relationship critical for success
- Chair and Director selection is as important as CEO selection
- Assess the board’s operating model – within context – and think deeply about how to achieve Constructive Partnership