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
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

- Collaborate to establish objectives, agendas and processes
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
Chair|Board – Oversight responsibility for available resources, environment, and CEO’s personal circumstances

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

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<th>Board's core work</th>
<th>Type 1 Fiduciary</th>
<th>Type II Strategic</th>
<th>Type III Collaborative</th>
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<tr>
<td>Board provides</td>
<td>Oversight</td>
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<td>Board’s source of power</td>
<td>Ensure accountability</td>
<td>Shape strategy; review performance</td>
<td>Reconcile value propositions; discern and frame adaptive issues; think collectively; make sense of circumstances</td>
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<td>Key question</td>
<td>What's wrong?</td>
<td>What's the plan?</td>
<td>What’s the key question?</td>
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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