

The Chair-CEO Relationship



■ **RAY & BERNDTSON**

Global Leaders in Executive Search

The Chair-CEO Relationship:

*Ten Commitments for a
Better Partnership*

Gaining a better understanding of the Chair-CEO relationship was the reason behind our most recent survey of non-profit leaders.

I. Foreword

“The Chair-CEO relationship” said a client, who was himself the Chair of a Crown agency, *“is like a pair of chopsticks. One is much more effective with the support of the other.”*

Gaining a better understanding of the Chair-CEO relationship was the reason behind our most recent survey of non-profit leaders. Initially, our plan was to identify the qualities required in a Chair and CEO for their relationship to be a success. However, as our survey progressed, we found something unexpected. As we listened to respondents’ thoughts, one overarching principle seemed to emerge:

The most successful Chair-CEO relationships are built on partnership and a base of shared objectives, or commitments.

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In some cases these commitments are formalized, such as in a memo of understanding. Just as often, however, they are implicit. Through our survey, we also found that, in situations where the Chair-CEO relationship had faltered, these commitments were largely absent.

Perhaps the best way to illustrate this is by sharing a short story from one participant:

John was the founder of a respected Canadian organization that grew from two employees to one hundred. For more than 10 years, he had maintained considerable control over the organization and its Board. Initially this model worked well. As time passed, however, Board members began recruiting new Directors from outside John’s immediate circle. Inevitably, the Board took on a life of its own, becoming more progressive and sophisticated. The situation became critical when a long-time ally stepped down as Chair and a new Chair with a broad business background was elected without John’s input.

Over the ensuing months the flow of information between John and the new Chair declined. Divisions emerged between those who supported the “old values” espoused by John, and those who supported the “fresh blood” of the new Chair. A culture that was once respectful and fun became tense and unproductive.

Within a year both John and the Chair stepped down. The resulting leadership vacuum left the organization faltering. Donations declined, and skilled staff departed. With its reputation tarnished, the organization searched for a full year before finding an executive willing to fill the vacant post.

II. Creating a Better Partnership: Ten Common Commitments

The above story demonstrates the importance of the Chair-CEO relationship. From the many anecdotes shared with us during our survey, ten commitments seemed to stand out. We offer them to you with the thought that they may strengthen the Chair-CEO relationship in your organization, and serve as a path to success.

Commitment 1:

Keep everyone focused on the organization's mission.

One of our respondents, whom we'll call Mary, accepted an Executive Director position with a new organization. Before joining, she was told that the organization was committed to three 'key priorities'. Her first day on the job, however, she found an organization with a laundry list of mandates and no sense of direction. To her surprise, the so-called 'priorities' were lost among a host of 'organizational preoccupations'. Suspecting that both the Board and staff had no clear sense of where they were going, Mary immediately met with her incoming Chair to address the matter. Their discussion led to a long overdue corporate retreat and a careful re-evaluation of the organization's priorities. It was only after this process, she said, that the Board, management and staff regained their focus.

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In today's competitive environment, few organizations can rely on good intentions or an admirable cause to achieve success. In fact, to remain viable, the vast majority must deliver measurable value.

One of the ways in which the Chair and CEO create value is by avoiding 'mission drift', i.e. keeping the organization from expending valuable resources on projects not truly related to its core objectives. To this end, they focus the staff and Board on key goals, strategies and accountabilities, making sure everyone understands who is to be responsible to whom and for what.

This seems straightforward. However, when passion, conviction, tradition and pride (ingredients that are common in the non-profit sector) are added to the mix, an otherwise focused organization can quickly lose direction. As part of their regular regime, successful Chair-CEO partnerships make sure that fervent directors or prideful executives do not get caught up in their emotions and lose sight of their organization's goals; they draw these passionate (and often valuable) individuals back toward the organization's key objectives. This is not easy, but is often critical.

Commitment 2:

Clearly define and respect each other's roles.

The line between management and governance is not always clear. For this reason, many of the more successful Chairs and CEOs we surveyed felt it was critically important to lay out a plan to lead their organization. This plan, they felt, was necessary to help define who is responsible for what, and what to do if an issue appears to fall under

The line between management and governance is not always clear.

both their mandates. Many believed that ad hoc approaches to leadership could blur the line further and cause confusion between the staff and Board. Respondents unanimously agreed that the Chair and CEO should outline their goals, roles, leadership styles and needs, as well as their obligations to each other and to the organization. This basic agreement will define how the two will interact and help create a sense of clarity and direction for staff and Board Directors.

While some Chairs and CEOs prefer to outline their plan in a formal document, others do not. As one participant noted, "If the two are clear and communicate openly with each other from the outset, there really is no need for formality."

Commitment 3:

Avoid territorial behaviour.

Generally, the CEO manages administrative and staff matters, while the Chair oversees Board and governance issues. For the most part, there is usually little confusion about respective roles and duties.

Some issues, however, are not easily definable as either a Board or staff responsibility. When this occurs, respondents suggested the Chair and CEO speak candidly and openly about the situation and adjust their approach accordingly. One participant emphasized that neither should feel the need to 'pull' something into what is believed to be his or her territory without first having a thoughtful discussion. While it is important for the Chair and CEO to acknowledge and respect each other's roles, it is equally important for them not to obsess about parameters of authority. Engaging in territorial bickering does an organization little good.

Commitment 4:

Add 'innovative' value.

...the most effective Chair-CEO partners recognize that a strong relationship is necessary, but not necessarily sufficient to be considered a success.

According to our survey, the most effective Chair-CEO partners recognize that a strong relationship is necessary, but not necessarily sufficient to be considered a success. Success to them is measured by the relationship's *impact* rather than the relationship's *strength*.

One respondent explained, *“We have all seen friendly and otherwise healthy Chair-CEO relationships become irrelevant because they fail to stretch towards a compelling goal”*. He went on to tell us of one particular case where the partnership became more protective than constructive. *“For the Chair’s entire three-year term, the pair focused solely on their relationship. They tried hard to be seen as strong partners and in the end grew quite close. However, from the organization’s perspective, they did not accomplish much. Sure, they managed to keep things steady, but I think we missed some opportunities to create exciting change.”*

In the past, many CEOs and Chairs were encouraged to avoid risk. Even today, it is often only after a latent issue explodes or a general malaise becomes unbearable that some organizations see a need for change. However, increased market pressures, higher stakeholder demands and a louder call for organizational accountability have made the non-profit world more competitive and challenging. For many respondents, static models of Chair-CEO leadership have become a liability. Today’s Chairs and CEOs, they felt, need to be courageous, forward thinking, and innovative. In their view, fear or insecurity in either partner can seriously impair an organization that is looking to grow.

...organizations can no longer rely on the ‘old boys club’ for Director recruitment.

As one participant emphasized, *“The pair’s impact, positive or negative, is often visible long after one or both are no longer in their role.”*

Commitment 5: *Help to make the Board stronger.*

“Boards can no longer coast on autopilot,” one respondent insisted. *“They must steer their own course and determine how they will develop and remain committed to their mission.”*

In theory, the Board is responsible for its own development. In practice, however, we found that many Directors are simply too busy with their day-to-day work to devote adequate time to development matters. As a result, the Chair and CEO are often required to take the lead, initiating discussions and activities to make their Board stronger. They are, as one participant described, the de facto Board builders.

As the Board builders, the Chair and CEO are generally charged with the task of making practical sense of all the governance literature available to them, then suggesting the most appropriate model for their organization. Respondents felt the pair is usually more effective when it is selective and does not overwhelm the Board with frequent governance debates. As the CEO of an organization with a complex, multi-tiered governance model remarked, *“...we should not always feel the need to tinker with something that has worked very well for many years... A camel with many humps can be quite effective even with its peculiarities.”*

Participants also emphasized that Director succession and retention are important to any Board building strategy. This is especially true for Boards that are required to recruit new members from outside their organization. Given the higher levels of scrutiny and accountability facing many Boards, most organizations can no longer rely on the ‘old boys club’ for Director recruitment. In organizations that have no set structure or committee to manage succession, recruitment almost always falls to the Chair and CEO. This should not come as a surprise. In the majority of cases, the Chair and CEO are aware of the gaps on the Board and are usually in the best position to speak to prospective candidates about Director openings.

Once Directors are recruited, the Chair and CEO play an important role keeping them engaged and inspired.

Once Directors are recruited, the Chair and CEO play an important role keeping them engaged and inspired. This often requires as little as balancing Director workloads, making sure that the more experienced Board members do not overshadow and intimidate the less experienced Directors, assigning a Director to committees or projects he or she cares about.

Commitment 6:

Develop a positive dynamic between staff and the Board.

A number of respondents agreed that dysfunction or lack of respect between the staff and Board could seriously impair an organization's productivity and reputation with stakeholders and the broader community. For this reason, they felt that developing a strong relationship between the two groups was the pair's most important duty. How does one begin to strengthen this relationship? Almost all agreed that the manner in which the Chair and CEO work together, and the standards they display, greatly influence how the staff and Board perform. Words like optimism, inclusiveness, integrity, respect and compassion were often used to describe what was required between the Chair and CEO to create healthy and productive relations between the staff and Board.

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One participant commented on how she and her Chair managed the Board-staff dynamic: *"We knew that our organization would not succeed if the two groups did not get along. So we gave their relationship a lot of attention. In fact, we spent just as much time on the Board-staff dynamic as we did on finance, strategic planning and some of the more tangible management and governance matters. We set some pretty strict rules around interactions between these two groups and were not afraid to reprimand those that overstepped their bounds or showed disrespect to their colleagues."*

Unfortunately, not everyone takes the Board-staff dynamic seriously. This is not for a lack of trying. Some Chairs and CEOs have naively believed that creating a positive relationship between the Board and staff meant nurturing a very informal or relaxed environment. Regrettably, this somewhat simplistic approach has proved costly, as one well-known national charity recently experienced.

For over 10 years, the organization endorsed a relaxed, 'no boundaries' environment that was encouraged by the CEO and accepted by the Chair and Board members. However, as the organization grew and new staff and Board members joined, this carefree environment began to lose much of its appeal. Newcomers were amazed by the lack of personal and professional boundaries between the staff and Board. Unclear lines of accountability created additional frustration, which led to an increase in employee and volunteer turnover and a poor reputation in the donor community. When the CEO departed to take on another role, his successor and a newly elected Chair developed a Statement of Values to help improve the situation. Although this was seen as a step in the right direction, it took over three years for the organization to fully recover.

Commitment 7:

Make communications a priority.

Those surveyed agreed: good governance demands transparency and detests secrets. To be responsive and productive the Board and staff must be able to communicate openly and with an appreciation for each other's information needs. Generally, this sense of openness starts with the CEO and Chair, who set the example for both the Board and staff. Participants felt that by operating openly and not hoarding information the Chair and CEO signal that they expect the same behaviour from others.

The two also play an important role in managing the flow of information. As one respondent explained *"Because of their unique position at the intersection of the staff and Board, the Chair and CEO can properly filter and channel information to key audiences. That is, they can avoid overloading the Board or staff with too much information, which can marginalize the items that are most important."*

Many participants also felt that one of the pair's most valuable communications functions is recognizing the contributions of others. Thanking those who have contributed their time and effort to a specific activity can pay wonderful dividends. For this reason, many successful duos will insist on formal and informal processes at all levels of the organization to acknowledge the work of others.

Commitment 8:

Maintain a united front.

"It can be quite powerful", declared the CEO of a national foundation, *"when the Chair and CEO truly support and complement each other, and are seen as being on the same page... there is a magical feeling when you can walk into a meeting and not be able to differentiate between the position of the CEO and that of the Chair.*

Participants agreed that the partnership's success often depends on the degree to which the Chair and CEO are consistent and united on important issues.

When this happens, there is a unique energy that permeates the Board and the staff, and invigorates them all."

Participants agreed that the partnership's success often depends on the degree to which the Chair and CEO are consistent and united on important issues. The majority felt that if either behaves in a divergent or self-interested manner, the organization could face serious disharmony. This is not to say that a Chair and CEO should never disagree. In

fact, respondents felt that it is quite appropriate for the Chair and CEO to negotiate their positions, so long as they do so behind closed doors; disagreement and debate are part of any healthy relationship. When making public appearances, though, it was agreed that the two should speak with one voice.

On the other hand, partnership and unity *"should not be interpreted to mean the sharing of responsibilities"*, as one respondent cautioned. *"The Chair and CEO"* he explained, *"each have specific duties, and there is a real potential for conflict if either neglects or abdicates those duties or uncaringly encroaches on the other's area of responsibility."*

Concerns can also emerge if the two are seen as *too* united. As the following example shows, even the perception of improper behaviour or bias can have serious consequences.

Conflict can also emerge if the two are seen as too united.

Jennifer (the Chair of a respected professional association) and Tom (the CEO) lead their organization for just over six years. During that period, the two built a strong relationship.

They were united on almost every issue, which was considered key to the partnership's success. Over time, however, some Board members grew concerned that the pair's relationship was too closed. While most Directors agreed that the two should show one face on key issues, they feared the two were creating a special 'confidential relationship' that was bordering on unethical. Whether or not they were warranted, certain Directors began to question every move Jennifer and Tom made. This created unnecessary tension at both the Board and staff level, and ultimately caused Jennifer to step down. Although the pair believed they always acted in the organization's best interest, they later realized that they were too closely tied to one another. Jennifer later reflected that, *'Tom and I failed to appreciate our parameters of accountability and authority. We should have been more sensitive to how we were perceived. As we learned, sometimes just the perception of impropriety can create the belief that we are not objective or neutral.'*

Commitment 9:

Protect and support one another.

The term 'sounding board' was frequently used to describe what this commitment meant. Participants agreed that, as the CEO's main contact with the Board, the Chair can readily seek out the opinions of the other Board members and ensure their concerns are brought to the CEO's attention. Similarly, because the Chair is not always privy to day-to-day matters that impact the organization, the CEO is in an ideal position to provide him or her with updates and briefings.

"My staff" remarked the CEO of a membership association, "does not always have the courage to tell me I'm messing up. I truly believe my Chair has a role to play in keeping me grounded and informed. In some ways she protects me from myself as well as the Board, and I protect her from the challenges or problems that could lie ahead."

Respondents considered this need for support and protection particularly important during and after the transition to a new Chair or CEO, as the following story illustrates.

A non-profit Crown agency had a unique governing structure with multiple reporting relationships. For five years, the agency was well served by its Board Chair, who was a Governor in Council appointment. When the Chair's term ended, the Minister's office appointed a high profile business leader as her successor. The new Chair had an impressive track record in both academia and the private sector. Not long into her term, however, it became apparent that she did not understand the agency's unique political, governance and operational quirks. In many ways, the organization was the exact opposite of the business that the Chair owned and

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operated. Sadly, she did not appreciate the need for diplomacy and consensus. Instead, she applied the top-down leadership approach that had worked well for her in her previous role. Her ineffectiveness as a Chair unfortunately erased many of the gains the organization had made prior to her arrival. As a result, she never truly gained the support and confidence of her Board or staff. At the end of her first two-year term, her appointment was not renewed, which was almost unprecedented.

Reflecting back on the experience, the Board and CEO realized that they did the Chair and the organization a disservice by not properly preparing her for the role. The CEO felt partly to blame, but learned a valuable lesson: never assume that a Chair is ready for the task, regardless of how talented or experienced he or she may appear.

One participant captured this commitment by stating, *“Neither partner should ever feel alone or vulnerable.”* In her view, *“Successful partners are supportive, engaged and (when required) critical of each other. They are secure asking their partner: ‘What do you think about this?’ ‘Did I mess up?’ ‘How should I have handled that?’ More importantly, they are receptive to their partner’s candour regardless of how painful it may be at the time.”*

Commitment 10:

Keep passions and emotions in check.

Conviction and passion are common features of many non-profit leaders. As our survey showed, the Chair and CEO have a duty to manage the emotions that they and others bring to their roles. As one CEO informed us, *“My Chair and I constantly strive to set an example and find a respectful balance so that we are seen as committed to the organization yet not dogmatic in our views.”* He added, *“We live a contradictory existence; we have to be passionate about the organization’s overall mission, but dispassionate on specific issues, in order to be considered objective.”* For many partners, this means balancing their own beliefs against a wide variation of expectations, needs and political interests – and not getting carried away by their ambitions or egos.

The politics, process and resource constraints found in many ‘multi-interest’ non-profit organizations can easily paralyse the most ambitious and well-intentioned leaders.

Finding the right balance and curtailment of one’s ego, however, does not necessarily mean bending to the point that neither partner can comfortably share his or her views. The Chair and CEO are, after all, leaders. As such, they will be looked to for guidance or even a strong stand on an issue when appropriate.

According to many participants, skilled Chair-CEO partners achieve this balance by tempering their passion and ambitions with wisdom and patience. Many newcomers to the sector

– who are attracted by the idea of ‘making a difference’ – are amazed to realize just how much patience and tolerance is required in these leadership roles. They, as well as many veterans to the non-profit world, often complain about feeling frustrated by the time and effort required to move people along. This should not be a surprise. The politics, process and resource constraints found in many ‘multi-interest’ non-profit organizations can easily paralyse the most ambitious and well-intentioned leaders. As one participant explained *“There really is very little glamour in today’s Chair and CEO roles. In some ways,”* as she described, *“the two are the organization’s workhorses – patiently manoeuvring through their daily challenges, rarely frustrated and never losing sight of the goals and the mission.”*

Preventing and Correcting Strained Situations.

Regardless of how skilled, experienced and committed the Chair and CEO are, there is always the possibility that the relationship will sour. Participants agreed that while the Chair and CEO are not required to *like* each other, they are required to *show respect* for each other's role and for the organization. Here are some suggestions provided by our participants that may help to overcome relationship problems.

- “Remember that most mission statements will not refer to a need to satisfy your personal ambitions or emotional needs.”
- “Know that your conflict could have negative implications on your organization, not only now, but well into the future.”
- “Think about the short- and long-term impact internal conflict will have on achieving organizational goals.”
- “Be mature and professional with the understanding that you should, as much as possible, resolve your personal differences in a timely manner without harm to the organization.”
- “Put your egos on hold until you leave the organization.”
- “Do not make the dispute public.”
- “Do not resort to unscrupulous acts intended to seek support from colleagues or Board members.”
- “Avoid the internal politics that often flow from and into a dispute.”
- “Make a genuine effort to resolve the issue.”
- “Learn from the dispute so as to avoid future conflicts. Agree on a mechanism to resolve future disputes.”
- “Candidly discuss your issues, getting to the root of the problem. If you cannot, ask a neutral third party to help you.” (Our participants recommended asking an impartial Board member, a consultant or some form of hybrid panel to help resolve the dispute. Assuming both are mature and professional, they will be able to decide on a process that will work best.)
- “If all else fails, bide your time.” (Interestingly, many survey respondents recommended that the CEO simply be patient and wait for a new Chair to be elected.)

III. What has the Survey Taught Us?

Survey participants taught us many practical lessons about this relationship that we have since applied to our CEO and Board recruitment practice. The most noteworthy advice shared with us included:

Pay serious attention to the matching process.

The Chair-CEO partnership is truly unique. Its value to an organization cannot be overstated. Because of this, organizations should be careful when making the match. In the words of some respondents, it is like planning an arranged marriage: rarely do the two get to choose one another as partners, but they must do what they can to make the relationship work. For this reason, it is important to be very judicious and to pay special attention to the leadership dynamic they will create when hiring a new CEO or appointing a new Chair.

Credentials or profile are not necessarily good predictors of success.

Some of the most advanced and sophisticated organizations still prefer a Chair with impressive credentials or profile, paying too little attention to his or her ability and willingness to work as part of a two-person leadership team. However, things are changing. Many organizations are now adopting policies that prevent Directors from overextending themselves; an issue that has become a real concern for private sector Boards as well. These policies are largely the result of failed leadership from some high profile Chairs and Board members who have stretched themselves too thin. As one would expect, well-known public figures are often very busy with commitments to many organizations. Limiting the number of Boards on which these individuals can sit, or the extracurricular activities in which they can be involved, is becoming common practice for many organizations.

Avoid focussing solely on ‘chemistry’ when selecting a new Chair or CEO.

There is no doubt that having a Chair and CEO with compatible personalities is helpful. However, for a number of reasons, it should not be the only consideration when selecting a new Chair or CEO. As mentioned in Commitment 4, a comfortable Chair-CEO relationship does not necessarily produce value; it is important that this relationship deliver measurable results. In addition, because a CEO will have to deal not only with the current Chair but also with future Chairs, Chair-CEO chemistry will likely be short-lived. A selection committee should therefore apply real rigour when hiring a CEO or Chair, and not base its decision solely on how well a candidate gets along with his or her current potential partner.

Do not overlook a person’s human qualities.

At the CEO and Board level, performance depends not only on technical competence, but also on personal characteristics. Humility, sensitivity and empathy are valuable traits in a shared leadership context. In fact, they are often critical to success: where a relationship has soured, it is almost always the result of interpersonal friction. Rarely are differences of opinion to blame.

Hold the Chair and CEO accountable.

Regardless of how they become partners, once the two are matched, the Chair and CEO are obligated to find a way to work together. Their success, and that of their organization, will hinge on their ability and commitment to do so.

In many organizations, the Chair-CEO partnership is a success even though the pair seems oddly matched. Our survey suggests the main reason is that the two hold themselves accountable to each other and those they serve. That is, they genuinely care about their relationship and the impact it has on others.

As one participant wisely concluded, “those that succeed in this shared leadership dynamic are committed to making their relationship work.” - a hallmark of any strong partnership.

About the Author and Ray & Berndtson



Michael Naufal is a Partner in Ray & Berndtson's Ottawa office. He has extensive experience in the recruitment of leaders on behalf of non-profit and public sector organizations and their Boards of Directors.

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For further information or additional copies of this article, please contact:

Ray & Berndtson
29 Beechwood Avenue, Suite 200
Ottawa, Canada K1M 1M2
613-749-9909
www.rayberndtson.ca
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