THE BOARD MINDSET™

The vital attribute of exceptional boards

THE CHIEF EXECUTIVE OFFICER
TRUST AND VERIFY

Choosing the right CEO is literally a 'bet the company' decision. The chief executive officer is the only employee hired by the board and the only one the board, can directly remove. However, the board cannot simply pick a CEO and hope for the best. Directors must always be thinking about the process of oversight of a CEO, and the quality of their relationship with the top leader.

In our experience, CEOs are usually ambitious people who seek a laudable reputation and legacy, as much as they advocate for robust compensation and affirmation. Most top leaders also want a smooth, trusting relationship with the board. Herein lies the rub; ease of connection can quickly become a proxy for trust, but it isn't. Similarly, directors want good relationships with one another and the CEO. Board members expect the top executive to be honorable and trustworthy, but sometimes simply assume they are until proven wrong. Even very experienced board members can err on the side of "not rocking the boat", when that is what they should do. Trust that exists for good reasons, as opposed to in name only, can and does survive disagreements and challenges.

Four things characterize a good relationship between a board and a CEO.

1. Agreement on the company strategy. The strategic direction must enable the board to advise, consult, and course-correct decisions about capital allocation. Absent clarity on this, alternatives will come to the board without a means to evaluate them, except by personal preference, budget, or habit.
2. Measures of progress that the board deems necessary. Significant risk and a source of conflict occur when management tells a board how to assess progress. Leaders can, of course, suggest how to evaluate progress, but a board must insist that the measures are valid and, where possible, predictive. Too often, self-referential benchmarking flies cover for poor performance in the marketplace.
3. Candid feedback to the CEO routinely. It may be a surprise to learn that many CEOs do not receive feedback of any sort. One CEO said, "I know I'm doing ok when I don't get fired after the board meeting." This board loved the CEO, but they thought he didn't need to hear it.
4. Honor the roles. To say that board members sometimes meddle is an understatement – it's familiar. On the other hand, and just as damaging, is a CEO interfering with the board's ability to fulfill their duties. For example, a CEO who dictates to a board that only they will be in the room for specific meetings, deliberately leaving out key senior executives who should have input, not to mention whom the board needs to know.

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Each of these four is fundamental, and within each are details pertaining to a particular organization.

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Great boards start with the concepts and work toward specific methods and practices, while less effective boards rely on habits or trends. Just as a good board delivers candid feedback to the chief executive, they also submit to a regular, robust review of their performance with external expert help. Vibrant boards know that learning how to improve is a sign of strength, and they help each other, and the CEO, do so, which strengthens governance and relationships and builds trust.

Helping Define Your Company's Success

Helping boards achieve excellence in critical aspects of governance that most ignore.

We can help you formulate a strategy that works:

- Defines the choices a company is making about who is and who is not a customer
- Doesn't serve as a rationalization for budgets
- Challenges assumptions
- Seeks to reduce risk, not avoid it
- Serves as a framework in which adjustments are expected and can be accommodated

We advise on any unaddressed issues to help the board and the company move forward. If you have any questions about The Board Mindset, visit www.theboardmindset.com or contact us.