



BOARDWORKS

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Eight Basic Expectations a Chief Executive has of his or her Board

We increasingly hear about chief executives being replaced prematurely because they have failed to meet their board's expectations. Unfortunately, there are probably at least as many, if not more, chief executives who are let down by their boards. For that reason we have previously advised prospective chief executives to 'look before they leap'¹ - to do 'due diligence' on the board of any organisation they were considering an appointment to. Here we list a few important, but sometimes unfulfilled, expectations chief executives are entitled to have of their boards and their directors. These eight expectations are core performance criteria for any board attempting to improve the relationship and working partnership it has with its chief executive. Underlying each of these expectations are important basic assumptions about the culture of the board and the honesty, integrity and diligence of its directors.

1. A willingness and commitment to get to know the organisation and the environment in which it operates.

Loading a board with industry insiders creates its own problems. However this should not imply that industry ignorance is a prized quality either. A sound knowledge of the organisation's business is an essential element in the board's preparation for the hard choices it has to make from time to time about, for example, what options to choose and where to put the organisation's resources. The board and its individual directors must, therefore, be committed to continually improving their understanding of the characteristics of the organisation and of the industry of which it is part. That means reading the background material the chief executive sends out and seeking out additional material. It means making time available to undertake site visits that are offered and to drop in from time to time to the places where the organisation does business. (It is important to be careful when doing the latter, however, not to cut across relationships or initiatives that management or staff members have in train and to ensure that the chief executive is aware of a director's intentions. The chief executive might be able to suggest a better time or may smooth the way for a more successful visit).

2. Regular attendance at meetings.

When even diligent directors miss a meeting they cannot help but fall behind in their understanding of the chief executive's circumstances and thinking. The same is true for a sense of the board's collective awareness and decision-making. Meeting minutes are no substitute for actually being there and experiencing the dynamic and shared learning of the meeting. Even directors who participate by telephone or video link are not so well connected into the very organic growth in understanding which is the nature of a board's work process. At best, a missed meeting creates additional work for the chief executive to help bring the absent director 'up to speed'. In the worst cases it forces a re-run of the meeting and perhaps even a relitigation of the board's decisions the next time the missing director is back at the board table again.

3. Adequate preparation for meetings.

Nothing upsets a chief executive more than to have slaved with their teams to prepare, in good time, quality papers and reports for board meetings and then have directors, by their comments

and questions, demonstrate that they have not read them. Not quite so great a sin, but at times almost as frustrating, is when a director has read the papers but proceeds to ask a series of questions at the meeting about the material itself that wastes the board's time and could have been satisfied in advance of the meeting. Such queries directed back to through the chief executive before the meeting might also have helped to identify the need for additional information or clarification to assist the whole board's preparation.

4. Full participation in the governance process.

A smart chief executive seeks to benefit from the collective intellect, wisdom and counsel of his or her board. The chief executive occupies a lonely and at times isolated position. In some ways the chief executive, too close to the action, needs the comparative detachment, objectivity and constructive criticism of the board. A chief executive does not want to find out when it is too late that a director had a different point of view from that put forward by management (or by another board member) or has important information that could have been shared with the chief executive and board. Such a failure can detract materially from the board's understanding of a situation or its assessment of a proposal. Even worse, it can create the impression that the board member is deliberately withholding information or standing apart from the collective responsibility of the board's decision making. If this occurs regularly it can seriously undermine trust between the board and the chief executive and within the board itself.

5. A commitment to teamwork.

The chief executive expects there will be effective teamwork between him or herself and the board leading to what might be described as a symbiotic relationship. In other words neither can function effectively without the support and effective performance of the other. Such a high level of teamwork can prove elusive when the board defines its role, as some are encouraged to, as simply one of 'supervising' management. Some theories (e.g. agency theory) that have influenced governance practice contend that chief executives are primarily out for their own interests and advocate that boards should be vigorous watchdogs on behalf of shareholders. Typically canine watchdogs must be suspicious, menacing and ready to pounce! Transferred to the boardroom this thinking encourages a cynical, pessimistic and untrusting approach by the board to its relationship with the chief executive that discourages rather than assists the necessary teamwork. An effective relationship between the chief executive and board can release tremendous energy for the good of the organisation and all those who depend on it.

Effective teamwork between the board and chief executive cannot, however, occur unless there is effective teamwork within the board itself. This means among other things the board developing techniques to facilitate effective communication and allocating sufficient time to refine and come to grips with important issues. It means individual board members behaving with courtesy and respect toward each other keeping a reasonable rein on their egos. To demand and encourage tough and unpopular views to be tabled and argued vigorously a board must develop a culture of teamwork and collegiality. A board whose members are just a collection of individuals is likely to lack not only mutual respect and admiration but also the commitment to tackle difficult issues.

6. A commitment to speak with one voice.

Many chief executives face the challenge of a board that lacks the ability or discipline to make timely decisions and give clear direction. For some this represents an opportunity. When the board is divided or has no clarity of thinking the chief executive can act as he or she sees fit. For other chief executives this type of situation is loaded with risk. Because they can never be quite sure who is calling the shots – the board as a whole, the chairman, or an individual director(s) - they continually have to make risk assessments about whose instructions or directions it is safest to follow. Even a chief executive who may enjoy the thought of having a board that lacks sufficient coherence to give direction will benefit from a board that 'speaks with one voice'.

The best board for a chief executive to work with is one that is sufficiently disciplined to work issues through until it can state clear directions and policies within which the chief executive is expected to work. The collective commitment of a board to an agreed course of action considerably reduces the risk that any of its individual members (including the chairman) will attempt to separately instruct or direct the chief executive according to their own agenda or preference. It is also less likely that the board will unwittingly undermine its delegation to the Chief Executive (see the article "When a Staff Member Complains to the Board About the CEO" on page

5 of this issue).

7. A collective commitment to improvement.

It is not unreasonable that boards expect outstanding (and continuously improving) performance from their chief executive. Every chief executive also hopes that his or her board will take responsibility for, and commit real effort to, becoming a better board. That requires not only the will and the commitment of significant resources – including the board’s time and attention – but also a process for systematically setting board and individual director performance expectations, defining performance improvement milestones and measuring progress towards those. A board that concentrates on doing its own job well is less likely to use its time trying to tell the chief executive how to do theirs. No chief executive should expect to be forced to prompt his or her board to define its own performance standards and to accept responsibility for its own performance improvement.

8. Sincere support for the chief executive.

In most organisations it is expected that every director will have a demonstrated belief in the worth of the organisation’s mission and initiatives. As the board’s principal agent, the chief executive deserves respect and loyalty – the office if not the individual who occupies it. The board should demonstrate respect for the chief executive’s expertise and grant him or her the freedom to exercise their experience and professional judgement within reasonable board-set boundaries drawn as clearly as possible. This does not imply blind loyalty, but it does mean accepting (until proven otherwise) that the chief executive and the executive team are good and competent people. Some directors, seeking to find favour with constituents, undermine confidence in the chief executive by being critical of him or her to people outside the organisation. Such behaviour is a certain way of weakening not only the chief executive’s position and confidence but also of diminishing the board and the organisation as a whole.

Directly expressed moral support and encouragement for the chief executive is indispensable but, regrettably, is often missing. The board should not be drawn, as some are, into becoming a mindless cheering squad but, as someone once said, “positive feedback is the breakfast food of champions”. At the very least a chief executive should expect, of right, to be given timely, honest and open feedback about his or her performance. The board has a vested interest in seeing that the chief executive is the best performer he or she can be. When a new chief executive starts in the job it is unlikely he or she has everything needed to be the complete contributor to the organisation’s performance. The chief executive therefore needs to hear from the board about anything that might help him or her see things more clearly or to operate more effectively. The chief executive should never be taken by surprise about the board’s view of his or her performance even if it means a board advising that it is facing up to the possible need to seek a new face (and skill set) at the top. For the board the essence of this challenge has never been more succinctly put than by William Adams:

“If you don’t like my approach to the job, and don’t tell me, you are (to be frank) cowardly. If you like the way I go about my job, and don’t tell me, then you are missing one of the great motivators of all time: positive reinforcement.”²

Remember, finally, that few board members have as much at stake in the organisation personally as does the chief executive. The very least, therefore, that is owed to the chief executive is a chance to maintain or enhance his or her reputation and livelihood. If, given a clear understanding of the board’s expectations and a reasonable opportunity to meet those, the chief executive does not have the board’s confidence, he or she deserves to be told that and be assisted to exit the organisation in a dignified and constructive manner.

Conclusion

Successful governance performance requires a successful partnership between board and chief executive. It is a reciprocal relationship. While the board has reasonable expectations of the chief executive so too does the chief executive have reasonable expectations of the board. Every board must know what it takes to find and keep motivated the best chief executive they can afford to get. Being able to confidently check off these eight expectations will be a very good start. If you don’t already know how your chief executive might rate your board we suggest you find out PDQ!

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2 William W Adams. What the CEO Should Expect from the Board. Director's Monthly, July 1996.