



Building Trust between the Chair and CEO

Ian Gibson, Criticaleye Board Mentor and Chairman at Norbrook, tells Criticaleye about the complexities of the relationship between the chairman and CEO

What's the ideal relationship between a CEO and chairman?

An honest partnership between the CEO and chairman is the most important element. It's all very well having governance and guidance, but it will always be about two individuals coming from different backgrounds and forming a relationship.

That means starting early with a meeting between the two, during which the chairman explains that they're offering complete openness and honesty and expect the same in return.

The chairman and CEO should never demonstrate to the board, shareholders or executive team, any gaps between them.

It helps considerably if the chairman was previously a chief executive. The CEO may seek space and want the chairman to manage the board so they're out of the way. I know CEOs who might behave like that and, in my youth, I probably did too – until I learned. At that point the chairman must explain that it can't be that way and that they need to explore a reasonable middle ground.

The chairman and CEO should build from those mutually understood ways of working.

How should a chairman support a first-time CEO?

When you have a new CEO – or one with a whole new set of challenges – it's important for the chairman to be able

to see those issues, to gather opinions from board members, to offer guidance and be a constant sounding board. They should be critical if needed, but always supportive. A chairman ought to do that without having to be invited.

A chairman also has to be sensitive to when they need to step back a bit – you want the CEO to remember and realise it's their job to lead. The chairman can give advice and guidance, but it doesn't mean the CEO can abdicate responsibility.

That advice should be given in private because the board should not sense that the CEO is being second-guessed by his colleagues.

This is about relationships, not just about process. Process tracks what >



is happening, relationships define whether it happens easily and seamlessly or if there's a standoff. If it becomes fraught it will take a while for that to fade, and that just isn't helpful.

Can a chairman act as a mentor to the CEO?

Yes, but it's immensely reliant on the quality of the relationship. A chairman has to put themselves in the CEO's shoes because it's natural for the CEO to worry about what signals they might send by raising a certain point. That really depends on trust. The chairman ought to be the person that the CEO can come to with any issue about the business, as someone who knows a lot about the it and has been around quite a lot.

The chairman is a sounding board, a commentator, an observer. But

that's not mentoring, that's the CEO-chairman relationship.

When it steps beyond that, to cover advice that's more personal, a lot of CEOs would find it difficult to risk opening themselves up that much to someone who has the role of hiring and firing them.

Most of the time that mentoring dynamic is much better outside the complexities of the CEO-chairman relationship.

Is it important for the CEO to seek an external point of view?

Early on in my career when I stopped being a CEO and became a non-executive and a chairman, I was relatively unimpressed by the idea of CEOs needing external mentoring. That's almost 20 years ago now and over that time I've become more convinced that it's of benefit.

Being a CEO is an extremely lonely life. You're always having to keep things to yourself; you're always guarding your views. You need to continuously evaluate your people and whether they're working as a team.

Eighty per cent of that you can, and should, share with your chairman, but when it comes to things that may make people question your judgements as CEO, you won't want to share. That's when you should have a mentor.

I would suggest to most CEOs that they have some occasional mentoring. As a chairman, one has to be slightly delicate about that because some CEOs might feel threatened by it, wondering if there have been complaints.

How important are NEDs and SIDs in calling out the CEO-chairman relationship if it isn't working?

If they don't feel that there is a good relationship they need to take that up with the chairman. The CEO has a business to run so you shouldn't distract them. They should tell the chairman why they feel the relationship with the CEO isn't working and present evidence.

If, on the other hand, the CEO feels that the chairman isn't right, the non-executives become crucial too. The CEO should go to the Senior Independent Director and debate their reasons for concern. That enables the SID to discuss it with the NEDs, who can then discuss it with the CEO. ■

3 TIPS ON BUILDING TRUST

1. A chairman should not assume that the relationship's going to grow, or that whatever is in their mind will transfer to the CEO. They should actively develop thoughts through open discussion and not worry about getting it all done at once.
2. Sometimes a CEO will think they know more than their chairman and won't want to listen to them. It's the chairman that has to solve and develop that relationship, not the CEO.
3. It's not just the Senior Independent Director who can raise issues with the chairman, NEDs can too.



Ian Gibson
Criticleye Board Mentor /
Chairman, Norbrook

Sir Ian is currently Chairman of Norbrook, a global provider of veterinary pharmaceuticals, and an Independent Non-executive Member of the Public Interest Body of PricewaterhouseCoopers.

He has been Chairman at Trinity Mirror, Morrison Supermarkets and BPB, Deputy Chairman at ASDA and a NED at several companies, including GKN, Northern Rock and Greggs.

Sir Ian spent his executive career in the automotive industry with 17 years at Nissan Motor Company and 15 years at Ford.

Contact Sir Ian through:
www.criticleye.com