



CRITICALEYE

The Relationship Between CEO and Chairman

Often described as the most critical relationship on the board, there's plenty that can go awry in the bond between a CEO and chairman. Criticaleye finds out how trust and respect can be maintained

Mad as it may seem, a CEO once felt the need to hire a private investigator to follow the company chairman's every move, such was the breakdown in their relationship. It shows how the dynamic between CEO and chairman, like any relationship, can go catastrophically wrong and why every effort has to be made to ensure that both parties are in agreement about what's best for the business.

Without trust, there is going to be trouble. **Julia Robertson**, Group CEO of outsourced HR services provider Impellam, says: "[The chairman] was on the board before I arrived, so I'll talk to him openly about whatever legacy

issues I've found and what I think we should do about them, and I'll ask him if there's anything I haven't considered. What makes the difference is if you communicate openly and transparently, whether the news is good, bad or ugly."

It makes sense for a CEO to manage expectations by defining the terms of the relationship. **Rob Margetts**, Chairman of mapping agency Ordnance Survey and former Chairman of insurance giant Legal & General, recalls: "When I first became Chairman of Legal & General, then CEO David Prosser sat me down and said: 'Now this is how we're going to do it; you are going to commit in your diary two hours a week for us alone. I'm going to

come prepared with all my items which I'd like to let you know about that are going on and I want you to do the same. Then we're going to reach agreement on what's the best way forward.'"

POWERFUL COMBINATION

There are any number of reasons for a breakdown between the CEO and chairman, but without question the biggest is when the lines become blurred about who has responsibility for the business. **Jamie Pike**, Chairman of plastics manufacturer RPC Group, says: "You cannot have two chief executives trying to run an organisation, so the chairman must be hands-off. If he or ►

she feels the need to be hands-on it probably means a new CEO is required.”

Julia comments: “If [my chairman] got involved in any of the areas of my remit and didn’t keep me informed as to why he was getting involved, that would cause me a problem. So it’s about clarity, accountability and respect.”

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Self-control and discipline are required to keep more heated debates behind closed doors. **Brian Stevenson**, Criticaleye Board Mentor and NED at Agricultural Bank of China, and formerly Chairman of Global Transaction Services at RBS, comments: “If you’ve got a chairman and chief executive that are clearly not getting along together, or have disagreements about strategy, or anything that’s visible to people, then that sets the tone for your whole organisation.”

Don Elgie, CEO of insight and communications agency Creston, comments: “The course that the company takes and the support that the CEO needs from the chairman are vital for the future health of the company, and not to have that could seriously damage or delay the progress that a company makes.”

Provided the boundaries have been set and expectations managed, a CEO can benefit enormously from a good chairman’s input and insights. **Christian Nellemann**, CEO and founder of PE-backed XLN Telecom, says: “As our business has grown and gone through a number of different stages, I’ve had to change my leadership style and way of operating and engaging with direct reports and employees in general. It has certainly been incredibly helpful to be able to discuss issues with somebody that has already been there and done it... my chairman is very much my mentor.”

It shouldn’t be forgotten that if a chairman feels investors aren’t being served well, then they can issue marching orders to the CEO. This can’t be a ‘matey’ relationship, so, again, it comes back to having the right balance.

Sam Ferguson, CEO of EDM, an information management provider, says: “The job of my chairman is totally different to mine. He doesn’t manage the strategy; he doesn’t manage acquisitions. His only job is actually to manage the board.”

According to EDM’s Chairman, **Iain Ferguson**, “there’s positive tension, of course”, and he believes that’s healthy when doing big things like making major acquisitions and changing the way a company operates. “But because we’re very aligned and transparent and because there’s a tight and effective leadership operation in the business, it works very well,” he adds.

Words like ‘harmony’ and ‘chemistry’ may be over egging it slightly, but ultimately if the working relationship is right then the company will be in

a strong position. As **Glen Moreno**, Chairman of education and publishing concern Pearson, says: “Everybody assumes it but [the CEO-chair relationship] is the key to everything... You need a basis of trust and confidence and to be talking all the time.” ■

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Featuring Commentary From:



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