



The Chair/ Chief Executive relationship

A complex
marriage that
can stand
the test of time

Foreword



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GatenbySanderson specialises in finding outstanding leaders, developing them and supporting the teams they're part of. We're best known for bringing the art of executive search together with the science of discovering and measuring highly effective leadership. You may recognise us through our reputation for handling Chair, Chief Executive and Director executive search, but our team is exceptionally experienced and knowledgeable across far broader terrain, with deep relationships across a diverse and vibrant Not for Profit Sector.

We're increasingly working with non-executive Boards to support their development, and with executive and non-executive top teams to increase their effectiveness and improve relationship and understanding. We're passionately committed to Civil Society and see our role in that context very much as supporter, capacity-builder, commentator and convenor.

In 2016 alone, we supported our clients in making almost 100 leadership appointments; our Practice engaged with over 1,000 Board-level candidates and our searches touched many times that number.

The extent of our networks and influence is perhaps less quantifiable, but nonetheless very much felt by the team in response to our annual thought leadership. Our 2016 report *Thriving in the Age of Disruption* was welcomed by leaders right across the Sector and beyond. This year, we've been exploring the relationship between the Chair and Chief Executive. What should this critical relationship really look like? Who's in charge? Are there any rules of engagement? In a Sector without much uniformity in governance, protocol or behaviours, could there ever be a blueprint for success?

Introduction

The Chair / CEO relationship is widely considered to be one of the most significant, if not the most significant, in any organisation. As such, it has attracted a formidable reputation and even mystique. Working well, it's regarded as a powerful and transformative alliance: an inner sanctum in which the most dangerous and intractable problems are considered, dismantled and resolved, and in which there is a level of understanding unrivalled by other alliances in the organisation.

But when it fails, it's the first place to go to apportion blame, and the press paints a particularly bleak picture of relationship breakdown – of negligent chairs and corrupt chief executives. Cultural degradation, broken careers and tarnished reputations follow. For every story we read in the press, however, there are another 10 which, behind closed doors, silently fall apart. These are the hidden casualties of failed boardroom marriages.

Reference to the Chair/Chief Executive relationship – given the power it has to make or break careers – is often loaded. But our report finds that attitudes to it can be surprisingly casual – “it's part of the job; don't get excited”. The cheery chief executive who considers he has a “great” relationship with his chair, however, can't say why and can't define it. There is a quality there that keeps it going, keeps everything ticking along, but which defies identification and description.

The Chair who joined a new organisation in a new sector is struggling with the relationship with their chief executive, but can't pinpoint why. Quite simply, there is no rule book; no 'How To' guide.

The challenge, of course, is that without knowing why something works or doesn't, it's impossible to anticipate problems when they arise and handle them in a way that keeps the marriage strong. Nor is it possible to take steps actively to maximise the partnership in the interests of the organisation and its mission.

We asked 70 leaders – both chairs and chief executives – what, in their experience, they had learned about this relationship. This is what they said.

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If you get the relationship right, the opportunities are much higher: you can take more risks and create more ambitions for your service-users and beneficiaries.

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Four pillars of the Chair / Chief Executive relationship

1

“Are we talking about relationship, or are we talking about governance?”

Only in the context of governance does the accepted model of the Chair/Chief Executive relationship become relevant. Governance dictates the rules of the game.

2

“You can go a long way on trust.”

There are some relationship basics that need to be in place for the partnership to work before anything else happens.

3

“Assumption is the mother of all...”

Actively seeking clarity of role and responsibility at the start is essential.

4

“Ego is where it all goes wrong.”

It has to be an adult to adult relationship; other than that, there are no fixed rules of engagement. While the Chair often leads the conversation, it's the responsibility of both parties to set the tone.

The role of governance in the relationship

There can be no meaningful Chair/Chief Executive relationship if the governance required to define the respective roles and responsibilities is not in place. Before you consider the quality of the relationship, think about why you are there: do you have the right strategy? Are you clear, as a Board, that you know what good implementation of the strategy looks like? Are you on top of all the legal and regulatory responsibilities to which your organisation is subject? Without these, there are no lines drawn, no context and no stage for either role to be played.

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It's important to recognise the role that governance really plays because problems that actually arise from the absence of strong governance can be wrongly attributed to poor relationship. Here, mission is also a key consideration. If the Board is working to a particularly broad mission, it will need to respect the judgement of its executive in making the mission manageable, so as to be able to deliver it. This, and other tensions, can be played out in the Chair/Chief Executive relationship – and in these cases, while the protagonists might name the problem in the relationship, they may not see – or want to address – the real underlying issue.

Consider this: the Chief Executive who becomes irritated by the Chair who consistently strays into their territory; the same Chair who feels unsighted on what is actually happening in the organisation, because the papers are never available on time. Or the Chair who becomes infuriated by the lack of performance in the Executive, and the same Chief Executive who feels they just cannot do everything. Here, both parties may recognise the tension in the relationship when the issue is really to do with governance and strategy.

Is this why so many people have nothing controversial to say about the relationship in their own experience? In other words, if the right governance and strategy is in place, and the organisation is stable, then the relationship may work without much effort on either side.

If the right governance is not, however, in place (for example, at start-up, against a backdrop of extensive change, or because its importance has never been recognised) then the quality of the partnership will matter much more. Here, it's down to the two personalities to work out how they will utilise their respective responsibilities to move the organisation forward. Without the same context, the deal between them personally is make or break.

Should expectations of this relationship be so fixed? Should we make allowances for the different types of partnership required for different circumstances?

Relationship basics

If the governance arrangements are in place, then the next step is to create the foundations of the relationship. These foundations are based on an informal contract drawn up by both parties, which prioritises:

- alignment of values, with shared vision for the organisation – in other words, a shared agenda;
- clear boundaries, although where the line is drawn makes little difference providing both parties understand ‘the deal’;
- mutual trust borne out of a healthy respect for each other and based on open and free communication.

At different times in the lifecycle of the relationship, different aspects will assume greater precedence.

Although they may not want to socialise with each other, chairs and chief executives who form successful partnerships are able to see the world through the other’s eyes and it’s a relationship very much about compromise and give and take. This is important because it will inevitably take time for the relationship to develop.

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Over-optimistic gloss undermines trust.

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There are also a range of relationship enhancers such as fantastic personal chemistry, rapport and complementary skillsets. While these are feel-good factors, however, they can be misleading and in fact are only superficial qualities. They aren’t enough in their own right to underpin the relationship, especially when it comes under strain.

Great personal chemistry is often celebrated where it exists in this partnership – and indeed that was originally the starting point for our report. But the notion that the Chair /Chief Executive partnership depends on it is a myth. One respondent even believed that negative chemistry can still work providing there is a clear and agreed strategy in place. Another who enjoyed an excellent relationship with their counterpart talked about the need to constantly maintain appropriate boundaries to stay in “critical friend” mode.

It’s true that negative chemistry will be a warning sign for many, given we want to enjoy the job rather than survive it, but there are much more important ingredients to take into account in a lasting marriage.

Finally, the basic contract in place between Chair and Chief Executive is important because the relationship needs to withstand gear change by the Chair, as he or she is required to assume different roles in the course of their duties. This can include, at different times, mentor, challenger, supporter and catalyst for ideas. Staying at a comfortable distance from each other while also trying to walk alongside each other can make for a delicate balance. In the words of one respondent: "it's mirror, signal, manoeuvre".

The challenge is for the Chair to remain consistent in how they approach the relationship, while retaining space and flexibility, so the Chief Executive always knows where they stand.

"The way my meetings with my CEO are scheduled says a lot about mode. A drink means I'm in coaching and mentoring mode. A scheduled 1:1 means I'm in scrutiny, challenge and forward planning mode."

Despite all of this, few people we talked to had taken the time at the outset to work out their relationship. Very few had considered the "what if...?" scenarios, and fewer still had ever talked about what it is they both wanted from each other. Without that conversation, "it's impossible to know where each other's buttons are ... it's a bit of a dirty secret in our sector that you might not be doing it for altruistic reasons. You have to be honest about what you want to get from your time together, and recognise the transaction."

Three questions to ask each other before you commit:

As Chair/Chief Executive, what do you need from me to carry out your role?

What's our shared vision for the organisation?

Why are we both here?
What's driving us as people?

Why you should never take anything for granted

Too few people carry out their due diligence – even at a basic level – prior to their engagement. These include chairs who don't want to take part in the selection of their chief executive, and chief executives so focused on securing a particular role that they forget to think about the bigger picture. In amongst a myriad of considerations, everyone quietly overlays their own – sometimes uninformed – expectations on the situation. Everyone assumes they can make the relationships work. Chairs and chief executives joining from other sectors in particular often assume that their role will have the same content and levers wherever they are. Everyone assumes that everyone else knows what they're doing...

The problem is that it's all so obvious that no one wants to ask. Yet misunderstandings caused by unstated expectations on either side can quickly escalate in the wrong conditions. Achieving clarity at the start – and insisting on it – feels like a bold move, but is essential. Too few people feel it is appropriate to ask for that clarity, but in fact the consequences of not asking for it can be devastating further down the line.

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When I joined as Chair, I couldn't believe that we had no plans. We were dead in the water!

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Don't be seduced by the attractiveness of the job. Really suss out what the Chair will be like to work with on a day to day basis.

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Who's in charge?

The balance of power – and whether there is or even should be one – is viewed differently according to individual experience, attitude and values. There is no clear and accepted rule about who's in charge in the Chair / Chief Executive relationship. It's quite clear, however, that the Chief Executive who fails to manage his or her Board properly will quickly complain about it, and spend most of their time dismissing it. And the Chair who does not engage until Board meetings – and then fails to understand the business – will quickly blame the Executive for not doing a thorough enough job.

There is a school of thought that says that the Chair should set the tone, and the CEO – “with an open and respectful attitude” – must be prepared to walk out to meet them. This makes it important to consider carefully the impact a new Chair will have once they are embedded in an organisation. One respondent told us that only 70% of experience and insight may ever truly be transferable when a new chair joins a board. 15% will never be transferable. A final 15% is transferable only if the new chair understands the cultural nuances of the organisation. Yet failure to understand the nuances is enough to derail the 70%. If the tone is not set well by the Chair at the start, the Chief Executive may have minimal or no influence over the future of the marriage.

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As Chief Executive, the only power you ever really have is to hand your notice in.

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We think that the Chair should lead the conversation, but it's always the Chief Executive's responsibility to make it work. Some Chief Executives may be more active than others in their stance, but in fact both parties should have equal 'power', determined by the contract they draw up at the start. Problems can arise if, for example, a chief executive ends up feeling disempowered ('parent/child' or teacher/student dynamic) or a chair feels powerless (controlling Chief Executive). But by being honest about what it is you want to get from the relationship at the start, a framework of expectations is set.

Who chairs the chair? With minimal advice and guidance available in the Sector for new chairs, who do they turn to for advice and guidance? Some appoint, informally, a 'buddy' on the board, or actively seek advice from fellow trustees. Boards are increasingly looking at using their Vice Chairs or introducing a senior independent director (a private sector model) to support the Chair and provide a safe space to address emerging issues in either governance or relationship.

**'More than the sum of its parts':
nine traits of a high functioning partnership**

1. Know the deal – they have clear and well-articulated expectations of each other in the context of mission, governance and strategy
2. They have a shared agenda
3. They work on a high degree of trust founded on respect and there is no blame culture
4. They both have excellent insight and self-awareness
5. They are engaged, invested and committed to the partnership
6. No surprises – they are honest, open and transparent
7. Empathy – they can each see the world through the other's eyes
8. Disagreement is healthy but happens only behind closed doors
9. Like any human relationship, it thrives on give and take

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The relationship is a bit like sailing. You need to keep going in the same direction even if your sails are being blown around and you are taken off course.

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The stories that didn't end well

Trace back through a story that didn't end well and you may find some of the following warning signs:

Underinvestment in the relationship.

They never really connected in the first place. There may have been a failure to recognise the relevance of the relationship or it may have been complacency, lack of experience or personality clash.

The deal was never agreed.

The small print can come back to haunt you in the Chair/Chief Executive relationship if confusion arises on who should be doing what. Even if everything looks to be in order, time invested in understanding the deal is time well spent.

What happened to the listening phase?

A new Chair sought to establish their authority before their credibility and failed to observe important cultural cues.

Power play.

When the organisation came under siege, one party responded in a way that established a power relationship – this is where ego can be the issue.

Misaligned values.

Lack of time or connection meant they never found out how the other saw the world. No one knew that their priorities were so fundamentally misaligned until it really counted.

“Lack of trust ultimately presented a position of no return.”

There was inflexibility and unwillingness to compromise because trust had started to break down, as everyone worked on the defensive.

Conflict.

Contempt set in. The situation escalated, drawing in more and more team members. Most relationship counsellors will tell you that contempt marks the end of a partnership because it's so hard to recover respect once it's been lost.

Exit.

One party exits the organisation. (Usually the Chief Executive.)

Review of governance.

The inevitable review and attempts to identify learnings reveal improvements to be made to governance, as well as cultural and behavioural aspects of leadership. Many governance reviews happen in response to problems like this, to fix isolated issues. The time to review governance is, of course, when times are good: had this been considered in the first place, perhaps the story may have ended differently?

Advice for Chairs

Get the governance right first – as Chair, you can influence this. Consider different models, even if you think they may be unpopular, such as a unitary Board that combines non-executive and executive, or a Senior Independent Director or Vice Chair who can support you and review performance.

Respect and understand the emotional content of the organisation as much as the transactional. Be honest about what you really want to get from the role.

Listen to your gut. Insist on meeting the Chief Executive at the earliest opportunity and if you don't think you can work together, don't appoint them – or don't join the Board. Explore personal fit and empathy for the organisation's mission, but also alignment with your personal values. Be honest about whether this is someone you can do business with. Can you trust and respect them and expect that to be returned? Never, ever appoint The Least Worst candidate.

A slow death is awful. As Chair, you do have the option of sacking your CEO. But you should use it sparingly.

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Start the conversation about how you are going to work together early. Agree the deal and ground rules, including boundaries and a plan for both formal and informal meetings. Decide, together, who will take responsibility for what and be clear on who will be the public face of the organisation.

Listen. This is particularly important in the early days when you will need to understand the cultural nuances of the organisation, in order to make sound judgements.

Mirror, signal, manoeuvre. Find ways to indicate to your Chief Executive when you are about to change gear, so they can prepare and know where they stand.

Advice for Chief Executives

Insist on opportunities to carry out your own due diligence before you reach an advanced stage of the recruitment process, if you are applying for a new role.

Trust your instincts. If you don't think you can work with the Chair then don't. The relationship will be such a key part of your role that you will need to gain value from it.

Allow the Chair to start the conversation and remember that respect is everything. You will need to work at the relationship: once you're in post, invest time in building respect and learning how to manage upwards.

Good board hygiene really matters: use it to frame your role and working relationship.

Remember that the relationship is like any other: it's about give and take. Acknowledge differences early. If the fundamentals are in place (shared priorities for the organisation) then the partnership will bear difference of opinion and withstand healthy debate.

Manage for no surprises.

Test everything before it goes to the Board. Know how it is likely to land.

If you run into difficulties with the relationship, consider first whether the relationship really is the issue, or whether there is an underlying problem which you can raise and tackle together.

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If you are the HR Director or Company Secretary

Both HR Directors and company secretaries may find themselves cast in role in relation to the Chair/Chief Executive relationship: as referee and go-between, as sounding board, as guardian of good governance, as the ominous third point in the 'drama triangle', as mediator, silent witness or "I'm well out of it, thank you very much".

In supporting (and sometimes managing) this dynamic, many – especially HR Directors – will choose to go straight to behavioural aspects of the relationship. However, there is more that third parties can do to support this important relationship, especially in the early stages when recruitment, on-boarding and induction for either role is taking place.

Make sure the Chair is properly supported when he or she joins. When you recruited them, did they ask the right questions? Was it clear that they understood the governance, reporting lines and strategy? Were they respectful in their attitude towards the mission, priorities and infrastructure already in place?

Are you confident that they have the availability and willingness to engage properly, and do they understand where the line is drawn between executive and non-executive? These questions are particularly applicable to candidates joining from outside the Sector, whose expectations may be based on their experience gained in a very different environment.

When choosing the Chief Executive, check candidates' understanding of the relationship with their Chair and insist on an informal chance to meet. Always choose the Chair first if you can, and the Chair must engage with this exercise, and be comfortable with the calibre of the candidate likely to be appointed. Never appoint 'the least worst' which can be tempting – the Chair must have confidence in his or her Chief Executive from day one. If that isn't there, and the Chief Executive is viewed as a project or work in progress, they will find themselves on the backfoot from the beginning.

Do offer informal support around the relationship from the early days, while also giving the relationship the time and space it needs to develop.

Prepare the ground well. Assuming suitable appointments have been made in the first place insist on active expectation exchange at the start. Ensure good Board hygiene so everyone knows where they stand and there's a context for the relationship to develop. Make sure everyone is clear on the values and behaviours they are expected to role model.

Once everything is in place, observe from a polite distance. Be prepared to challenge inappropriate behaviour at Board level if you need to, and actively support the conditions for openness and transparency. Routine performance management for all provides an outlet for feedback and constructive discussion if the relationship drifts.

Always manage and contain a situation where breakdown looks likely: a deteriorating Chair/Chief Executive relationship may quickly escalate as more and more parties become involved.

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Where next?

The conditions for a successful partnership boil down to some extremely basic principles. In many ways, it's hardly surprising that those chief executives we mentioned at the start, who are content with their current experience, found it so hard to unpick what it was about it that made it all work. If the governance arrangements are in place, the business managed by both parties well supported, and talent well managed, the organisation could almost run itself. In these situations, the question is more about what else the central protagonists could be doing to boost their organisation through such a formidable alliance?

In many situations in this sector, however, the governance is just not in place. The foundations aren't there and the premium is instead very much on the Chair and Chief Executive team to address that. But leaders are joining organisations where governance arrangements may not have been updated for a long time, where culture change is slow, infrastructure light, and where there are issues with the Board straying into executive territory.

The change we have seen in the Sector in recent years still creates tension between 'old' and 'new' thinking: it's a shock for the new Chief Executive when he joins an organisation to transform it only to discover total resistance to change at the very top. The new Chair feels the same when she joins the Board only to discover that her well-meaning, highly committed and conscientious Chief Executive is unable to provide management information that is standard in another environment. For these leaders, relationship really counts. In the long run, not just to them, but to their entire organisation and all of those it touches in the course of its work. But with time and effort to ensure the basics are in place, this is a resilient alliance that can truly move mountains.

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You can move
mountains if the
relationship is right.
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