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A BOARD HOME FOR CEO RELATIONSHIP MANAGEMENT

Early in my consulting career I learned a valuable lesson about the potential cost of not building into a nonprofit or public board's structure formal accountability for managing the board-CEO working relationship. I was working with the extremely capable CEO of a mid-sized public transportation authority that provided bus and commuter rail services. He was in many respects a superstar, having shaped up what was a seriously leaking and off-course ship during his first three years on the job, responding to the emphatic direction of the board's executive committee. On his watch several top managers had been replaced with far more qualified successors, a modern financial management system had been installed, rigorous budget control had been instituted to end chronic over-runs, and on-time performance had significantly improved. Being aware of what he'd achieved over the past five years, I began my consulting assignment with the authority confidant that one of the issues I wouldn't face was having to repair an eroded board-CEO relationship.

However, over the course of interviewing all board members early in my consulting engagement, I discovered a high degree of frustration with the CEO's leadership that was centered on his leadership priorities. Almost to a person in my interviews, board members talked about the fact that times had changed since the CEO had taken the helm: the operation was running smoothly – which everyone gave him ample credit for – and now was the time to work on the authority's image and relationships with key stakeholders, such as the state department of transportation and at the local level, the mayor's office, county commission, chamber of commerce, and local economic development commission. Friend building was a tremendous concern of the board members I interviewed, and they strongly felt that their CEO was still basically being, as one board member put it, "Mr. insider nuts and bolts manager" and neglecting his critical external diplomatic role.

Having uncovered an issue that clearly jeopardized my client board's relationship with its CEO, I naturally made an effort to ferret out how this could have happened. What I discovered was a simple but surprising explanation: the board and its CEO had never talked formally, in detail about board members' evolving expectations about their CEO's leadership priorities. The reason? There was no formal home for such a dialog. Concerns had been raised at various times by different board members, but always individually and never strongly enough to penetrate the consciousness of a strong-willed, hard-driving CEO who relished being an operational virtuoso. This story has a happy ending, I'm pleased to report. Not only did we have a very productive discussion about the issue at a special board-CEO work session that I facilitated, more importantly we created a new "board operations" committee that was explicitly charged with managing the board's relationship with its CEO. At its first meeting, the committee negotiated a new set of leadership priorities with its CEO, who made a firm commitment to begin active friend building at the state and local level.

Since those early days in my consulting career, I've seen an increasing number of nonprofit and public boards recognize that they can't afford to let their relationship with the CEO erode because of the tremendous potential cost in terms of internal management turmoil and damaged morale, a tarnished public reputation, and the expense of finding a successor. Consequently, many boards have taken two concrete steps to keep this precious relationship healthy: making it a formal board priority and assigning detailed management of the relationship to a particular board committee. For example, one of the formal governing functions enumerated in the “Board Governing Mission” of a public transportation authority I worked with recently was to work “in close partnership” with their CEO, and, like many other nonprofit and public boards, the authority established a Board Operations Committee whose formal functional description includes responsibility “for the maintenance and development of the Board – CEO working relationship.”

Assigning responsibility for overseeing and managing the board-CEO working relationship to a mainline board standing committee is perhaps the surest way to ensure that potentially damaging relationship issues aren’t allowed to fall through the cracks. And because the board operations or governance committee is typically headed by the board chair and consists of the chairs of the board’s other standing committees (such as planning and performance monitoring) and sometimes other board officers, such as the secretary and treasurer, they are an ideal body to pay close attention to such a high-stakes, notoriously fragile relationship that can easily erode if not meticulously managed. Not only does the composition of the board operations or governance committee signal that the board-CEO relationship is a high governing priority, it also lends credibility to any agreements reached with the CEO that normally require full board approval, such as the CEO’s annual leadership priorities and action to address a serious relationship issue.