



Advice To A New CEO: How To Handle Your Board

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We have advised and assisted many boards of directors with succession planning and coached new chief executive officers through their first year of transition, and we've found that most CEOs encounter big surprises after assuming the top job. Many are overwhelmed by the sheer demand on their time and how many balls they must juggle at once. The past couple of years have only made things harder for new CEOs, with the business environment the worst since the Great Depression and with a whole new, very powerful constituency to manage--the government. Even with all that, one of the biggest discoveries for a new CEO is how much time and energy is required to lead, manage, and effectively interact with the board so as to add value to the organization.

Some CEOs eagerly embrace this role; others see it as a distraction from what they consider the real work of running the company. They may delegate board relations to the chief financial officer or general counsel and give it little attention personally. They often do so at their own peril. With boards continuing to ramp up their scrutiny and oversight of management, CEOs need more than ever to focus on board interaction. You may have stronger board members than ever before, but the CEO still must play a significant role in board leadership.

If you're a new CEO, building a strong relationship with your board is one of your most critical obligations. Cooperation is a vital sign of corporate health. Conflict can cost you a loss of trust, wasted time and withholding of information, and ultimately it can lead to your derailment and outright failure as CEO. Here are five strategies for starting on, and staying on, the right foot with your board.

1. Establish the parameters of your authority.

The board is a group of at least eight people with often diverse backgrounds. They come together six or more times a year to participate actively in governing the companies they serve, to provide oversight to corporate leadership and to protect and enhance shareholder value. Although they have tremendous influence, they often have only moderate knowledge of the company. They are typically busy people who balance numerous competing commitments--to work, family, charities and other boards--and they have finite time to devote to any one board they serve on.

This is not to say they don't take their roles seriously. Most directors do. It is also not to say they will come unprepared. Most will not. It is to say that they represent a unique constituency for the CEO, one that takes a focused effort to lead and manage effectively.

As you prepare for your new position as CEO, establish the parameters of the playing field and of the players on the field. Delineate what your role is, what the board's role is and how the two roles differ from, yet depend on, each other. Clarify what you believe your authority will be and what the board believes it will be. With the board's input, put these descriptions in writing, establishing the working relationship and rules of engagement you will have with your board.

We have often facilitated early interaction between a new CEO and his or her board, spending time identifying what the board liked in previous CEOs and what they would like to see changed

in the future. This can cover everything from how they like to interact with the CEO to what kinds of communication they prefer and how much exposure they want to the senior management team. Every board's preferences are different, so it is critical that you not assume anything.

2. Understand your board's spoken--and unspoken--power dynamics.

The boardroom is a highly nuanced, very human environment. People often make subtle points in ways that require the CEO to truly listen. The more you invest in building relationships with board members, the more you will understand the subtext that underlies what is said.

Make it your mission to get to know each board member personally, as early as you can. Take time to understand what makes board members tick, what is important to them and what specific talents and value each brings to the board. How does each member perceive the company and the board's role in governing it? How is each likely to vote on key issues, given his or her point of view?

Determine the formal relationship you will maintain with the board in meetings and the structure you will use to get things done. Consider also your informal relationships with individual board members, developed through phone, e-mail and in-person communications. These interactions are equally important for building trust and influence.

Understand the difference between interactions outside and inside the boardroom. For example, you can make calls in advance to rally board members' support, yet once the directors are together, the mood can change. Be prepared for such a shift.

Along with the formal leader of the group, identify who the informal leader is, if there is one, and understand the leadership style of both of these people. Determine if there is a board inside the board--a core group of influencers who have particular power. If there is, understand its agenda and work to build rapport.

3. Avoid hasty change.

New CEOs often work in ways vastly different from their predecessors. They may reject altogether the way their predecessors did things, swinging the pendulum all the way in the opposite direction as they reject the past in order to lead into the future. Whether or not what was done before was effective, remember that board members and other stakeholders are likely very used to it. By taking an abrupt sharp turn you can create a sense of paralysis or, even worse, a questioning of the decision to appoint you.

Take time to transition. Don't just assume alignment will happen. The board's members don't yet know what you can do; they only know what the previous CEO did, which they either liked or disliked. Allow time for getting acquainted and gelling as a cohesive group. And avoid trying to show how different you are from your predecessor.

If your way of doing things is markedly unlike the previous CEO's, you may need to take a compromise approach at first that lets the board get comfortable and confident with your new way of interacting. For example, the former CEO might have brought the senior leadership team to every meeting; you might prefer to involve them in every other meeting, so that you can have more intimate interactions with the board, or you may want to bring them even less than that. You may also want to change the content of the board book. When the directors are used to a certain approach, such things are best done slowly, without too much drastic change (unless, of course, things are completely broken).

4. Act as a leader, not an autocrat.

Many new CEOs struggle with leading the board. They try to lead it the same way that they lead the company--laying it on the line and moving on. That doesn't work in the boardroom. In fact, it can be perceived as arrogance and autocracy, eroding trust and breaking down the relationship.

Seek to be humble and keep your ego at bay. Be mindful always that the board and the shareholders are who you work for. Lead and get out of the way, letting the board reach consensus on its own when it needs to. Rather than forcing outcomes, manage to them. This may require you to expand your leadership range and demonstrate a higher degree of personal agility and diplomacy.

In making and executing decisions, be inclusive and open to different points of view. Instead of presenting one idea for discussion, offer several scenarios and options along with your recommendations--and state the business case for why. Be open to learning, and show your willingness to act on board members' feedback. What you learn about your organization and about yourself will help you be a more effective leader.

5. Be transparent.

The corporate world has become very open, and there really is no place to hide anymore. The government and public demand for transparency in the boardroom is simply too great. There is a huge trend toward increased transparency in new legislation, in the whole area of proxy access. This is likely to continue, so the days of the CEO who could rely on being trusted are over. Embracing your board and creating a transparent and open environment from day one is critical.

Indeed, an effective relationship with the board requires transparency in every interaction. You must tell it like it is and keep the board apprised of key happenings so there are no surprises. Communicate clearly, promptly and completely. If the board asks the wrong question, say so and bring the right one to the table rather than simply responding to what was asked. Talk about both what your company is doing right and what it is doing wrong, along with your plans to address the latter.

Develop a sound approach for board interaction that recognizes board's responsibilities for routine business and overall leadership. Ensure that board members are well-informed and have the information they need, both during meetings and in between them. Simplify the issues so that everyone is on common ground in discussing key topics. Any board member should have input into the agenda if he or she has a hot button issue to address or discuss at the full board meeting.

Board meetings themselves are, of course, the most important testing ground for establishing how directors view the CEO, so it is critical to bring a spirit of openness to them. Remember that asking questions is a key part of the board's job, and create an environment that is conducive to honest inquiry. Don't get defensive, and don't try to answer questions too quickly. That can make board members feel inadequate and in turn shut down the questioning process. Take a few breaths before speaking. Be thoughtful about your answers rather than measuring your effectiveness by the speed of them. Many first-time CEOs think they need to answer every question even when they don't really know the answer. In essence, they wing it. Don't do that. Most board members will see right through it, diluting your effectiveness and the trust you need to establish.

Through our work as executive coaches, we have found that the primary reason CEOs are let go is because of a broken relationship--an irreparable disconnect--with their boards. It is incumbent on you, as the new CEO, to take the initiative in connecting with your board. You must act be a wooer, and not expect the board simply to warm up to you right away.

Just as you invest in your employees, customers and shareholders, you must determine how you will invest in this new board constituency--and how it will define your success.

In the end, it's all about relationships. Focus on relationship-building from the start, and communicate relentlessly. Be a CEO who really listens and responds to what your board is telling you. To paraphrase the 30th president, Calvin Coolidge, no one ever listens themselves out of a job.

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