

## Feature

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# The impact of board relationships

**Alex Cameron** and **Alison Gill** explore the behaviours that underpin effective challenge, and focus on a key relationship that drives board performance – the Chair and the CEO.

Board effectiveness is a product of the collective capability of board members to address the challenges of the business that they lead. This collective capability is dependent on the quality of board relationships based on high levels of respect and trust.

### Effective challenge – what do we mean by this and how is it best achieved?

Robust debate and constructive challenge are essential features of effective boards. The UK Corporate Governance Code advises non-execs to ‘provide constructive challenge ... and hold management to account’. The accompanying *Guidance on Board Effectiveness* advises: ‘The boardroom should be a place for robust debate where challenge, support, diversity of thought and teamwork are essential features’. This short article explores four behaviours: Empathy, Seeking Information, Critical Thinking and Conceptual Agility and, how non-execs can develop them to help deliver effective challenge.

*Empathy* is the ability to listen deeply to others, it involves listening for the meaning of what is being said. There is nothing that builds trust faster than really hearing what is meant by what is being said, it helps to get under the skin of what an individual really thinks and feels. When humans are really listened to and feel heard, they become more likely to speak their mind, show vulnerability and present what they really think and feel. It is this degree of openness that is vital for an inclusive board and a board that is effective at discussing seemingly undiscussables.

To develop empathy, try the following: first focus your attention on your heart (this switches your attention away from your brain and your inner voice), then breathe evenly and rhythmically and listen. To listen deeply you need to focus on hearing and sensing what a person is saying and what they are trying to convey, relaxation found through coherent breathing helps this to happen. As you listen, find something you appreciate about the person speaking and when they finish speaking, offer this to them and then offer, as a hypothesis, what you understood to be the meaning of what was said. Empathy is a behaviour that is best practised one-to-one, as you develop your capacity to empathise, you will find it easier to gain leverage with the board as a whole.

*Seeking information* is the art of asking really good questions. Really good questions help boards to think divergently around a topic and typically prompts others to think more broadly or more deeply about a particular topic or problem. Really effective questions often don’t have black and white answers and will lead to more comprehensive dialogue about an issue or problem. An important place to start seeking information is when preparing for a board meeting. As you read the board

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pack make a note of the questions that come to mind. When you review the questions, you will likely find that a number can be answered prior to a board meeting by speaking to the right person. Others when you review them again may set you thinking about the broader issues, these are the more important questions. Thinking carefully about how to phrase a question such that the question elicits more comprehensive and engaged thought is the important part. For example, ‘how could we do this more efficiently?’ is a more effective question than ‘could we do this more efficiently?’.

*Critical thinking* is the objective analysis or evaluation of a matter, this requires judgement. Judgement is the ability to combine personal qualities with relevant knowledge and experience to form opinions and make decisions. The decisions boards make have long lasting implications and effective directors must form independent judgements about decisions that must be taken. Directors who don’t form their own independent judgement before coming to the board are more likely to be swayed by the social dynamics of the group for example, taking their lead from someone they consider to know more or to be more authoritative or to be swayed by persuasive communication and good story telling. Good critical thinking starts when preparing for a board meeting. Forming your own independent judgement does not mean you can’t change your mind however; it does mean you can add value to a board discussion by being clear about the basis on which you made your judgement. Sir Andrew Likierman, from London Business School is a leading author on the elements of good judgement and his work is well worth a read.

*Conceptual agility* is the ability to compare the pros and cons of two or more equally viable options. Optionality offers choice and dynamism to decision-making. Conceptual agility is considered to be one of the most critical behaviours found in effective boards, particularly those operating in volatile, uncertain, complex and ambiguous environments. When pace is fast, executives often feel pressured to come to a decision and my observation of boards is that more often than not, they are presented with one solution which executives seek support to deliver. Developing true optionality requires more considered and disciplined thinking; presenting options and comparing the

# Feature

pros and cons of each develops mental agility and the ability to see things from different perspectives. This builds the collective intelligence of the board.

As a board balances the roles of Supervisor (holding management to account) and Steward (adding value by keeping an eye to the long-term) it requires that board directors challenge each other and have open and robust debate. This can be measurably improved by developing strengths in all four behaviours: Empathy, Seeking information, Critical thinking and Conceptual agility.

## The critical board relationship: The Chair and the CEO

The single most important relationship on any board is arguably the Chair and the CEO. If their way of working is dysfunctional, or the level of mutual respect and trust is not sufficiently high, board effectiveness will suffer. This relationship like all executive/non-exec relationships benefits from the four behaviours of Effective Challenge outlined above.

The unique aspect of this relationship is the seniority of the individuals involved and the underlying power dynamic that can influence the behaviours demonstrated inside and outside the boardroom.

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## How should the Chair/CEO relationship work?

The aim of the Chair/CEO relationship is to create what is often referred to as a ‘critical friendship’. To understand how this relationship can be built, it is important to be reminded about some important features of these board positions. The Chair is generally a non-exec position and the leader of the board. Individuals who take these positions are often appointed for their personal profile and reputation, and it is this personal reputation that the individual invests in the board and success of the business. The CEO is the most senior executive position and the accountable leader of the business. The CEO is not the leader of the board, but they do require the support and endorsement of the board to achieve their objectives for the business.

If the Chair/CEO relationship is healthy and working effectively, the CEO will actively seek out the experience and good

counsel from the Chair, who in turn will willingly provide the support and challenge that enables the performance of the CEO and the business. This constructive relationship based on mutual trust will allow for disagreement and challenge, without any tension regarding the balance of power between the individuals. In fact observing challenge between the Chair and CEO, constructively handled using the four behaviours highlighted above, influences other executive and non-exec board members to operate in a similar fashion. Strong Chair/CEO relationships enable board performance, so what can go wrong, what are the signs of dysfunction and what can we do about it?

## Making the Chair/CEO relationship work in practice

If the power relationship between the Chair and CEO is out of balance, then it is likely that the board will experience an over-dominant Chair or over-dominant CEO. These situations will be evident in board meetings. For example, the CEO taking over some of the board meeting and controlling discussion without reference to the Chair, or the Chair directing decision-making and taking actions without consideration of the CEO's views. Out of the board meeting there may be lack of co-ordination between the parties regarding communication with stakeholders and lack of agreement on messaging.

Dysfunction, frustration and conflict can result from this poor relationship which can affect all board members. Most board members will observe the problem, but often are unwilling or feel unable to publicly point out the consequences to the operation of the board. The Chair and CEO will be most aware of the problem but may not be brave enough to address the situation and find ways to improve communication. Avoidance behaviours are common. Look for missing, regular, scheduled meetings between the Chair and CEO. The parties depending only on ad hoc meetings when completely necessary is an indicator that they may be minimising the situation, or are showing a lack of willingness to work together and operate collaboratively.

A third party can be very useful to address these frustrations and dysfunction. There are three potential sources of support for a Chair/CEO relationship that is under strain and affecting the ability of the board to govern effectively. The Senior Independent Director (SID) role was created to address such situations and to mediate when relationships are under strain. The SID should have those trusting relationships with all board members and the authority to be able to bring the parties together. The Company Secretary is also in a position to witness the problem and to act independently, speaking to the parties privately about the impact of their behaviour. And lastly the external board reviewer is in an excellent position to identify the problem, gather feedback and present this to the parties. As someone who is not part of ongoing board operations, the reviewer will be able to tell truth to power, and to quantify

*continued on page 12*

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continued from page 11

the risk being imported and the effective governance that the board can provide.

All board members and especially the Chair and CEO have a responsibility to behave in a way that builds trust and facilitates effective challenge and critical friendships. When relationships deteriorate, the board is importing risk into its way of working and to the leadership that it can provide.

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*They are both founder members of The Board Effectiveness Guild, a group of experienced and independent board evaluators who have come together to enhance the value of board effectiveness reviews by sharing best practice with each other and contributing to the wider debate on excellence in corporate governance. Find out more at [www.boardeffectivenessguild.co.uk](http://www.boardeffectivenessguild.co.uk)*

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*This article is based on a webinar they delivered at the end of November 2023. If you missed the webinar you can access it here <https://www.governance.co.uk/webinars/>*

## Index

Organisations		Companies	
ACGA	4	Bvalco Ltd	10
BBC	7	Glass Lewis	3
Board Effectiveness Guild	10	Interactive Investor	8
Chartered IIA	7	ISS	3
QCA	6	Lumi Global	8
		PwC	7
People		Socia Ltd	10
Alex Cameron	10	SquareWell Partners	3
Peter Fowler	8		
Alison Gill	10		
Mo Warsame	7		

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