



The Governance Project
Briefing No. 7 – December 2009
Chair/Trustees –V- Chief Executive
The critical relationship

Introduction

The key relationship in any advice centre, which is fundamentally important to get right, is that between the Trustees/Chair and Chief Executive Officer (CEO) and the importance of this relationship cannot be overstated. The quality of this relationship and the way it works can be the difference between a good organisation and a great one – get it wrong and it could see the demise of the organisation.

As with any relationship both the CEO and the Board must want to make it work and treat each other as equals and with trust and respect as ultimately both share the same goals – the success of the organisation. However, such a mutually supportive approach is often not evident; there can be prejudices, a lack of understanding of respective roles, misunderstandings and in some cases conflict.

Indeed the June 09 Trustee Conference (and a workshop at AdviceUK’s annual conference 09) posed the question ‘Management Committees – a help or a hindrance?’ bringing to the debate whether the current model of voluntary Management Committees or Boards of Trustees is a suitable one that meets the needs of the voluntary sector in the 21st century, but more of this later.

CEO attitude to trustees

It became clear in the early days of the Governance Project that much of the impetus for Trustee development and training emanated from CEOs rather than from the Trustees themselves. This speaks volumes about the often negative attitude that many CEOs have toward their Board of Trustees. “The Trustees need training on their roles and responsibilities” – is the CEO really saying the Trustees disagree with him/her or are interfering in the way he/she runs the organisation.

Similarly: “There are a number of new Trustees who need a solid induction to their role” – is this CEO ‘speak’ for the Trustees do not know what they are doing?

Trustees approach to the CEO

A problem occurs in many organisations where the Board has employed a Director or CEO but sees the post as one that will simply put their ideas and

decisions into practice. The CEO has no freedom of action and becomes a glorified administrator.

The other approach is one whereby Trustees see that the CEO is doing a good job and so simply allow him/her to get on with running the organisation without offering any real support, direction or challenge. This can often lead to a CEO feeling that they are isolated or working in a vacuum and unsure that their input is what the Trustees want or what the organisation needs.

Understanding roles

Many Trustees take up their position without being clear about what their role is let alone knowing the difference between governance and operational management. The CEO is the lead professional in most voluntary sector organisations and often acts as senior adviser to the board. Part of that role is to ensure that trustees know their duties and have the relevant skills to enable them to perform as an efficient body and make informed decisions in the best interests of their organisation.

Dorothy Dalton (see publication list at the end), suggests that the first priority as CEO is to ensure excellence of management and to focus the organisation on achieving its strategic aims and priorities.

The second is to help the Board to ensure the charity is well governed. This latter point can easily be misinterpreted by Trustees as interference or as the CEO trying to take control of the organisation. Alternatively it seems to suggest that it is down to the CEO to take on the role of leader.

Leadership

Any organisation needs leadership but whose role is it to give that leadership to an organisation? Is it down to the CEO or to the Board of Trustees or both? If the latter is the case then establishing clarity of roles will be paramount if conflict is to be avoided.

The Trustees are expected to have leadership skills and to bring leadership to the organisation whilst the CEO is expected to show leadership by developing a strong and efficient staff team including volunteers where appropriate.

"A leader shapes and shares a vision which gives point to the work of others... it must stretch people's imagination but still be within the bounds of possibility"
Charles Handy.

One definition of governance is *"the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of the organisation."* (Chris Cornforth)

These various definitions are neither mutually exclusive nor are they entirely complementary – they overlap to a greater or lesser extent. It is therefore down to individual organisations to develop a system that works for them in practice and that both the CEO and the Trustees are aware of their respective roles and duties and do not overstep them.

It is within the context of such an established framework that Trustees should have the confidence to challenge the CEO as part of their governance role (as defined above), without the CEO feeling under threat.

Challenging not criticising

Even where an organisation has established a system based on mutual trust and respect the relationship between CEO and Trustees must be robust enough to withstand both parties challenging each other without undermining that positive working relationship. The term challenge sounds almost aggressive, critical, and threatening or that it carries an implication that the person/body being challenged is doing something wrong or that is outside their remit. With such a number of possible negative connotations it is not surprising that the term can be misinterpreted as a means of maintaining control.

This should not be the case – challenge should be seen as positive and as a means of support, and it works both ways. Trustees may need to probe the CEO's report or recommendations as part of their duty of 'supervision and accountability of the organisation' but equally a CEO may wish to probe Trustees to clarify matters of priority, policy or organisational direction. Trustees and CEOs often develop new ideas or reach conclusions based on experience or even instinct. The process of challenging and questioning can help unpack the reason behind why a particular position has reached and in the process help the other party understand why that decision has been reached or the reasoning behind why a particular position has been adopted.

The CEO and Trustees need to have sufficient trust and confidence in each other to accept that part of their role is to ask probing questions.

Challenge is not just about questioning or probing it can also be about providing motivation or that impetus to continue achieving or breaking new ground even in a high performing CEO or organisation.

Performance management

It can be extremely daunting for a Trustee to challenge a CEO especially one that is charismatic and held in high regard by the organisation and the wider voluntary and public sectors. A formal appraisal system is one way of achieving that challenge without feelings of intimidation or implied criticism from either side.

But appraisal should not be a means of bringing the CEO into line or criticising if something has gone wrong. Both parties should be clear about the purpose of the appraisal which can help to build an open relationship and mutual trust between the Trustees and the CEO.

The appraisal can and should be a means of supporting the development of the CEO as well as improving the performance of the CEO. It should also help to clarify mutual expectations between the Trustees and the CEO and lead to a better understanding and appreciation of their respective roles.

This then asks the question whether any performance review should be limited to that of the CEO or whether the Trustees should also be appraised.

If the Board insists that the CEO is appraised annually then it would only seem appropriate that a similar process is applied to the Trustees as doing so would be to treat the Trustees the same as the CEO and thus reduce or remove any residual feelings that appraisal is simply a means of keeping the CEO in his/her place.

Thus some Boards have implemented appraisals for Trustees carried out by the Chair of the Board on an annual basis or in some cases a system of 360° appraisals which would take into account a wider perspective of a Trustee's (and the Board's) performance.

CEO and Chair

An even more critical relationship is between the Chair and CEO. Most of what has been stated above applies equally to this relationship but perhaps critically even more so. The CEO and Chair will often meet on a regular basis between Board meetings to discuss progress or conduct any urgent business that may arise between Board meetings. An experienced and supportive Chair is an essential ingredient if the relationship is to work.

The nature of the relationship between Chair and CEO is equally critical for setting the scene or tenor of Board meetings. If the Chair is supportive and is positive about what the CEO is doing then it is likely that this will rub off onto other Trustees and will help engender a spirit of co-operation or cohesion.

One-to-one meetings between the Chair and the CEO may not be formal supervision sessions in the strict sense but do represent an opportunity for support or to discuss any areas of difficulty. They are an essential component of the smooth running of an organisation and because of the frequent one-to-one nature of these meetings a good working relationship between the Chair and CEO is paramount.

It is in the best interests of the CEO to foster a good, positive relationship with the Chair by developing trust and respect and not least a true understanding of what the CEO is doing and why. It can only be hoped that the Chair will reciprocate but this is by no means certain as has been borne out in many organisations.

The transparency of this relationship must be maintained even if certain discussions between the CEO and Chair remain confidential such as those relating to the performance of the CEO. The authority or power vested in these meetings or individuals is considerable and it is essential that the decision making process is clear and open in both directions ie to staff and to other members of the Trustee Board. Failure to do this could easily lead to Trustees and staff losing trust in the process or the individuals or both.

To avoid this situation the Board as a whole should agree a scheme of delegation for the CEO and Terms of Reference for the meetings which should incorporate clear lines of communications to both staff and the Trustees. This way it will be clear what decisions have to be made by the Board and what has been delegated to the CEO and or senior managers. For example the draft Budget may be drawn up by CEO/staff but can only be challenged and finally approved by the Board.

A breakdown in the relationship will only result in conflict that can be destructive to both parties. It will eventually filter down through the staff, eroding morale, and ultimately lead to the collapse of the organisation.

Trustees - a help or a hindrance?

The question was posed at the Trustee Conference and at a workshop at AdviceUK's annual conference, the latter comprising Trustees and CEOs many of whom were also Trustees for other organisations. Did a model of governance that was developed in medieval Britain still meet the needs of organisations in the 21 century?

The response was not what would be expected given the negative comments made by CEOs about Trustees being a hindrance, a nuisance or useless or by Trustees who feel that the CEO is power mad and should be kept under tight control.

While most of the delegates at the workshop agreed that perhaps not the ideal model, but that when it works well the concept of Boards of Trustees does offer the essential controls (checks and balances) required by an organisation and can equally provide the support, direction and motivation needed by a CEO.

Conclusions

Negative attitudes and views prevail in the sector towards the respective roles of CEO and Trustees and vice versa. Such attitudes can be destructive whereas when both parties actively foster mutual respect and a positive and supportive relationship it can transform a good organisation into an excellent one.

Despite the many negative attitudes both Trustees and CEOs view the current model of governance in the sector as one that can deliver and that is very positive when it works. It is therefore imperative that organisations work hard to ensure that they develop a strong positive relationship between the Trustees and the CEO.

Even more critical is the relationship between Chair and CEO as these two people will be working closely together on a regular basis and so it become essential for each to understand the nature and limits of each other's respective roles and that they develop a relationship based on trust and respect.

Finally both CEOs and Trustees alike have confirmed that the current governance model can be made to work well and that it is of great benefit when it does. Therefore both CEOs and Trustees should make an effort to ensure that their relationship is a positive one.

Resources

Acevo (2002) *Leading the organisation – The relationship between chair and chief executive*

Chris Cornforth (Ed.) (2003) *The Governance of Public and Non-profit Organizations: What Do Boards Do?*

Dorothy Dalton (2005) *The Board's Responsibility for Appraising the Chief Executive – a guide for chairs and trustees*

Dorothy Dalton (2007) *Good Governance: the chief executive's role*

Peter Dyer (Ed.) (2008) *The Good Trustee Guide*

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