

the board paper

The chairman and the CEO

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In handling assignments to find the chairman or the chief executive of a large public company, one of the most important issues to resolve at the start is the differentiation of the two roles. In one such search we recently undertook to find the chief executive of a FTSE 100 company, a significant portion of the early work was detailed discussion with the chairman and the non-executive directors to define the relationship between the chairman and CEO. I have found the following concept a useful framework on which to build.

There are two bosses in a company – the governance boss and the executive boss. The governance boss is the chairman, the executive boss the chief executive.

The role of the chairman

The chairman has three crucial things to deal with. The first is the integrity of the business. He or she must ensure that the company is being run on a sound financial and commercial basis, that the executive directors are carrying out their duties prudently, ethically and in the interests of the stakeholders, not themselves. The chief executive is also concerned with these issues, but they are the chairman's ultimate responsibility.

Second, the chairman must be concerned that the strategy of the group is robust and sensible. This does not mean developing it personally, without the resources to do so. The chairman and the board as a whole must be convinced that the longer term strategy is sound.



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Third, the chairman and the non-executive directors must be satisfied that the top management, particularly the CEO but also the line directly reporting to him, are of the right quality and performing to the required standards. Most important also, is that the issue of succession is planned and properly executed, so that the quality of management in the immediate, medium and long term is guaranteed.

The chairman must also lead the board, see it properly balanced and directed, concentrating on issues that are relevant to the board, where it can add value to the organisation without interfering with detailed internal management; set a tone and value for the company, and represent the organisation to the outside world. The chairman must establish that all-important relationship with the CEO, with whom he might also share a range of other duties. But unless the chairman fulfils the three criteria outlined above, he is not doing his job.

The role of the chief executive

The role of the chief executive is to run the business in all aspects including development of strategy. It is all about vision, leadership, team building, motivation and extracting the maximum possible performance.

First, the chief executive has to be absolutely satisfied with the executive teams reporting in. This covers not only direct reports, but also

several levels below. If not satisfied, he must insist on change; without the right quality of people little can be accomplished.

Next, appropriate performance standards are set that are stretching but achievable. The fixing of these targets, ensuring that they are completely bought into and owned by executives, is one of the CEO's key tasks, demanding a wide range of interpersonal and commercial skills. Mechanisms to ensure these targets are monitored must be in place, and if they are not met, appropriate action taken, such as the removal of the managing director of a particular business. The good CEO will not flinch from tough and timely action no matter what the emotional cost.

Vision and conflicts

As well as detailed monitoring of short term goals, the CEO must insist that the operating divisions develop their own plans for the future, which need to be quantified as far as possible with benchmarks established. They must constantly have a vision of where they are going. It must obviously be built into the overall corporate scenario, and there will be conflicts from time to time which need to be dealt with. The situation often occurs, particularly in difficult conditions such as have been recently in the past few years, where, in order to cope with short term problems of cash flow, things are done which are damaging in the medium term. The CEO in particular has to measure up those kinds of conflicts and work through them with management to ensure the shorter term does-

management to ensure the shorter term doesn't damage the medium term, nor the medium term lead to bankruptcy.

The monitoring of performance and the management of teams is a constant requirement. At any time there will also be a series of major initiatives demanding significant managerial resources, money and time with which it is vital that the CEO concern himself closely, as they have the potential either to derail the company, or provide significant benefits. These range from the obvious, such as expansion strategies, acquisitions, and capital investment, through

major marketing and development exercises, to company-wide quality and training programmes.

Right combination

The CEO is the driver and the font of power in an organisation. Without someone of the highest quality the company will not reach its full potential. It is up to the chairman to ensure that such a person is at the helm and performing exceptionally well. The right combination of chairman and chief executive provides the platform for invincible performance.

Ian Odgers read engineering at Cambridge. He became chief executive of Odgers in 1972, the role he held until 1998, when he sold the business to a management buy in. With extensive experience in filling top roles in most industrial sectors, both in the UK and abroad, he concentrates on searches for chairmen, chief executives and main board directors, both executive and non-executive.



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