

Chairmen's Pointers for Communicating With the CEO

Experts share their favorite ways of managing a crucial relationship

The following question was submitted by an independent director. For answers, *Agenda* approached **Harry Pearce**, independent chairman of **MDU Resources**, director of **Marriott International** and chairman of the **Chairmen's Forum**; **Peter Browning**, lead director at **Nucor** and **Acuity Brands** and a board member at **Lowe's Companies** and **Enpro Industries**; and strategic communications expert **Karen Kane** of her namesake consulting firm.

Question: What is the most effective way for the independent board chair and the CEO to communicate with each other?

Answer from Harry Pearce: My experience tells me that frequent in-person meetings are very important. My definition of "frequent" is approximately once a month. An effective working relationship between a board chair and the CEO is first premised upon a respectful personal relationship, based upon mutual trust and a shared understanding of the company's strategic plan.

The CEO-chair relationship in my view only develops over time, with many opportunities for one-on-one, in-person meetings, preferably at the corporate headquarters. It is also a given that each must feel completely comfortable calling the other on any matter of concern. The relationship I'm describing must always be predicated upon a very clear understanding of the respective responsibilities of each position. For example, the chair can't "play" CEO, or vice versa.

Answer from Peter Browning: How the non-executive chairman/lead director communicates with the CEO will all depend on the executive's specific personality and management style. I have encountered several styles of director-CEO communication during my years serving on multiple corporate boards. Each approach proved to be effective for the particular institution. Below is a breakdown of how the dialogue would normally occur.

- *Monthly breakfast meetings.* In the non-executive chairman/lead director role, I would meet one CEO for breakfast once a month and go over company business. This consistent form of communication was useful in ensuring that board agendas were focused on

matters important to the company.

- *Quarterly face-to-face meeting.* At a different company, I would drive to headquarters and sit down with the CEO for a meeting every quarter. The gatherings helped keep the entire board informed about company business, as important topics would come up during conversations that could be shared with the rest of the board.
- *Telephone calls.* I served on one board where the preferred communication approach was talking on the phone with the executive. While not ideal for every company, it gave the board direct access to the CEO and helped to foster a healthy, collaborative relationship between both parties.

Ultimately, steady and open communication is crucial to establishing a relationship of trust and confidence between the board and the CEO. Closer collaboration allows directors to spend their time more efficiently and be better shareholder advocates.

Answer from Karen Kane: The chair should have a bias toward open, clear and consistent communication with the CEO.

Strong board chairs will be astute listeners and observers of senior management's and their fellow directors' behavior. They know when to coax a comment or concern from them. A good chairman also sets the tone in creating a strong work group with all involved parties. The individual brings out the best in people to address problems and opportunities through processes that suit the scope and urgency of the issues facing the board. That means that the chair asks the CEO tough questions, and takes note if a director is devoting insufficient time to the board.

A board chair with these skills is likely to be perceived as "not doing anything special" in the way of communication. Conversely, the board chair who sends out long e-mails or schedules extra calls may be considered an active or frequent communicator.

Given the scope of responsibility, most board chairs I talk to do not rely heavily on e-mail. They facilitate effective meetings, summarize their main takeaways and expand discussions in executive sessions. And between meetings, these directors are more likely to pick up the telephone, checking in with directors individually. ■