Open Research Online

The Open University's repository of research publications and other research outputs

The eternal triangle: the crucial role of the Chair and Chief Executive in empowering the board

Book Section

How to cite:

Cornforth, Chris (2015). The eternal triangle: the crucial role of the Chair and Chief Executive in empowering the board. In: Novkovic, Sonia and Miner, Karen eds. Co-operative Governance Fit to Build Resilience in the Face of Complexity. Brussels: International Co-operative Alliance, pp. 95–100.

For guidance on citations see FAQs.

© 2015 International Co-operative Alliance

Version: Version of Record

Link(s) to article on publisher's website:
http://ica.coop/sites/default/files/attachments/ICA%20GOVERNANCE%20PAPER%20-%20EN.pdf

Copyright and Moral Rights for the articles on this site are retained by the individual authors and/or other copyright owners. For more information on Open Research Online's data policy on reuse of materials please consult the policies page.

oro.open.ac.uk

7. The eternal triangle: the crucial role of the Chair and Chief Executive in empowering the board[1]

Chris Cornforth

What are the most important factors in determining whether a co-operative is well governed or not? Paradoxically it is often the chief executive and the chair, and how well they relate to each and facilitate the work of the board and the relationship with members. Yet the important role of the chair and chief executive often seems to be overlooked in initiatives to improve co-operative governance. The vast majority of effort has been devoted to improving governance structures and boards themselves, for example: separating the roles of chair and chief executive, establishing audit committees, developing codes of practice, standards for board members, board self-assessment, board member training and development.

While these initiatives are clearly very important they tend not to give enough weight to important features of the triangular relationship between boards, chairs and chief executives. First, that it is not possible to completely separate governance from management – the roles of boards and executives are interdependent. For example while it may be the board's responsibility to make strategic decisions it is usually management that have the time and expertise to formulate strategy. This means that roles may overlap and change over time requiring a degree of flexibility and negotiation. Second, while boards have a good deal of formal power, being the ultimate authority within the organisation, it is often management that controls the main leavers of power. Managers have the information and resources at their disposal to better understand the challenges the organisation faces and to make changes. As a result there is always a danger that a chief executive and their executive team will dominate the board and their proposals not be given adequate critical scrutiny. Third, while it is a responsibility of a co-operative's board to represent members' interests and sustain the co-operative's principles and values, the board are unlikely to be able to do this by themselves. Chairs and board members rotate, and it is management and staff that provide the continuity and carry out the day to day work of the co-operative. If management and staff do not understand, or are not committed to, the co-operative principles and values then they are going to be difficult to sustain[2]. Fourth, chairs can play a crucial role both in facilitating the workings of the board and mediating the relationship with the chief executive and executive team so that it empowers the board and the wider membership rather than disempowers it.

The rest of this chapter will examine each of these key relationships in turn: chair and chief executive, chair and board, chief executive and board. It will look at the practical steps that chairs and chief executives can take to make these relations work well and enhance effective co-operative governance.

1 I'm grateful to Dr Mike Aiken and the editors for their very useful comments on earlier drafts of this article.

2 Davis (2001) makes this argument very strongly; suggesting a variety of ways of developing value based co-operative management. Davis, P. (2001) 'The Governance of Co-operatives under Competitive Conditions: Issues, processes and culture', *Corporate Governance: The International Journal of Business in Society*, 1, 4, 28-39.

Chair - Chief executive

The chair and chief executive are at the heart of many crucial relationships within any co-operative. A good working relationship is one prerequisite for an effective board, and for developing good relationships with the executive team, staff, members and other key stakeholders. Conversely a poor working relationship can damage the working of the board, organisational performance and accountability to members.

Tensions and sometimes conflict can arise between chairs and chief executives because their roles are ambiguous and tend to overlap. For example who is responsible for representing a co-operative externally? Is it the chair or chief executive, or does it depend on the circumstances and their respective strengths and weaknesses? While formal role descriptions can help clarify responsibilities, they are often not enough by themselves. Where ambiguities remain there needs to be some discussion and negotiation over who does what. Ideally these need to reflect strengths and weaknesses of chair and chief executive, and the constraints they may face. For example, it will be important to consider the circumstances of the chair, which can vary a lot between co-operatives, in some co-operatives the chair may be a voluntary and/or part-time role, meaning that he or she is not available to carry out certain tasks or roles.

Another reason why it is good for the chair and chief executive to periodically reflect on how they are working together is that the relationship will need to evolve over time as circumstances change. For example, when a chair is new the chief executive may need to spend more time helping the chair get up to speed with the organisation's strategy and with the challenges it faces, and coming to grips with their role. Similarly, a chair is likely to need to spend more time with a new chief executive, particularly if they have been recruited from outside the co-operative, making sure he or she has a thorough induction to the organisation and is aware of the expectations of the board.

“Research suggests that establishing mutual respect and trust is crucial in developing a successful relationship between a chair and chief executive.”

Research suggests that establishing mutual respect and trust is crucial in developing a successful relationship between a chair and chief executive.[3] Openness, honesty and sensitivity are important in developing trust and mutual respect. If there is defensiveness or withholding of relevant information, there is a danger of distrust and a negative relationship developing or even a power struggles. If this persists a vicious circle can develop where the relationship deteriorates, sometimes to breaking point, with damaging consequences for the board and the organization[4].

However, developing a trusting relationship between chair and chief executive does not mean blind trust. If a chair is too close to the chief executive there is a danger they may not have sufficient distance to question proposals from the chief executive and hold them to account. There is also a danger that the two may become a dominant coalition that makes it difficult for the board to question their proposals. A key role of the chair is to provide support when needed and act as sounding board for the chief executive, but ensuring that management's proposals are subject to critical scrutiny by the board.

While it is vitally important that both chair and chief executive are committed to co-operative principles much of a chief executive's time will inevitably be spent on trying to ensure the success of the co-operative as a business. As a result the chair has an important role in trying to ensure that this is not at the expense of the co-operative's principles or mission.

3 Robinson, R. and Exworthy, M. (1999) Two at the top: A study of the working relationship between chairs and chief executives at health authorities, boards and trusts in the NHS, London and Birmingham: NHS Confederation. Roberts and Stiles (1999) 'The Relationship between Chairmen and Chief Executives: Competitive or Complementary Roles, Long Range Planning, 32, 1: 36-48.

4 Stiles and Taylor (2002) Boards at Work: How directors view their roles and responsibilities, Oxford: Oxford University Press: 107

This involves making sure that management proposals are scrutinised by the board for the likely impact on the co-operative's members and the co-operative's identity as well as on the performance of the business.

In the discussion so far we have assumed the chair is not the chief executive. This separation of roles is often regarded as good practice. For example, the UK Consumer Co-operatives Code of Governance stipulates that the Chair should not be an employee of the co-operative and hence not the chief executive. However, in some co-operatives such as Desjardins in Quebec, Canada the roles are combined. While clearly this can work, there is a danger that it further increases the power of the chief executive and may make it more difficult for the board to adequately scrutinise or challenge the proposals of the chief executive and executive team. It also takes away what can be an important sounding board and source of advice for the chief executive. As a result it may be necessary to put in place other structures to ensure the chair/chief executive is adequately supported and appraised. For example the chief executive may report to and be appraised by another senior board member(s).

Chair-Board relationship

Boards are groups that usually only meet intermittently, yet they need to work well together as they have to make collective decisions. The Chair has a vital leadership role in ensuring board members are able to work together effectively and with the executive team. It is important therefore that the chair makes sure that there are opportunities for board members and senior executive(s) to get to know each other, and that there are opportunities for team building. For example, away days or strategic retreats can be particularly good for this purpose, it can also be valuable to allow time before or after board meeting for the board and executives to socialise.

Recent research in North America and the UK on the chairs of non-profit organisations suggests that it is inter-personal and leadership skills that distinguish effective from ineffective chairs[5]. The least effective chairs were not seen as team players, perhaps pursuing their own personal agendas, and less able to deal with inadequate performance of other key actors. Effective chairs were also perceived as being *socially aware, helping and service motivated.* Those chairs who were perceived to perform well engaged in leadership behaviours that created a *good environment* for both their board and executives to work in by: *being fair and impartial, being open to new ideas, not distracting from the organisation's goals by imposing their own personal agenda, providing autonomy and independence* for the board and chief executive. They were also good at team *building* through: v*aluing team members, encouraging and acknowledging different contributions, and creating a safe climate were issues can be openly discussed.*

"It is *inter-personal* and *leadership* skills that distinguish effective from ineffective chairs."

One of the dilemmas in co-operatives, particularly if there is an open nominations policy for board elections, is that there is no guarantee that board members will have the skills and experience to make an effective contribution on the board and be able to hold management to account. It is important therefore that the chair and chief executive ensure that there is good induction and training available to board members. However, skill gaps may still persist. Where this is the case, the chair and board should consider co-opting outside board members to fill any gaps and/or calling on outside experts as the need arises. Interestingly the Co-operative Commission[6] in the UK made a recommendation in 2001 that up

5 Harrison, Y. Murray, V. and Cornforth, C. (2014) 'The Role and Impact of Chairs of Nonprofit Boards', in Cornforth, C. and Brown, W. (eds.) Nonprofit Governance: Innovative perspectives and approaches, Abingdon, UK:Routledge.
6 Co-operative Commission (2001)

to two external independent directors could be appointed to fill skills gaps, although it's unclear to what extent this recommendation was adopted. Lack of board members with suitable experience and expertise has been blamed for some of the governance failures at the UK Co-operative Group and Bank[7]. It also takes time for new board members to become effective. As a result, it is good practice to stagger board elections, with only a minority of the board changing in any one year to ensure a degree on continuity and that not all the expertise built up by the board is lost. It also means that more experienced board members can mentor newly elected members until they gain experience and confidence.

Much of the work of boards takes place in meetings. As a result it is vital that chairs are skilled at running meetings. All too often board meetings are less effective than they might be because they are poorly chaired. Common problems are that: papers arrive late and board members are not adequately prepared, management spend too long making presentation leaving too little time for discussion, meetings run on too long without a break, too much time is spent on less important issues and so not enough time is devoted to important items, a few people dominate the meeting and others find it difficult to get their views heard. Effective chairs will ensure that meetings have appropriate agendas and the necessary information; that enough time is spent on discussing key issues; that everyone is able to participate; keep to time and that there are opportunities such as away days to discuss longer-term strategic issues.

An important part of the board's role is to oversee the work of the executive, setting goals and targets and expecting high standards. Similarly the chair (and chief executive) can play an important role in helping to make the work of the board productive and rewarding by expecting high standards of performance and behaviour from board members. Many organisations are now setting out clear role descriptions and codes of practice for their boards, so it is much clearer to board members what is expected of them when they join the board. This is also a good opportunity to set out the co-operative's mission and principles that it expects all board members to further.

Research suggests that chairs tend to rate their own performance more highly than chief executives and board members rate the chair's performance. While this is common across sectors[8] too large a gap could indicate potential problems, with chairs thinking they are performing well while other key actors have a lower opinion of their performance. It is important therefore that chairs receive *feedback on their performance*. Formally this can be done through annual 360 degree board appraisal processes, where board members and senior staff are given the opportunity to feedback on the chair's performance. Informally chairs may seek more regular feedback, for example checking at the end of board meetings how well those present think the meeting has gone and whether any issues could have been handled better. One way of doing this is through a simple evaluation sheet collected at the end of meetings.

Chief executive-board relationship

Often the chief executive and the executive team are in the strongest position to help make sure the board of their organisation works well, and that the co-operative serves its membership. There are eight key things that chief executives can do to help their boards be effective.

7 Birchall, J. (2014) 'Innovation in the governance of large co-operative businesses: the alarming case of UK Co-operative Group', International Journal of Co-operative Management, 7, 1, 22-28.

8 See Kakabadse, A., Kakabadse, N. and Myers. A. (2009) Boards, Governance and Leadership of the Third Sector -Scotland Study: Report on Findings, Cranfield Business School, UK.:32

HELPING STRUCTURE THE BOARD'S WORK.

Boards require a structure and resources to do their work. Effective chief executives work with the chair to ensure this is in place. For example establishing a schedule of board and sub-committee meetings, organising periodic away days, making sure agendas are agreed and papers are available well in advance of meetings, and working with the board to make sure committees have appropriate terms of reference.

PROVIDING THE BOARD WITH RELEVANT, TIMELY INFORMATION.

In order to carry out its role effectively the board relies crucially on the executive to provide relevant and timely information about the decisions it has to make. Much of this information is routine such as budgetary reports, financial statements and performance indicators, but others will depend on the issues and challenges the organisation faces at the time. It can be quite a difficult balancing act for the executive to provide the right information at the right time: too much information and the board may drown in the detail, too little and they may miss key issues. Common problems include presenting boards with undigested management reports that obscure important issues in detail, not allocating enough time to discussions, or slipping important issues on to the end of agendas, when everyone is tired and dying to get home.

BRINGING CO-OPERATIVE PRINCIPLES AND IDENTITY TO THE FORE.

For any co-operative to succeed it needs to be a successful business, but that alone is not enough. When making new proposals it is important that executives also consider the impact on members and the mission of the co-operative as well as likely impact on the business as a matter of routine. For example in one housing co-operative board papers routinely considered the likely impact on tenants as a part of reports to the board.

ASSESSING CO-OPERATIVE PERFORMANCE.

There is an old adage in management that what gets measured gets managed. There are well established ways of measuring a business's financial performance, but co-operatives are established to serve their members' interests, which may include social as well as financial goals. It's important therefore that executives find ways of assessing and regularly reporting on the organisation success as a co-operative – how it meets members' needs, sustains member involvement and meets its social goals.

Help develop the board. Effective executives can play an important role in developing the board, for example by helping to induct new board members, introducing the board to the organisation and its staff, and working with the chair and board to arrange appropriate training and support. With the chair, the executive can also help facilitate communication between board members and team building, through for example providing opportunities for social interaction and celebrating success.

RAISING AWARENESS OF KEY CHALLENGES AND OPPORTUNITIES.

Because it is their full-time job executives are often in a better position than the board to identify important challenges the organisation faces - alerting the board to important new opportunities or threats and to facilitate strategic 'conversations' about how the organisation might respond. Similarly, they are often in a better position to identify performance problems or internal weaknesses that need to be addressed, and to help look for better ways of doing things. Often these issues are better dealt with at periodic 'away-days' where boards and staff have the opportunity to think about longer team issues away from the routine business of the board, or the day-to-day pressures of work.

CREATING THE RIGHT CLIMATE.

Boards can only function well if there is a climate of openness and trust between board members and the executive team, where constructive criticism and challenge are accepted and valued. It is the board's job to subject management proposals to critical scrutiny to ensure they are sound and in the best interests of the co-operative and its members. This places important responsibilities on both parties if it is to work well. Management have to be willing to expose their ideas to critical examination and be open to making changes. In addition they have to be prepared to let the board know when things go wrong or are not working well. It can be very tempting for executives to want to hide bad news perhaps hoping they can deal with the issues before the board finds out. This is a high risk strategy with the danger that when issues do come to light it can undermine trust between the board and executive. Equally board members have a responsibility to ensure their contributions are constructive and that they give managers and staff appropriate support where needed.

HELPING TO MEET THE NEEDS OF BOARD MEMBERS.

Finally it is important for executives to remember that people get involved on boards for a variety of other reasons as well contributing to the governance of their co-operative: contributing to a business, community or cause they believe in, friendship, skill development, to make useful contacts or to gain recognition. Executives may be able help board members meet these wider needs, perhaps by offering training, involving people in the right sub-committee or working group, or involving them in social events. Board members are more likely to be committed and effective if they feel their needs are being met, while they are contributing to the co-operative.

“At the heart of good governance are relationships.”

To sum up, many of the reforms aimed at improving co-operative governance have concentrated on structural changes. While these are important, at the heart of good governance are relationships. A board is much more likely to work effectively if the chair and chief executive can work together effectively and realise that a crucial part of their role is to help support, develop and service the board they work with. This is not something that can be done as an afterthought, but requires planning, thought and time, and above all the right attitude to form a constructive working relationship both with each other and the board.