

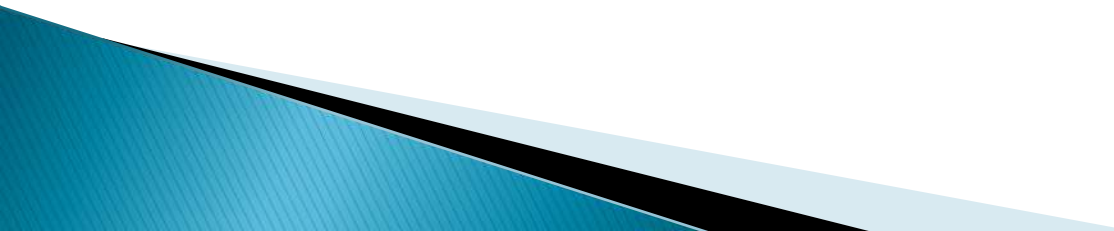
# The Dynamic Duo – Board of Directors & CEO Relationship



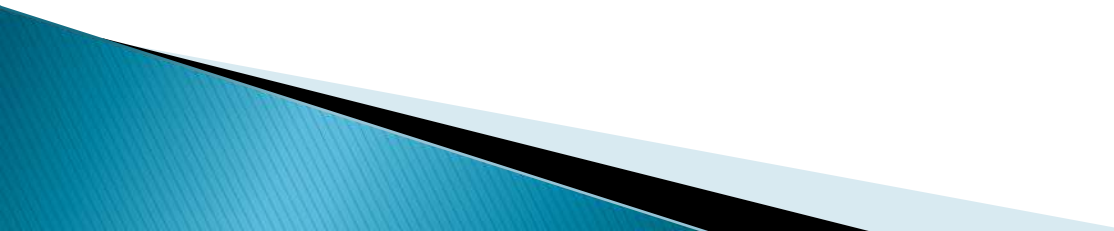
The Edwards Group Florida, Inc.  
(TEGF)

# Board & CEO Relationship

The relationship between all stakeholders are essential to the overall health and well being of an organization. However, the relationship between the board of directors and the CEO is the most crucial and the state of this relationship has potentially the greatest influence on organizational success.

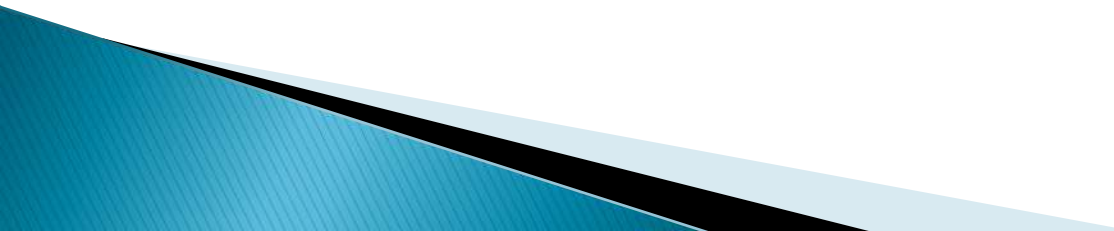


# Board & CEO Relationship

- For this relationship to work well, it must be one of negotiation, consideration and understanding of the role and perspective of the other.
  - There must be recognition that the board and CEO play separate roles, but must work together to achieve goals.
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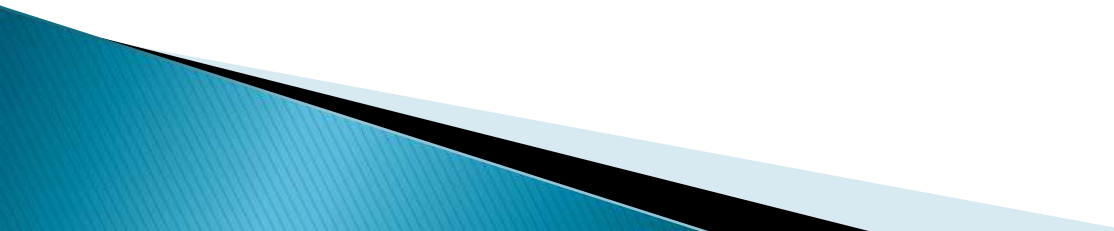
# Board & CEO Relationship

The primary role of the board is to govern, to control managerial opportunism and to ensure the CEO carries out management functions in the best interest of the board, being one of the primary stakeholders of the organization.




# Board & CEO Relationship

The CEO is responsible for, within the parameters established by the board, for determining and overseeing the execution of the Board's directions and policies to ensure desirable outcomes.



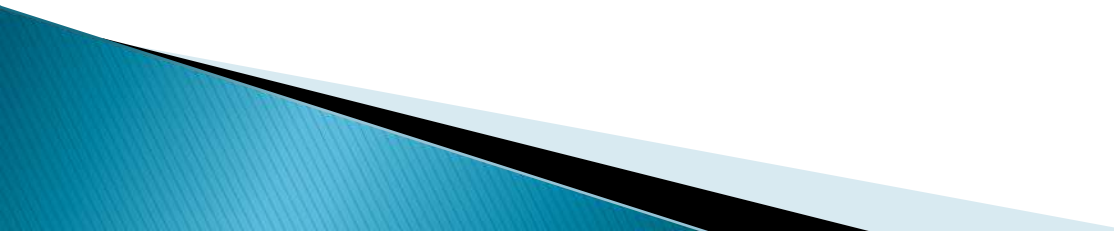
# “Let’s Work Together –Board/CEO Relationship” by Meanie Lockwood

- ▶ “To develop and manage a successful relationship, a CEO must focus on getting to know board members individually, understanding of power dynamics of the board and develop an engagement plan with each member.”
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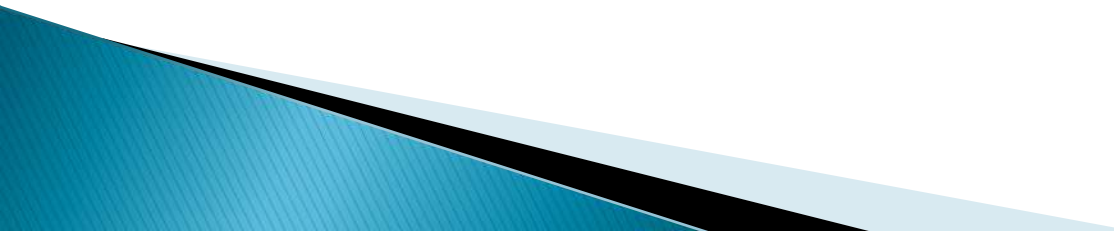
# Causes of Poor Board/CEO Relationships

- Lack of Trust
  - ▶ Ineffective Division of Labor
  - ▶ Poor Communications
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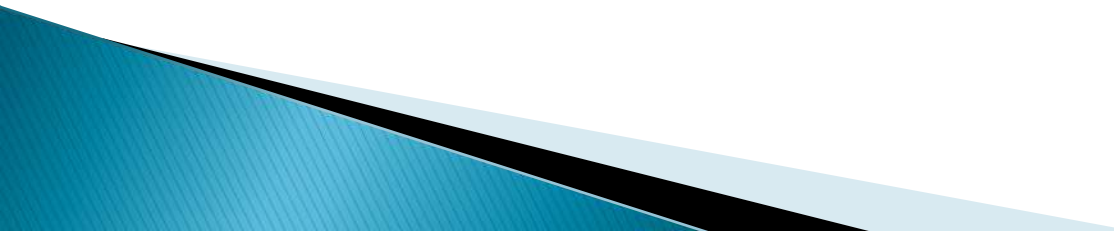
# 4 Key Areas of Board & CEO Relationship

- ▶ Accountability
  - ▶ Decision Making
  - ▶ Policies
  - ▶ Financial Reports
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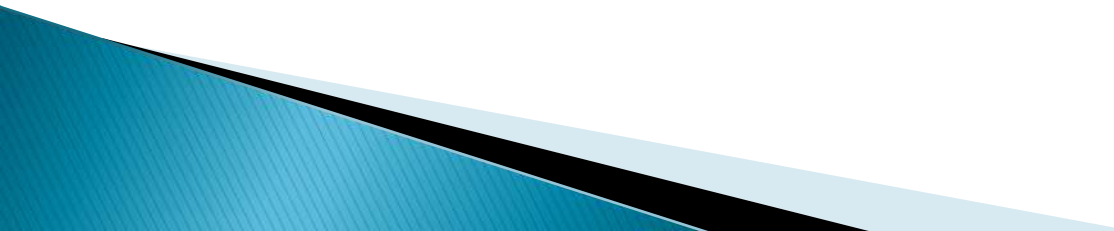
# Accountability = Accepting Responsibility

- The general accountability role of the board is to ensure the organization's mission work is serving the needs of the community to achieve results or make changes.
  - Board must be aware of compliance issues and requirements of funders.
  - Duty to act in good faith and in the best interest of all stakeholders.
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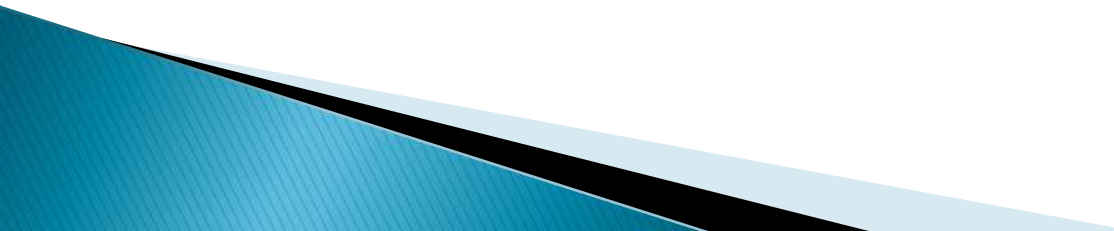
# Accountability = Accepting Responsibility

- The CEO is accountable to the board.
  - The CEO should report to the board and keep it informed of the activities of the organization.
  - The way in which these accountability roles are executed is crucial.
  - Responsibilities should be performed harmoniously with communication and cooperation to meet accountability to all stakeholders.
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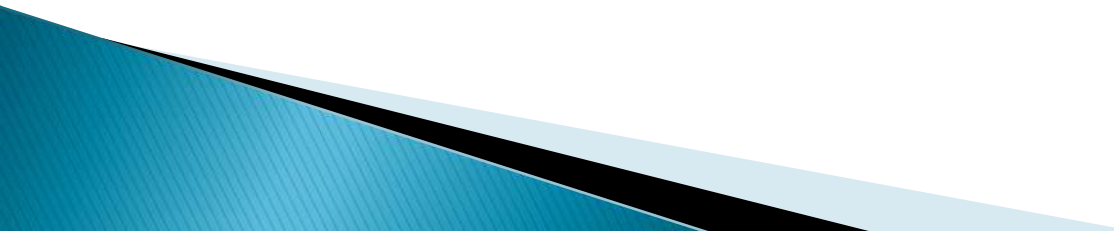
# Decision Making = cognitive process of exercising choice

- ▶ The board drives the strategic direction of the organization, is responsible for setting goals, policy, strategy to translate the mission into measurable objectives and results.
  - ▶ The board sets financial or operating limits for CEO, assesses activities against the mission, annual business plans to ensure CEO is meeting goals.
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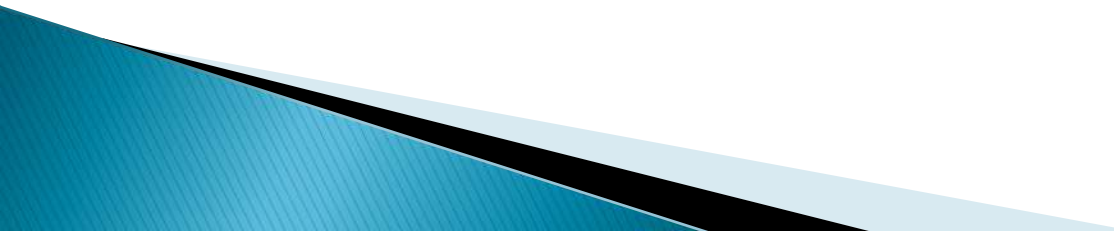
# Decision Making = cognitive process of exercising choice

- ▶ These decision making responsibilities should not be delegated.
  - ▶ The board reserves all matters which have the potential to have a material (essential) impact on the organization's reputation and financial stability.
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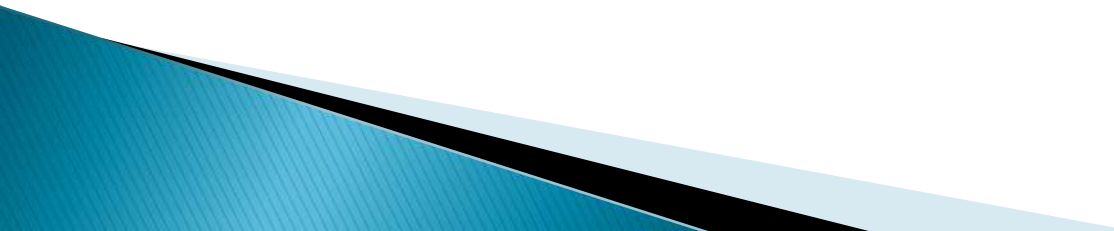
# Decision Making = cognitive process of exercising choice

- ▶ The CEO is responsible for carrying out and implementing the direction, goals and policies by the board and reporting on operational outcomes.
  - ▶ The CEO ensures everyone within the organization is aware of the strategic direction, goals and policies.
  - ▶ The CEO decision making is related to how to implement the board's decisions.
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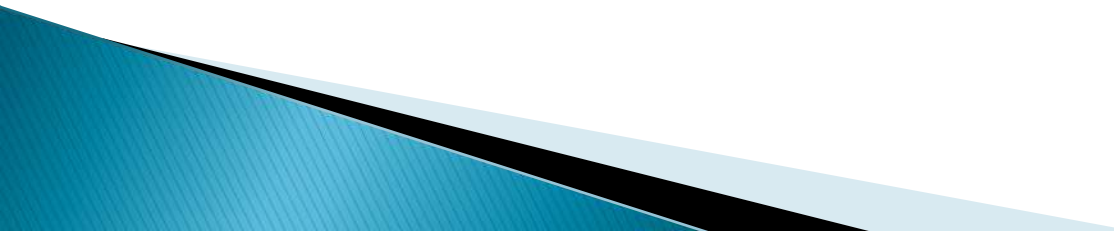
# Policy = principle of action

- ▶ While the board makes policy and CEO implements the policy, the CEO can provide policy recommendations for the board's consideration.
  - ▶ As the CEO is in a position to notice the need for new policies, the board is in a position to approve them.
  - ▶ This is a key example of an effective Board/CEO relationship.
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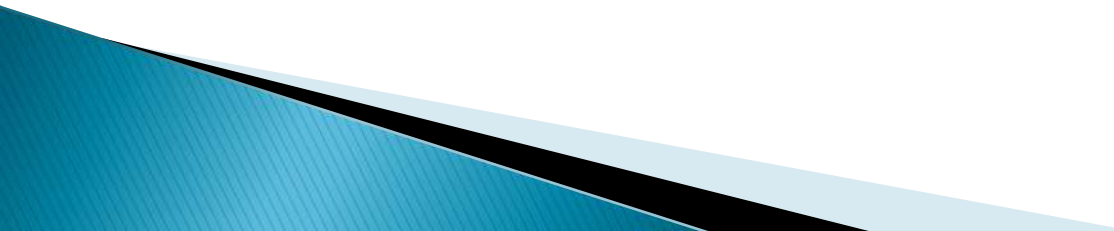
# Financial Reports = the \$s

- The CEO is required to prepare annual budgets and financial reports to the board for review and approval.
  - The CEO offers ideas and strategies on how performance can be improved.
  - The board's role is to review, analyze and monitor financial information presented by the CEO, is responsible for the financial health of the organization and must be informed.
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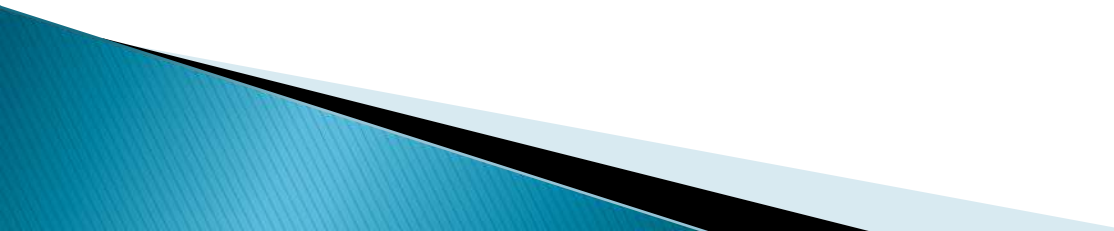
# Factors that may affect the Board/CEO Relationship

- ▶ Interaction between the board and CEO can be complex and at times tense. Maintain a healthy and professional relationship.
  - ▶ Potential for board members to sometimes feel excluded and feel they cannot get needed information from the CEO.
  - ▶ The CEO may feel the board as monkey on his/her back due to monitoring and controlling role of the board.
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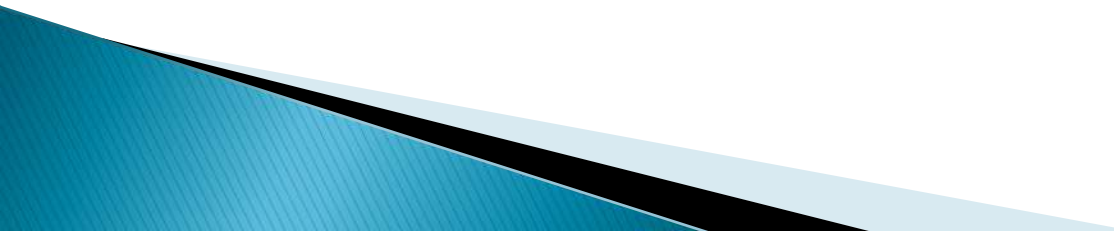
# Factors that may affect the Board/CEO Relationship

- ▶ Respect must go both ways in the Board/CEO relationship.
  - ▶ Recognize the board and CEO on both on the same side to produce organizational results.
  - ▶ CEO needs consistency and certainty in decision making by the board.
  - ▶ Board needs clear communication from the CEO.
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# Mutual Obligations

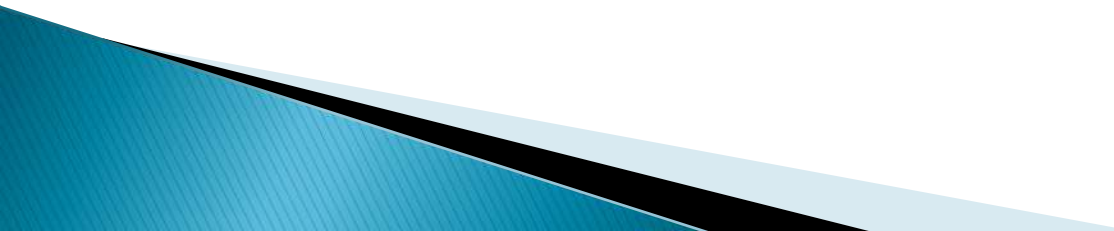
- The board/CEO relationship should be characterized by the best principles of teamwork – mutual respect, awareness of both contributions, and a sense of common purpose.
  - In law, the board carries the organizational accountability and authority.
  - In practice, the CEO wields much of the power and authority day-to-day.
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# Mutual Obligations

- CEO has time and authority to manage day-to-day.
  - Board has limited time and relies on information from CEO to exercise its power and authority.
  - The key objective is to empower both parties to effectively carry out their roles and functions in a complementary way.
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# The Board's obligation to the CEO

## Include:

- ▶ Compensation, benefits, and working atmosphere that make the CEO's position attractive to the best possible candidates;
  - ▶ A clear duty statement and performance goals;
  - ▶ Regular formal performance reviews;
  - ▶ Constructive informal feedback on job performance;
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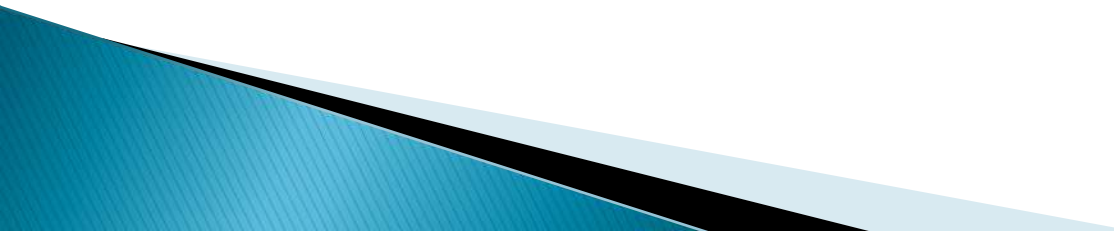
# The Board's obligations to the CEO

## Include:

- ▶ Rewards for tasks done well; and,
- ▶ Prompt and thoughtful response to request for guidance and assistance.

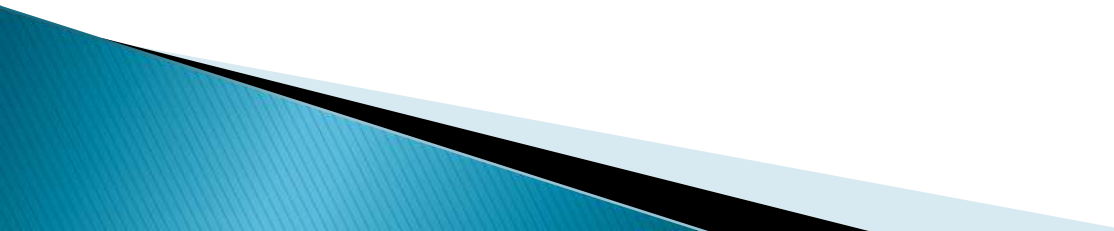
# The CEO's obligations to the board

## Include:

- Commitment to the organizational mission and sensitivity to the communities it serves;
  - Responsible performance of fundamental organizational and administrative tasks;
  - An administrative structure and decision-making mechanism that promote a productive work environment and effective staff relations;
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# The CEO's obligation to the board

## Include:

- Thorough and timely communication with the board on financial and administrative matters;
  - Effective representation of the organization in the community and commitment to enhancing its public image; and,
  - Prompt and thoughtful response to board members' requests for information.
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# Conclusion

Both board and CEO have a duty to act in the best interests of the organization as a whole. Therefore, the separate roles to the relationship should exist in a teamwork environment for successful achievement of organizational results.

