the leadership blog

When the Board and Management Collide

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It is a truism of corporate governance that a strong, highly functioning board can be an invaluable asset to management, going beyond oversight to provide guidance and strategic counsel to the CEO and his or her team. But these benefits can only be realized if the board and management have the trust and transparency that allows for candid, constructive conversation.

Unfortunately, this is not always the case. The non-executive chair and independent directors, coming from outside the company, bring an extra level of objectivity—an important benefit, but also an occasional source of conflict with a strong (and sometimes even a not-so-strong) CEO and management team. When we conduct effectiveness reviews for boards looking to optimize their performance, we frequently find such misalignment. Most often, the problem is due to a lack of well-defined roles for the two groups. Indeed, many organizations fail to set these boundaries from the outset because they underestimate the potential for problems to occur.

The board's charter means that clashes with management are always a possibility. The board, after all, is charged with safeguarding the interests of the company's shareholders, which includes helping management shape the company's strategy. The board reacts to the needs of the management team for guidance and direction while simultaneously influencing strategy based on the board's own perspective and experience. This subtle dance is rife with possibilities for overstepping. Once, we were called in to defuse a situation in which the board's frequent questioning of management caused company leaders to feel that they were not being guided but policed." We facilitated a carefully managed workshop with the two groups, combining open dialogue, feedback and case studies drawn from the solutions developed by other boards. From this discussion, management and the board then more clearly defined roles and established policies, procedures and a cadence of communication. These steps didn't completely eliminate the possibility of conflict, but they did provide useful guidelines to keep the board and management in alignment.

Institutionalizing these guidelines also helped make the board-management relationship less vulnerable to conflicts as directors rotate off the board. In our opinion, boards should revisit their charter and role definitions every few years, in order to keep pace with changes in the regulatory environment.

Well-defined roles and boundaries need to be supported by mutual understanding and respect; one shouldn't assume that best practices will emerge organically. Some management teams view the board—and particularly the independent directors—as little more than a rubber stamp mandated by regulation. Members of the board, on the other hand, sometimes believe that their experience exempts them from having to invest the time necessary to really understand the company's business before taking stands on important issues.

To mitigate against these roadblocks, well-run boards typically conduct two or three meetings each year at operations sites across the enterprise, exposing the directors first hand to different aspects of the business and to the depth of the management team. These visits allow the board to form independent, informed opinions based on information from a range of sources. It also allows the building of closer relationships. This can hardly be accomplished if the only point of contact is within the structure and pressured confines of regular board meetings.

Bonds can also be strengthened by assigning each member of the management team a mentor from the board. Frequently, the CEO and the CFO are mentored, either formally or informally, by the board chair and the audit committee chair, respectively. Those two relationships are natural outgrowths of standard corporate governance practices—and are a benefit to all involved. It's a good model for the rest of the management team, and encourages ongoing, one-on-one conversations between the two groups.

More generally, the board and management need to have an appreciation of each other's responsibilities. Continual requests by the board for information and elaboration, for example, is less likely to seem like intrusive meddling if management understands the extent of the board's growing regulatory and compliance obligations.

In the end, the relationship between the board and management is like any other relationship. Without the proper foundation, it can lead to conflict and strife. With the appropriate care and attention, however, it can be a source of power.

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