

“Do what you feel in your heart to be right for you’ll be criticized anyway.”
Eleanor Roosevelt

CEO-Chair? Independent Chair? Should the roles be split at your company?

Governance Perspectives

A board reference tool.
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A Look at the “Why To” and “Why Not”

Much has been written about the value of splitting the CEO and board chair positions.

Many shareholder activists and governance experts say “yes.” Some boards say “no.” A typical legal answer is, “it depends,” and that is an appropriate answer for this decision. Arguing there must always be a separation assumes that this one practice is a



“cure-all” for bad board practices when sometimes, even if the roles are separated, it’s only a fiduciary facade done to please others. Further, boards can only act as “one”; so, even if the CEO

is also the board chair, he has only one vote in any board action. Directors must meaningfully assess their own board performance and use of executive sessions, the experience and performance of the CEO, and the adoption of other “best practices” before deciding whether or not to separate the roles. Then, boards must own and be open about the decision. What’s right for the Smith Company may not be right for the Jones Company.

When reviewing whether or not separation of the CEO and chair roles is right for your board, consider the following notes. In the end, companies need a board governance structure that encourages “activist” directors who empower management to create lasting value for the company’s shareholders.

CEO AS CHAIR May Make Sense if ...

- ✓ there’s a seasoned CEO in place and company performance is on target
- ✓ there is a strong board, one that consistently and constructively challenges the CEO and management and, with the exception of the CEO, is independent
- ✓ the board has meaningful executive sessions, one prior to the start of the board meeting, and one following the meeting
- ✓ there is an industry knowledge gap on the board that has yet to be filled, but is in process
- ✓ the board unanimously agrees that this structure strikes the appropriate balance between active leadership and independent oversight of the business

Considerations

SEPARATING THE ROLES May Make Sense if ...

- ✓ the CEO is new, or the company is experiencing an unstable environment or is in crisis
- ✓ the company is in merger, acquisition or divestiture talks
- ✓ the board is evolving, requiring a chair who can concentrate solely on board operations and not need to have a dual focus on company operations
- ✓ The combination of roles would lead to a quashing of diverse views or would overly influence decision making
- ✓ the board simply decides that adopting the change will add to, and not detract from, board effectiveness and is aware that a successful separation of roles requires a CEO and chair relationship based on mutual trust and a high level of communication



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