

Board's role in CEO onboarding

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A couple of years ago, the Tata Group saw ₹20,000 crore erosion in market value, when Cyrus Mistry was kicked out. He tried to change too many things too fast and breached some of the sacrosanct Tata values. But we feel the board could have played a larger role in onboarding him than just a Ratan Tata-shadowing.

Another instance of low board involvement in onboarding was visible in the other famous CEO trouble – at Infosys. Vishal Sikka was fired for failing to make Infosys 2.0 succeed, among other accusations against him. Being the first non-founder CEO, he should have been groomed well by the board and founders.

Peter Chou of HTC, Phaneesh Murthy of iGate, two CEOs of Wipro and many others globally were fired for reasons ranging from toxic management to sexual abuse, not just for poor performance. The year 2018 saw the highest churn in CEO exits in India. In many of these cases, the boards could have played a better role in calling the shots and instilling the right values.

The role of an effective board is to guide the enterprise in shaping and executing a winning strategy. Broadly, there are five distinct areas where a board should concentrate to help the enterprise it serves – approve and govern the corporate strategy; guide major financial decisions including M&A, major capex for expansion etc; help in selecting, evaluating and monitoring the CEO and building succession plans; provide guidance to the CEO; and, finally, ensure compliance with regulatory and other requirements.

Many directors ask us on what role boards can take to drive onboarding of a CEO and we try to give them contextual guidance. We will attempt to illustrate the role of board in onboarding the CEO with an actual case.

There was this director at a contract manufacturing company, who was an independent outside executive. He was entrusted with role of the chairman of the governance and nominating committee. The company's incumbent CEO was retiring, and, as part of a shift in strategy, the board hired a new CEO from outside the company. While the new chief had strong operational experience, he was new to a CEO role, to that company, and to the team. The director's question was: "What should our board do to help this new CEO during the transition?"

Here's what we outlined: You are wise to not



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just give the new CEO a handshake, say 'good luck', and walk away. Onboarding a new CEO, especially a freshman chief from outside the company, is tricky. You may assume that most of the hard work is done (vetting, strategic review, shaping a compensation package and job description), but further support is still crucial. As a first step, the board needs to assure that the nuts-and-bolts of the CEO's job are all in place, with no gaps. Stuff like filling out all the proper HR and legal forms, bank signatures, administrative and office support, and personal needs (family, housing, kids' schooling, etc) may seem like minutiae, but do you really want your new leader stressing over such things?

The next phase of onboarding is often the most difficult. Designate a point person on the board to act as mentor and sounding board for the new chief. The board chair can assume this role, but it may be better for a less 'boss-like' boardroom intermediary to handle the role. Schedule monthly half-day check-ins with the CEO and the discussion should be informal, anything-goes. That enables the CEO to ask anything under the sun on structure, personalities, company-politics and so on.

As mentor, you should also provide introductions to other CEOs in your own network, who can offer their own mentoring advice. Introduce the new CEO to major customers, key analysts, top suppliers, and so on. The novice CEO needs to rebuild the outgoing chief's contact list, and you can help smoothen the process.

We also suggest some more structured tools to make the process more effective. First, a CEO transition is a marathon, not a sprint – the first 100 days is not enough, as some popular books describe. The board should make regular check-ins over the first year, with scheduled steps dove-tailed into board meeting agenda. At his first board meeting, ask for observations on the business. At the second meeting, ask for a report on his strategy. At the third, a strategy review.

Six-to-nine months in, consider investing in an outside, confidential 360-degree review of the CEO's performance. But embrace a twist here – The feedback and results should be for the CEO's eyes only. The CEO can then choose what and how much to share with the board (according to some experts, 99 per cent of the time they share everything). ♦

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