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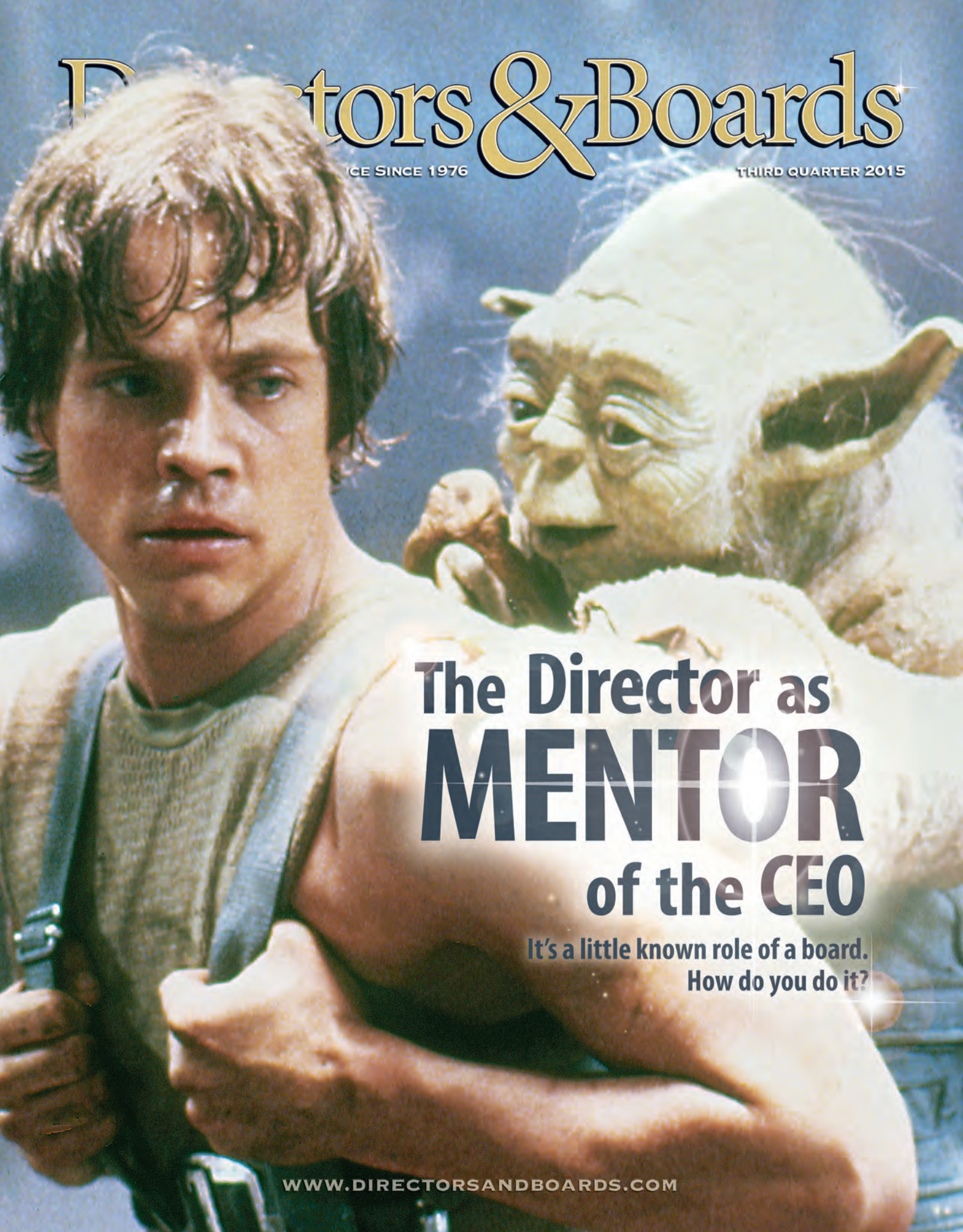

The Director as MENTOR of the CEO

It's a little known role of a board. How do you do it?

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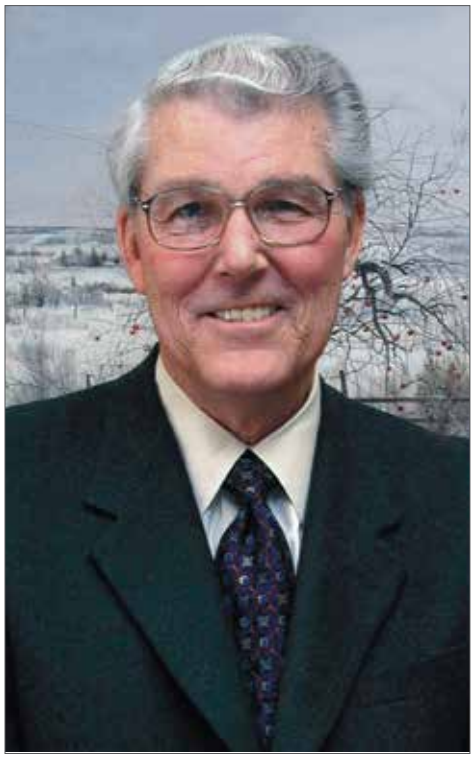
The board's role in mentoring the CEO

Over 40-plus years, I've mentored numerous CEOs and had a mentor myself. This is what I have learned about making the process a success.

By Richard Clarke

The CEO is the most important executive in the company's success or failure — there's no dispute. The CEO is the leader, in charge of the activities, strategy and people of the company. The board is responsible for advising the chief executive, and when circumstances dictate holding him or her accountable. The board also has an obligation to the shareholders, the company and the CEO to help him/her succeed. Crossing one's fingers rarely works. As boards have learned, they can't ignore any early warning signs of trouble with their CEOs (a topic we addressed in "How To Avoid Firing Your CEO," Directors & Boards, Fall 1999).



To ensure success the board of directors may deem a mentor is necessary. If so, they must take an active role in any CEO mentoring program.

The first step

First, the board needs to select a director to mentor the CEO, then determine when feedback is given to other directors. The board often views the chairman as the mentor, seeing it as a normal part of his/her responsibilities. However, the "boss-subordinate" relationship between these two precludes a successful mentoring relationship. Obviously when the chairman and CEO are the same, the mentor must be an independent board member — either the lead director or chair of the governance committee.

When selecting a mentor, the board should seek a director with strong interpersonal skills. Not the nicest or smartest person, but someone who can listen, provide positive and negative feedback, and has the ability to offer advice at the right time. The mentor should have broad experience in various businesses and functions, plus the ability to wisely impart that knowledge. He or she should be respected by other directors. Most importantly, the mentor must be able to establish a relationship with the CEO of absolute trust, that his/her only purpose is to help the CEO perform better. The CEO must feel confident the mentor is not simply another conduit of evaluation information to the board.

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This must be established at the start and continually reinforced.

Over 40-plus years, I've mentored numerous CEOs, had a mentor myself, and learned a good deal. Examples and guidance follow:

• When I was a mentee, I had just accepted a president and CEO position of a large, complex corporation. The headquarters office was in the same building as the independent lead director's office, making our meetings very convenient. During my first six to nine months we met quite often, both at work and socially. There were luncheons together, dinners with other important individuals he felt I should know, and the occasional round of golf at his club. Our homes were in the same neighborhood, which also helped.

DESIGNATING A MENTOR DOESN'T MEAN THE CEO IS FAILING

During these meetings my mentor would engage me in discussions involving the company's past history, current company issues, the company's culture, the political-financial-business structures, and key leaders. His view of the other directors was valuable as the directors often had very different views on strategy and operations. Our conversations were a two-way sharing of thoughts, opinions and ideas.

This mentoring was especially valuable for a young, new CEO. I used his wisdom over the years personally and passed it on to others. I never knew if he was selected by the board to be my mentor or he volunteered. I do know that none of the specifics we discussed during our meetings were relayed back to the board of directors without my knowledge or agreement.

• I was a mentor numerous times afterwards, both board-appointed and self-appointed. Nearly 40 years later I became the mentor for two CEOs at the same time. This unusual situation resulted when the owners of two separate and distinct businesses decided to combine their assets, merging them into a recapitalized new company with a more financially rewarding structure. One company was a freestanding business unit of a large European corporation and the other a private, family-owned and operated American company.

My work was at the heart of the merger. Once the strategy was developed we sold the concept to an investment group and through the recapitalization process the European business was acquired in total and the American owners rolled over their equity into a 30% ownership of the newly formed company. The remaining 70% was split 65% for the investment group and 5% for management. The investment group asked me to remain as temporary chairman to combine the two businesses into one global company with a revised asset base, streamlined operations, and effective Office of the CEO.

Mentoring was focused on achieving cooperation and compatible roles for the two prior CEOs, now the two executives sharing the CEO office of this newly formed company. Most of my mentoring focused on learning and understanding what these two former CEOs wanted in their respective new career positions. This involved many meetings with all three of us, as well as individual meetings with each person to define their new responsibilities. The company's current and future success depended on the former CEOs working well together. Personalities, compensation, motivations and abilities varied, making this most challenging.

This multiple and cross-linked mentoring drew on lessons as a mentee and mentor, plus affirmed the need for absolute trust among the three of us. I am very proud to be part of this team. We achieved all the owners' and management's goals — indeed, we exceeded all of them in half the time expected.

Important considerations

Whether engaged in complex or simple situations, the board should consider the following when undertaking the role of CEO mentor:

1. Designating a mentor doesn't mean the CEO is failing. A board mentor may be helpful for a new CEO if, for example, there's been a major restructuring, the company is expanding rapidly, becoming global, fighting activist investors, or facing other demanding challenges. Numerous factors may suggest the board elect a mentor, but it should not be viewed as any form of punishment.

2. The board should discuss how a mentor can help. If the CEO has issues with his or her communications style, or other personal or style issues, an executive coach may be most appropriate. Governance, strategic and operational matters are best handled by a board mentor.

3. The board should consider engaging an experienced consultant to aid in collecting the data to be used by the board in selecting the most appropriate independent board member to become the CEO mentor. Plus, assess the likely chemistry — one can't force a mentor relationship. Guidance as to reason for mentoring should be given.

4. In the first meeting the mentor should establish an environment of absolute trust with the CEO regarding the confidentiality of everything discussed during the mentoring process. The mentor's sole purpose is to help the CEO's performance and interactions with the board.

5. It should be agreed that comments made during mentoring are not to be shared with the board or any individual director unless mutually agreed to by the CEO and mentor.

6. Occasionally a mentor may describe changes needed, then jointly engage a coach or other outside source to work directly with the CEO and then discuss during future mentoring sessions how things are progressing. The CEO should advise the board of his/her progress.

7. Do not have all your mentoring sessions at the company's offices. A more informal place such as a private club or restaurant reinforces the personal nature of mentoring, which implies it's not always about the CEO job per se. There shouldn't be too long a time between discussions. If travel precludes meetings for several weeks, a phone call will suffice, but as a last resort.

8. The mentor should avoid having most discussions relate to financial performance or only the cur-

The best way the board can be helpful to the CEO

By Deborah Hicks Midanek

Twice in my career as a turnaround executive a nonexecutive chairman of a NYSE-traded company has called me to ask for help. Their companies were floundering, and each asked the same question: will you need to replace my CEO? While I was very impressed that these men each took the initiative to address the issues their companies were facing, it intrigued me that they perceived handling the CEO to be a difficult issue. Why was this?

I came to know that the members of each board were highly competent people, distinguished in their careers. Each of the companies had been seen as an exemplar of the best of breed. Each CEO had been celebrated as an effective leader. And each board had interpreted themselves as the supporter of the CEO. The chairmen who called had gotten too close to the CEOs in question. In effect, they were calling for an outsider to help them do what they needed to do: hold the CEO accountable. Or else.

There are some important lessons in these two parallel situations. In my view, the seeds of the ultimate failure of the boards and their CEOs were sown in their success, which is a common pattern. The CEOs became larger than life not only in the eyes of the public but in the eyes of their boards. Their inclination was to protect the CEO, given the success he had apparently created, until it was too late. Along the way, they had become too close to him personally to be able easily to hold him accountable.

How to protect against this? Consider first principles: who is responsible for what. The board is responsible for the perpetual life of the corporation, and its overall health, just as a parent is responsible for the welfare of a child. To ensure that life and health, the parent instills the habits of self-reliance and independence while keeping a weather eye, and a skeptical one, on the key indicators of progress.

Though cordial and trusting relationships between management and board are imperative and must be nurtured, directors cannot forget ever that their job is to hold the CEO accountable for the way he or she chooses to allocate the resources of the company. Active questioning and joint consideration and monitoring of relevant metrics of risk and reward and of progress toward realizing strategic goals must be considered at every board meeting. Meetings that are scripted by the CEO are a red flag.

Both of these boards had known the CEO for decades and had become too close to him, allowing an imperial tone to be established, in which the CEO could not be challenged. This is a dangerous and pernicious state of affairs, reminiscent of enabling spoiled children. Though it will ruffle feathers of both management and other directors, if this is happening in the boardrooms in which you sit, start interrupting.

Deborah Hicks Midanek: The board's inclination was to protect the CEO — until it was too late.

Break the rehearsed cadence of the prepared presentation in favor of direct conversation. Be sure the directors are not receiving information about the company's condition only from the CEO. Remember that it is only when directors can establish an independent framework for assessing the company's health, and therefore the CEO's effectiveness, that they can truly be in position to mentor the CEO. This is the way the board can be most helpful to the CEO — by knowing and caring enough, like a parent, to call the CEO to account for actions regularly, thus avoiding the need, we hope, to call for the possible replacement.

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rent numbers. The mentoring process has to involve issues and actions that help the CEO do better — some of which are measurable, some not.

9. The mentor should replace themselves if they can't devote the time, if the chemistry is off, or the mentor and CEO agree the mentoring process achieved the results desired and should be discontinued.

In summary, I repeat once more my conviction that a mentoring program for the CEO can produce very excellent results; however, only if the board plays a direct role in managing it by appointing an independent board member with the right qualities as the mentor. ■

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