

# Ask Mr Sid

Dear Mr Sid

## Re: Who's the Boss?

I am the CEO of a listed healthcare company facing challenges posed by our new chairman. His actions are jeopardising both our corporate and individual well-being.

Our previous chairman, a dear friend and close ally, recently retired despite our best efforts to retain him. His successor is a friend of his, who recently retired as the CEO of a property development firm. Unlike my previous chairman, the other board members and me, who are all healthcare professionals, he lacks the relevant industry expertise. Thus, he is struggling to understand our business and also his non-executive role.

Several actions have strained my patience:

- He demands his own office and spends several significant time there daily.
- He directly engages with my C-Suite team, meddling in operational matters and questioning established norms.
- He proposes to sell our clinic properties or put them into a REIT despite their solid rental returns.
- He wants to commission an external consultant for a strategy report to become the leading healthcare provider.

- He believes the chairman should also handle media relations, a role traditionally held by the CEO.

These actions undermine my authority and credibility as CEO despite the company's growth during my tenure. As the saying goes, "Managers manage and directors direct", but obviously, our chairman missed the memo.

While I sense some support from the other directors, their stance remains somewhat ambiguous. They are likely waiting to see how the chairman's power play unfolds.

Meanwhile, I find myself being excluded from their "board-only" sessions, which is increasingly happening and which we did not have with the previous chairman. I am now considering requesting a board seat.

Mr Sid, how should I navigate this situation to secure my CEO role? If unresolved, I am prepared to retire and accept an offer to chair a healthcare rival.

Yours sincerely

**Boss-Until-I-Step-Down**

Dear Boss-Until-I-Step-Down

Yes, I can sense that your new chairman is affecting your mental well-being, although it is less clear how he similarly affects your organisation's health.

While your observations about the chairman's role are insightful, it is essential to maintain a balanced perspective, considering both immediate actions and long-term implications.

### Role of chairman versus CEO

You have aptly distinguished between the roles of management and directors, particularly non-executive directors (NEDs).

Management should be hands-on, directly executing tasks while fully accountable to the board, which should take a "nose in, fingers out" approach. NEDs should be well-informed but refrain from meddling in the day-to-day operations.

The relationship between a (non-executive) chairman and CEO is a nuanced subset of this broader dynamic.

The chairman leads the board, and the CEO leads the management team. Generally, the chairman focuses on governance, while the CEO ensures operational execution. Their roles are complementary. While the chairman offers an independent, external perspective,

the CEO brings an internal, operational lens. Together, they should work harmoniously to ensure both effective governance and operational excellence.

### Role transition

You have noted that your new chairman struggles to transition from an executive to a non-executive role. That's because such a shift often involves a psychological and practical adjustment to a reduced scope of authority and day-to-day involvement.

When he was CEO, he would be used to making quick, unilateral decisions and being deeply involved in daily operations. As a non-executive chairman, he must now curb the tendency to micromanage and instead concentrate on governance and steering board discussions.

As the CEO, you can play a pivotal role in facilitating this transition for both him—and yourself. Before you do, however, you should recognise that role boundaries can be fluid, and your interpretation may not be universally applicable.

### Cutting slack for the new chairman

Given that your chairman is new to both the role and the healthcare industry, a measure of patience and understanding can go a long way.

For example, his desire for an office is a transitional comfort you should accommodate.

Moreover, his background outside healthcare could be an asset, especially considering that your current board is already laden with medical expertise. An outsider can bring a fresh perspective, free from preconceived notions or industry-specific biases.

And your chairman seems to be doing just that, as evidenced by his exploring alternative arrangements for your existing clinic properties.

The chairman's initiation of a strategic review is not only appropriate (especially if no such review has been conducted recently), but it is also the board's right and responsibility. Of course, the board and management have roles in this process: the board sets the scope and focuses on governance and long-term objectives, while management provides data, conducts analysis and executes the approved plan.

While the CEO is often the face of the company for media relations, there are situations where the chairman should lead, particularly in matters of corporate governance, board decisions or high-level strategy. In significant cases, such as in a crisis, both could jointly appear to symbolise unity and shared leadership.

As always, the boundaries between board and management or chairman and CEO are not rigid. There must be adaptive governance and executive flexibility. And although you may not like to hear this, the board and the chairman generally have the final say.

### Putting your foot down

Yet, while empathy and flexibility are important, they should not come at the expense of your authority as CEO.

For instance, you should not accept the chairman dealing directly with your subordinates without your presence or consent.

Your challenge is how to convey these points effectively.

You could tap on your relationships with your former chairman and present board members for advice or even mediation. Given your familiarity with them, you should already have a sense of who among them could best provide the counsel and mediation to improve the situation.

But before reaching out, you should be clear on your non-negotiables and think about how the new chairman could be supported in his role. For example, SID has courses and forums for board chairs to learn and interact with peers to become better chairmen. It might be more palatable for these resources to be suggested by the former chairman or a board member rather than you to the new chairman.

### CEO as a board member

Your desire to join the board is understandable but comes with governance implications. While it can foster better alignment between strategy and execution, it risks blurring governance boundaries and creating conflicts of interest.

In practice, many boards prefer the CEO to also serve as a director so that they are subjected to fiduciary duties (and liabilities) that management roles are not. However, for listed companies, adding a CEO as an executive director could tip the balance in the requisite proportion of independent directors.

Note that good governance often entails holding part of the board meeting without management present.

Known as "executive sessions", these segments address topics requiring a level of independence or confidentiality that might be compromised with management present. So, even after joining the board, you will still be excluded from such sessions.

### Making it work

Ultimately, it is more for you as the CEO to make the relationship work. The chairman is, after all, the person you report to.

There is no one correct way to divide the responsibilities between the chairman and CEO. Instead, what matters is an open dialogue between the two of you on the role boundaries.

To reach a point where such candid discussions are possible, start by actively supporting the chairman in areas you deem reasonable. Leverage your existing board relationships and other avenues to help him become a more effective chairman. Ideally, you eventually want him to serve as your mentor, which is a legitimate role for a board chairman. You can help him get there by viewing him as a sounding board rather than a roadblock.

But if you wish to give up and move to chair another healthcare company, remember this experience because you are also a CEO used to calling the shots and will likely encounter similar challenges in your new role.

All the best.

Yours sincerely



Mr Sid ■

## Who is Mr Sid?



Mr Sid is a meek, mild-mannered geek who resides in the deep recesses of the reference archives of the Singapore Institute of Directors.

Burrowed among his favourite *Corporate Governance Guides for Boards in Singapore*, he relishes answering members' questions on corporate governance and directorship matters. But when the questions are too difficult, he transforms into Super SID, and flies out to his super network of boardroom *kakis* to find the answers.

## Mr Sid's References (for this question)

### Board Guide

Section 2.5: Board Leadership  
Section 4.4: Strategy  
Appendix 4H: The Role of the Board vis-à-vis Management in Strategy  
Section 6.5: The CEO  
Appendix 6B-6: Balancing the Chairman-CEO Relationship

### Boardroom Matters

Vol 1, Chapter 26: "Sense and Sensibility in Board Diversity" by Lyn Boxall  
Vol 2, Chapter 43: "Strategy: More Than a Board Game" by Wilson Chew  
Vol 3, Chapter 5: "Role of Non-Executive Directors in Strategic Planning" by Eugene Kang  
Vol 4, Chapter 31: "The Role and Challenge of the Non-executive Board Chair" by Lee Chong Kwee

### Directors Bulletin

2017 Q2: "The Board-Management Relationship: How to Achieve Control and Support" by Professor Jean-Francois Manzoni  
2017 Q2: "The CEO: Power Leads to Altitude Sickness" by Professor Philip Anderson  
2017 Q4: "Roles and Practices of Board Chairs Across the World" by Professor Stanislav Shekshnia and Veronika Zagiev  
2019 Q1: "What Next? How CEOs Deal with the Challenge of Leaving the Top Job" by Alain Deniau and Dan Cullen

### SID Courses

Board Chairmen Conversations  
Listed Entity Director Programme: LED 2: Board Dynamics  
Governance for Outstanding Organisation Directors Programme: SGD 3: Board and Management Dynamics  
SID-SMU Directorship Programme: SDP 1: The Role of Directors: Duties, Responsibilities and Legal Obligations  
SID-INSEAD International Directors Programme: IDP 2: Board Dynamics, Efficiency and the Role of Committees