INSEAD The Business School for the World®

KNOWLEDGE

The Support-Challenge Tightrope in Board-CEO Interactions

Boards must strike the right balance between supporting chief executives and challenging their performance if the relationship is to deliver the best results for the company.

People who look at Boards and CEOs from afar might be tempted to assume at that level, discussions and decisions are all about rational facts and figures. The reality, for those of us who work with directors and high level executives, is that in spite of good intentions, very human factors often end up playing very significant roles in discussions at the top.

One of the main challenges boards face is the striking of a good balance between *support* and *challenge* of the CEO and management team.

Boards must challenge the CEO and management team – that's one of their major roles and one of the ways they help management to optimise decisions and performance.

They must also support the CEO and management team. Life at the top of organisations is demanding and can be lonely. The CEO needs to have "a place to go to" for advice and support. Also, human beings tend to accept more challenge from people who they believe have good intentions toward them. The support given by the board to the CEO hence helps to make the board's challenge more acceptable for the CEO.

Boards should be aiming for the "high-high" quadrant in the matrix below.

Low support	High support
High challenge	"challenge trap"
Low challenge	Absentee board

Boards often find it difficult to operate in that space. They typically start by operating in "high support" mode, for several reasons. Let's start with the least glamorous one: Some Board members sometimes shy away from challenging the CEO out of fear that antagonising the CEO may endanger their position on this and/or other boards. But there are several more legitimate reasons for boards to want to be supportive.

- CEOs tend to be proud and competitive individuals who are not always the best "feedback receivers" in the world. In the absence of certainty, it may be better to shy away from potential controversy and maintain a harmonious relationship with the CEO.
- Boards typically know less about the

business than management and as a result can lack confidence in their ability to challenge effectively.
- Boards often feel close to the CEO they chose and would very much prefer him/her to succeed, as failure by the CEO might reflect badly on the board's CEO selection.
- Boards are not always aligned in their view of the CEO's performance. Challenge by some members may expose disagreements within the board and create an awkward situation for the board, management and shareholders. (See, for example, the recent tension at the top of the VW group triggered by the [now] ex-Chairman, Ferdinand Piech who unilaterally reported a disconnect with the CEO).

The support trap

The challenge is compounded by the fact that board members, like all human beings, suffer from confirmatory biases. Once they have labelled an individual a solid performer, they are likely to perceive and interpret reality in a way that "confirms" their label. They are hence likely to notice the CEO's successes a lot more than their difficulties. When forced to look at the difficulties, they will have a tendency to minimise them and/or attribute them to external causes. Research even shows that our memory can be similarly affected, leading us to remember events and situations in biased ways.

This "support trap" often leads boards to be overly patient with CEOs and to pay insufficient attention to early warning signals. I'm sure we can all remember a few cases like this. For example, a few years ago I wrote a case on Bob Nardelli's tenure as the CEO of Home Depot. More recently, the board of Barclays was criticised for being insufficiently challenging of CEO Bob Diamond, and the board of Pfizer was similarly criticised for their handling of Jeff Kindler. (Interestingly, in both cases the board selected these CEOs in spite of dissenting voices trying to discourage them from doing so. Such controversial selections then need to be "defended", which can lead to unconscious efforts to reduce cognitive dissonance by inappropriately reducing or even dismissing the dissonant information).

The challenge trap

But sometimes the evidence pointing to problems becomes sufficient to start worrying the board. The board is no longer sure that the CEO is the right individual to lead the organisation. Once this doubt becomes sufficiently strong, it acts as a cancer and quickly starts polluting the relationship between board and CEO. At that point, boards often switch to the top-left quadrant of the matrix above and succumb to the "challenge trap". Their confirmatory biases lead them to perceive the CEO's actions and results through a negative prism, leading to much more attention to failures than to successes, attribution of failures to the CEO's limitations and successes to external factors, and correspondingly biased memories. In addition to the perceptual aspects, boards also start acting much more vigorously toward the CEO – asking more questions, challenging responses, data and interpretations. This more forceful attitude can be met by two responses from the CEO:

- The more typical for CEOs is the "aggressive response", where the CEO stands his/her ground, pushes back on the board and "refuses to let themselves be bullied". This aggressive response generally fails to reduce the board's misgivings. In fact, it generally fuels the board's doubts and resolve, leading to a rapid escalation of intensity in the relationship.
- Some CEOs respond more passively; they try to avoid conflict and gradually withdraw from interaction. Unfortunately this attitude also fuels the concerns of the board, thus also triggering a vicious circle of increased board challenge leading to more of the same behaviour from the CEO – in this case withdrawal and disengagement.

In both cases, the board's label becomes self-fulfilling. As does the CEO's labelling of the board, of course. Somewhere along the way the CEO starts to label negatively (some members of) the board – as meddlers, unreasonable, ignorant, antagonistic… and behave toward them in ways that are more likely to attract negative, rather than supportive, responses. The CEO also starts to perceive reality and board member behaviour through a confirmatory prism, over-emphasising challenging behaviour, attributing more negative motives and selectively remembering events and situations.

Life is, of course, more complex than this stylised summary, but I think this analysis is directionally correct and captures the essence of many situations. boards often start by erring on the side of support before erring on the side of challenge when they start losing confidence in the CEO. The board's active challenge triggers a vicious circle of increasing tension and decreasing performance and turns the board's doubts on the CEO's performance into a self-fulfilling prophesy. In the next post I will review two recent cases of CEOs being pushed out by their board. Like explained above the process will be self-fulfilling and self-reinforcing, but unlike today the main reason for the board's annoyance will not be performance as such.

This post builds on work conducted with Paul Strebel and Jean-Louis Barsoux (IMD)

***Jean-Francois Manzoni*** *is the Shell Chaired Professor of Human Resources and Organisational Development and a Professor of Management Practice at INSEAD, where he is also the co-director of the* ***International Directors Programme****, one of INSEAD's executive development programmes.*

Follow INSEAD Knowledge on Twitter and Facebook

Find article at
https://knowledge.insead.edu/leadership-organisations/the-support-challenge-tightrope-in-board-ceo-interactions-3975