Chapter 1

Boardroom Priorities for New CEOs

One of the most profound changes in any new CEO’s work life is that he reports not to a boss but to a board. And to successfully lead the company, he must establish a constructive working relationship with that board. There are six things that any new CEO should consider doing to get that working relationship off to a great start. The timing of these may vary, depending on whether your predecessor continues to serve as Chairman subsequent to your appointment as CEO.

In the United States, where the majority of public company boards continue to combine the roles of Chairman and CEO, it is common practice for the outgoing CEO to continue to serve as Chairman for a transitional period at the end of the succession process. This period is much shorter today—typically about a year—than it was a decade ago, and it often helps to smooth the leadership transition. If this is your scenario, it may feel as though your working relationship with the board truly begins only after your predecessor finally exits the boardroom. Indeed, there are certain steps that should probably be deferred until after that occurs. However, four things are worth addressing in your first six to twelve months, regardless. These are:

1. Get comfortable with governance issues
2. Meet individually with every member of your board
3. Establish the terms of your working relationship with your Presiding Director or Nonexecutive Chair
4. Review the annual CEO evaluation process that the board will use to assess your performance.
1. Get Comfortable with Governance Issues

Serving on the board of another public company is invaluable experience for any new CEO. If you have not had this opportunity, it will be even more important to spend time on governance at the outset of your tenure as CEO. If possible, it can be useful to undertake some of these items in the six- or twelve-month period preceding your appointment as CEO. Otherwise, be sure to put them on the agenda for your first six months.

Prestigious business schools and other organizations offer many fine courses on governance; those at Harvard, Wharton, and Stanford are among the best known. You can ask your corporate secretary to track down course information and agendas to decide if any of these would be worthwhile. Admittedly, it can be difficult for any CEO to make time to attend an outside training session—particularly in her first six months after appointment. Even if you are able to do so, some CEOs find that the classroom environment inhibits them from raising important but often sensitive questions. Others simply feel uncomfortable asking what they perceive to be a “dumb question” in a forum where other attendees may think, “He doesn’t even know that—and he’s the CEO of that company?”

An alternative approach—or a means of supplementing any governance course you have taken or plan to take—is to design your own governance tutorial. I first became involved in providing individual governance tutorials for incoming CEOs in 2001; they worked so well that I have recommended this approach many times since. The agenda for this session should be tailored to cover topics of greatest interest to you. For example, if you have been hearing about “Say on Pay” or the “SEC Proxy Access Rule” but are uncertain of their implications, they may be worthwhile topics. If you have gathered agendas for some of the director-education courses, you may want to review these and cherry-pick the topics of greatest appeal in designing your own tutorial.

The quality of discussion in a governance tutorial differs markedly from what typically occurs in a director education class. In one instance I was involved in, the incoming CEO was particularly concerned about his predecessor’s decision to offer a board seat to the company’s chief financial officer (CFO), who had been runner-up in the succession process. The outgoing CEO viewed the board seat as a consolation prize for the CFO and had convinced the Nominating/Governance