

## The Board and the CEO

Along with overseeing strategy and monitoring the company's performance, one of the major functions of a board is to appoint, review, work through and replace (when necessary), the CEO. The board/CEO relationship is crucial to effective corporate governance because it is the link between the board's role in determining the organisation's strategic direction and management's role in achieving corporate objectives.

To facilitate a better understanding of the board's specific functions with respect to the organisation's chief executive, we discuss the critical aspects of the role.

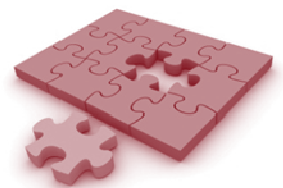


### **CEO Selection**

Selecting a new CEO is the time when the board has the greatest opportunity to influence the future direction and performance of the board, and the basis of the working relationship between the board and CEO with a first-class selection process.

### **CEO Assessment**

To foster a partnership built on trust, the board has a critical role in establishing this trust through developing reasonable and fair expectations of the CEO and then assessing his/her performance accordingly. As such, the CEO assessment process is an important component of an effective CEO/board relationship.



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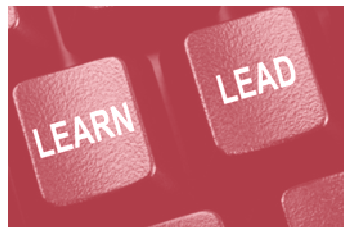
### **Succession**

CEO succession planning requires:

- A long-term vision
- A breadth of knowledge about candidates both inside and outside the organisation
- In-depth knowledge of the organisation's resources, goals and personnel

### **Remuneration**

As another key function of the board, the most important issue for the board is to determine the most effective way of linking payment with performance.



### **Mentoring**

The board adds value to the corporation when it acts as a sounding board for the CEO or can offer him advice, or recommends sources of outside expertise or counsel.

### **Deselection**

In spite of the best remuneration and selection processes there may be times when it is necessary to replace the CEO: whatever the circumstances, implementing a smooth transition between CEOs is another important role of board.



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- CEO Evaluation
- Strategy Facilitation
- Role of the Board
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For further information on the board and CEO relationship, CEO evaluation or any our other services please contact us on: (07) 3510 8111 or [advisors@effectivegovernance.com.au](mailto:advisors@effectivegovernance.com.au) or visit our website [www.effectivegovernance.com.au](http://www.effectivegovernance.com.au)