**The "Chemistry factor" in the Chairman/CEO Relationship**

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# The "Chemistry factor" in the Chairman/CEO Relationship

**Abstract:**

This paper reports a study into the nature, dynamics and effects of the 'chemistry' of the Chairman/Chief Executive Officer (CEO) relationship. A qualitative, semi structured interview, narrative analysis methodology over a twenty eight month period was adopted. A sample of CEO's, Chairmen and Non-Executive Directors (NEDs) across the boards of nine corporations, agreed to participate in in-depth discussion. Personal narratives of the board director's experience, particularly from the perspective of enabling understanding of the 'chemistry' of the Chairman/CEO relationship, were analysed in terms of boardroom and organisational effect.

There are two elements to 'chemistry', analytical interpretative capacity (sense making) and deep friendship (philos). Both emerge as primary to determining Chairman/CEO effectiveness and in combination nurture meaningful knowledge sharing as well as a desire for learning in the boardroom. Absence of either allows for a workable relationship, but with neither, the Chairman/CEO dyad and the organisation are harmed.

This qualitative study draws attention to the criticality of sense making and philos as determinants of the quality of the Chairman/CEO relationship.

The study results emphasise the critical nature of the Chairman/CEO relationship in determining boardroom and organisational effectiveness. Development of this dyadic interaction is considered to positively benefit boardroom dynamics and organisational

performance.

**Key words:** board dynamics, Chairman/CEO relationship, narrative, *philos,* relational chemistry, sense-making

**Introduction**

The few academic studies that exist regarding the chairman and chief executive officer (CEO) relational impact on performance inconclusively show that 'board structure is no panacea for board effectiveness' (Kakabadse and Kakabadse, 2004; 2). From one perspective, academics persuasively argue for the separation of the chairman and CEO roles on the basis that a clear division of responsibilities better guarantees independent action on behalf of the board (Coombes and Wong, 2004). This supposedly allows the chairman and other board members to challenge the CEO without fear of giving offence (Coombes and Wong, 2004). In his *Report of the Committee on the Financial Aspects of Corporate Governance* (1992), Sir Adrian Cadbury recommended separating the roles of CEO and chairman of the board. The chairman would be responsible for the leadership of the board and act as the external face of the company, particularly in relation to investors (Cadbury, 1992; FRC, 2003). Such division of responsibilities would ensure that no one individual holds unfettered powers of decision-making. Separating the two most senior of leadership roles warranted that the CEO's determining of organisational reality, or "sense giving", would not remain unrestrained (Gioia and Chittipeddi, 1991: 442).

With such a view in mind, UK firms have eagerly adopted role separation, up from 48.4 per cent of boards in 1985 to 95 per cent in 2004 (Hanson and Song, 2000; Coombes and Wong, 2004). Essentially, 'decision management' is disentangled from 'decision control', a necessary condition for effective corporate governance. This permits the chairman, and in turn, the board, to monitor the performance of the CEO.

The assumption that role separation enhances governance application sharply contrasts with the US practice of role duality, namely the combining of the chairman and CEO roles in one. The alternative perspective is that by virtue of membership, US board members hold a common interest, namely the realising of shareholder value (Kakabadse and Kakabadse, 2007). Decision efficiency, rather than the disengagement of decision management from control, is paramount (Kakabadse and Kakabadse, 2008). Yet, with no discernable conclusion emerging over the performance superiority of either role separation or role duality, the framing of board issues becomes a matter of individual directors' expression, advocacy, agreement as well as settlement and modification of disagreement (Coombes and Wong, 2004). Thus in determining strategic direction, the chairman and CEO are able to apply extensive personal discretion to their roles. (Kakabadse et al, 2006; Kakabadse and Kakabadse, 2007). It is discretionary action, not governance dictate that shapes role and enterprise functionality, purpose and contribution (Parker, 1990). Only the actors in that context, their orientation and desires truly shape role and corporate boundaries.

In trying to ascertain whether patterns exist to executive discretionary application, Parker (1990) adopted a role based framework and concluded that the responsibilities of the chairman are to look outward and forward, whilst the CEO manages the 'day-to-day'. This perspective parallels the Cadbury (1992) recommendation. In similar vein,

Garratt (1999: 29) named the chairman as the 'boss of the board', whose role also necessitates to "induct, include and train to competence, each director and the board, as a collective whole". Roberts and Stiles (1999) cited a qualitative study of 30 Chairman/CEO dyads that supports this line of thinking. The study identifies chairmanship as the essential bridge between non-executive directors and executive management. In turn, Roberts (2002) argued that the primary work of the chairman is to ensure that the board plays a 'complementary' rather than 'complimentary' role in determining the direction and control of the company. In effect, these studies conclude that wisely leveraging the discretionary component allows the chairman and CEO to shape appropriate complementarities of understanding so that the CEO has an invaluable set of additional resources upon which he/she can draw.

Equally, qualitative based studies that explored the role and contribution of NEDs highlight that the chairman and CEO's relationship is pivotal to boardroom effectiveness (Kakabadse *et al.*, 2001; 2006). A practitioner study of 12 CEOs of FTSE 100 companies revealed that a 'sound' relationship between the CEO and chairman is essential to the proper functioning of the board (Spencer Stuart, 2003). Prominent chairmen through public statements have echoed similar sentiments. For example, Sir Denys Henderson, former chairman and CEO of Imperial Chemical Industries (ICI), stated that "in [his] view, it is vital for the chairman and the CEO to have a close working relationship which is why the chemistry between them is so important" (Henderson quoted in *Harvard Business Review*, 1995: 158). The argument is: the success of the non-executive chairman is heavily dependent on his/her relationship with the CEO and "if the chemistry isn't good, the relationship isn't going to work". As a result, "the board and the company are in serious trouble" (Henderson quoted in the

*McKinsey Quarterly*, 2004: 67).   In short, in today's business climate, the call for attentiveness to the Chairman/CEO interplay has become ever more pertinent, (Sias et al, 2004). The quality of the relationship between chairman and CEO plays an increasingly important role in decision making, information sharing, resource mobilisation and employee well-being (Rawlins, 1992; Wheatley, 1994)**.**

Cognisant of the criticality of the Chairman/CEO relationship, this paper presents the results of an interpretative, qualitative study that engages the meanings embedded in narratives regarding the nature of the chairman and CEO relationship.  The paper starts with a literature examination of the 'chemistry' between the chairman and CEO. We identify the "chemistry factor" as holding a dual nature, sense making or analytical convergence utilising post environmental scanning (Feldaman, 2004) and *philos* or social bonding (Kakabadse *et al*., 2006).  This then leads to a detailed description of the study and the methodology adopted. The study results emphasise that the combination of both environmental scanning and *philos* establishes a 'collective mind' at board level. In turn, this ensures consistency and coherence of strategic pursuit.  However, in the absence of one of the two sides of the "chemistry factor", we conclude that acknowledgement of the deficit and overcompensation of the remaining factor offers sufficient basis to foster shared ownership between chairman and CEO of the vision and strategy in the short to medium term.  With neither present, the evident tension between the chairman and CEO undermines the fabric of the organisation often leading to the departure of one or both parties.

**Sense-making**

Sense-making in the fields of management and organisational behaviour is positioned as a dynamic process of enhancing understanding, significantly influenced by prior knowledge structure (i.e. *schemata*). This assigns meaning to new information (i.e. *stimuli*) in order to reduce the complexity of information confronting the individual and allows for association with past actions and meanings (Weick, 1995; Schwandt, 2005). Sense-making as the word "sense" suggests, involves interpretation of both the cognitive and emotional aspects of the human experience of interaction with the environment (Schwandt, 2005). As such, sense-making is a human cognitive process concerned with weaving together a milieu of meanings, whilst having a complementary symbiotic relationship with learning, where by the former provides a pragmatic reduction of equivocality and the latter critical reflection (Schwandt, 2005).

Bearing in mind the interconnected nature of making sense of spreads of meaning and the resultant learning, studies within the UK context identify the relationship between chairman and CEO to entail a complex set of dynamics driven by individual beliefs, personal capability and experience (Pettigrew, 1992). Although recognised that the role of chairman varies according to corporate context, the will to realise high quality relationship between the chairman and CEO is of critical importance in productively addressing the magnitude of challenges facing the enterprise (Heracleous, 1999; Roberts, 2002). Commentators have concluded that shared cognitive commitment between chairman and CEO to a particular course of action is important for board and organisation sustainability (Roberts, 2002).

Yet, the question remains: how can two separate cognitions, 'become' shared in order to realise the pursuit of a common aspiration (Duck and Pittman, 1994: 680)? One

distinct strand of inquiry focuses on the unitary enabling effect of decision-making processes.  In reaching comparability of meaning for the purpose of decision-making and implementation, Lonergan (1957) has positioned the 'lens' of experience as critical to determining understanding of internal organisational context against external reality. Daft and Weick (1984: 286) expanded Lonergan's (1957) analysis of meaning appreciation through their tri-partite analysis of environmental scanning (data collection), interpretation (data determined meanings) and learning (action taken). They proposed that organisational members emerge with a will for collective action through experiencing the interconnectedness of the three elements. This results in the phenomenon of a 'collective mind'. The quality of 'heedfulness', namely detailed and consistent attention to interrelational improvement (Weick & Roberts 1993) mediates the migration from individual to collective consciousness through the processes of data collation to action.

Weick (1995) has further scrutinised the making and sharing of a particular sense amongst organisational leaders.  He postulated reliance on memory, driven by the need for order and clarity, as a critical consideration.  In so doing, he notes the relationship between social structure and sense-making as dialectical.  Cognitive models that offer explanation of and a pathway through events, allow for a reformulation of social structures, particularly concerning roles and relationships within and amongst social groups (Weick, 1995).  Following this line of argument, certain scholars consider that the environmental component of sense-making is self fulfilling in that people 'often produce part of the environment they face' (Pondy and Mitroff, 1979: 17).

Critical, therefore, is to clarify one's own role and the identity of the group of which one is a member. Both act as a stimulus to facilitate the learning process in order to attain the consensus underlying the 'collective creative mind' (Weick and Roberts, 1993: 357). Sense-making is thus 'driven by plausibility rather than accuracy' (Weick, 1995: 55). Accuracy requires greater cognitive investment, but of itself, does not provide the emotive comfort necessary for the emergence of a common mindset in pursuing actions under conditions of imperfect data gathering and interpretation (Weick and Roberts, 1993).

Irrespective of the attraction of sense-making as a logic of shared understanding, involving activity filtering, classifying and comparing, the plausibility argument offers a greater range of sense-making portrayals within the boardroom context (Gioia and Chittipeddi, 1991; Weick, 1995: 51). Confronted with a variety of cues, board members notice a few, filter out others and, in so doing, exhibit an idiosyncrasy of distillation, captured as being "sensitive to the ways in which people chop moments out of continuous flows and extract cues from those moments" (Weick, 1995: 43).

In similar vein, Starbuck and Milliken (1988) assert that the extraction of data necessary for sense-making requires post experience reflection. This makes the past clearer than the present or future in order to account for discrepancies, merge individually held frames of reference and emerge with a capacity to negotiate towards a shared understanding (Waterman, 1990; Weick, 1995). Fundamental to attaining high quality board room dialogue is to engender a mindset of continuous learning through critical reflection so that each incumbent is conscious that the process of meaning making is shaped and limited by their frame of reference, schemata or knowledge

structure (Gray, 2006: 488). During boardroom 'conversation' where members exchange information and acquire knowledge, each board member, does not receive passive messages, but actively develops meanings, shaped by their perspective of the world (Andriof, 2001). Thus, the boardroom setting represents the interests of parties in a manner that allows for persuasion, to persuade and be persuaded, and this, of itself, is purported as a primary process of sense-making (Cheney and Dionisopoulos, 1989). As a result, we need to account for the dynamic and contextually idiosyncratic nature underlying plausibility which is additional to the original Daft and Weick (1984) and later Weick and Roberts (1993) tripartite attribution to the collective mind, namely: *experience* (or data scanning), *perception* (meaningful interpretation which can be objective, factual, imaginative, systemic, symbolic), and *cognitive commitment* (each individual's thorough assessment of 'reality come value').

On this basis, plausibility takes account of the assumption that we cannot equally access the three processes of experience, perception and cognitive commitment. Such inequality may be due to a personal or contextual predilection for environmental scanning, and/or, a focus on judgement and commitment, as much arising from perceived enterprise threat or even a need for dominance by one or more individuals within that setting. Additionally, plausibility also refers to physical, emotional or spiritual bridges that are unique to the individual (Herden and Lyles, 1981; Cowen, 1991).

The concept of bridging thus introduces a further dimension- that of *philos*. The linking and drawing together of relevant knowledge for the purpose of problem formulation is one part. The other is the emotive linkage critical for the continuance of conversation

in order to attain a 'collective mind' (Herden and Lyles, 1981; Sternberg, 1985). The necessity is to examine how the combination of knowledge sharing and strength of interpersonal ties combine to form a shared vision between critical dyads (Levin and Cross, 2004; Mooradian et al, 2006).

### *Philos* **Phenomenon**

The investigation of the characteristics of dyadic, inter relationships which support learning through reflective practice for the purpose of knowledge sharing, has a long history. In the fourth century BC, Aristotle (1969) coined the term *pathe* (effect), a plural of *pathos* (Greek for suffering) in order to define a diverse mingle of feelings that include anger, fear, bravery, affection, amongst others, all present within the human relationship. Aristotle (1969) links *pathe* (now more commonly interpreted as "emotion") as a phenomenon to concrete human existence cognition. Emotion, however, bridges the gap between the individual's human worldliness and their rational being. Aristotle (1969) considered that the most powerful *pathe* occur within '*philiai*' determined relationships. According to him, *philia* (friendship) consists of three categories: community *philia*, companionship *philia* and family *philia* including marriage relationships. Appreciation that leads to a state of *philia* is not merely the attainment of cognitive knowledge concerning the identity of the other (i.e. recognition of *philia*) but also involves acting as a *philos* (friend). As such, *philos* is a friendship between two people who share a mutual, trusting relationship, and have a strong affinity or preference for each other. The trust element is fundamental, for that facilitates *episodic* mutual self-disclosure, which acts as the vehicle for learning through promoting ever freer sharing of information (Cooper, 1998).

Therefore, the moulding of *philos* within the *dyadic* relationship requires regular encounters, where each interaction is influenced by other interaction and together lead to the forming (or damaging) of relationships, constituted not only by mutual practical interest but by need for mutual care (Hinde, 1997; Argyle and Henderson, 1985). Additionally, frequency of interaction and similarity of perspective (world views, reinforcement reciprocity and emotional state) underlie the formation, maintenance, development and/or demise of the relationship (Haines and Bedard, 2001).

Although Krackhardt and Stern (1988: 138) recognise that organisational actors, particularly chairman and CEO search for strong ties in order to ameliorate environmental uncertainty, they argue that the strength of the tie is more strongly determined by the 'affective (*philos*) quality'. These scholars emphasise mutual caring and emotional support as opposed to hostility, indifference, dominance, reliance on logic or 'friendly submission' (Krackhardt and Stern, 1988). The Krackhardt and Stern (1988: 138) observation that;

> "*If change were simply dependant on new information, then weak ties would be pre-eminent. But when it comes to major change, change that may threaten the status quo in terms of power and the standard routines of how decisions are made, then resistance to change must be addressed before predictions can be made about the success of that change effort*",

holds particular meaning for the Chairman/CEO relationship. The view put forward, is that the critical resource required to, "bring about change, is trust in the propagators of change" (Krackhardt and Stern, 1988: 138). Krackhardt and Stern, (1988: 138) characterise trust as the "product of strong, affective and time-honoured relationships

where change is the product of *philos*". In turn, Krackhardt (1992: 238) conceptualised *philos as* "an enabling social structure for overcoming resistance to change and the discomfort experienced from uncertainty." He postulates that a lack of strong *philos* leads to 'pluralistic ignorance' and a distaste for learning. In such a circumstance, individual board members underestimate the degree to which others share their concerns. The lack of *philos* nurtures a climate of inhibition preventing the raising of organisationally relevant issues (Suls and Green, 2003; Westphal and Bedner, 2005).

Although many scholars have pursued the nature of relationship bonding in a multiplicity of settings (Forbes and Milliken, 1999; Granovetter, 1992; Bouty, 2000), few inquiries have examined the affective components of the relationship between chairman and CEO. Hodgson *et al's*., (1965: xxi) exploration signalled a 'division of emotional labour' between the CEO and senior staff, forming a 'complement of function' allowing various executive and non-executive members to balance one another and thus form a relatively integrated whole.

Adopting her demands, constraints and choices (DCC) model, Stewart (1991) examined the relationship between the chairperson and district general managers (DGMs) in the UK's national health services (NHS). Stewart (1991: 523) concluded that "the roles of chairman and DGM are mutually dependant, a dependency that is contextually and individually determined." In similar vein Roberts (2000) argued that the Chairman/CEO complementarily of relationship was the prime mechanism for the releasing of resources benefiting top management. Florou's (2005) quantitative study revealed that the level of chairmen 'churn' is higher than that of the CEO when the chairman invoked the appointment of a failing CEO, thus emphasising the critical

**13**

nature of the Chairman/CEO relationship.  The Kakabadse *et al.* (2006) qualitative study of boardroom dynamics, similar to Pettigrew (1992) inquiry isolated the significance of formative context in determining the 'collective mind' of the board. The idiosyncrasies of 'formative context', involving institutional arrangements, cultural values, ethnic and personal tastes, training, personal background cognitive frames and *philos* intensity, shape the daily routines, ideology, objectives and relational capacity of individuals (Pettigrew, 1992).

Concluding that the "chemistry factor" results from the dynamic and ever shifting interaction between analytical mindset and *philos* attraction (Kakabadse *et al.* 2006), we, the authors, pursued qualitative inquiry into the relational characteristics of the Chairman/CEO dyad.

**The Study**

Scholars have criticised socio-psychological study of the interpersonal nature of relationships for ignoring embedded social context (Grace *et al*., 1995), and frequently for capturing 'first impressions' (Sillars, 1984).  While the setting in which researchers conduct social interaction studies is rarely 'natural' (Kenny, 1996), it is preferable to use as realistic environment as possible in order to gain contextual understanding. We know that the Chairman/CEO relationship not only co-exists within the board but also across a far wider community.  Of prime importance, therefore, was to capture the intricate web of meanings, interactions and practices that arise from shared triumphs and 'failures' across a spread of contexts. As such, the study reported in this paper adopted an interpretive, qualitative paradigm designed to explore the 'lived experience' of the participants (Schwandt, 1994; Tomlinson and Egan, 2002).

The aim of the study was to reach understanding of the meanings attached to the expression 'chemistry' particularly when applied to the Chairman/CEO relationship. Taking account of context, we followed the precedence set by previous studies that not only the incumbents, but pertinent board members, should judge the 'chemistry' nature of the Chairman/CEO relationship (Bryman 1996; Maykut and Morehouse, 1994). Involvement through continuity of association (Argyle and Henderson, 1985; Pye, 2001) engenders expectations concerning sense-making actions arising from restricted or uninhibited scanning and the intensity of *philos* ties (Alvarez, 2000). We, the researchers/authors, equally assumed that the roles of chairman, CEO and non executive directors (NEDs) are idiosyncratically enacted according to both context and orientation of each role incumbent.

Bearing in mind the Van Maanen (1988: p. xi) comment that qualitative study requires 'highly contextualised individual judgment', the views and experiences of board members of nine corporations who interacted with each other over a 28 month period formed the basis of this inquiry. As an exploratory study of the 'collective properties' of 'chemistry', we, the researchers, obtained empirical material through one-to-one, in-depth semi-structured interviews (Fontana and Frey, 2000). This consisted of individual board members, nine of whom were Chairmen, nine CEO's and forty-six NEDs. The nine boards were of similar size structure (role separation of Chairman/CEO), and board membership (50-75, per cent NEDs). All nine had at least one woman on the board, although only one board had a woman in the CEO role. We interviewed Chairman/CEO dyads as well as selected NEDs holding membership to the same board. Interview duration ranged from one to two hours. The researchers recorded and

transcribed each interview for analysis. The researchers achieved commonality across interests through comparability of open-ended questions, freeing participants to expand into areas they considered appropriate. Conducted between 2003 and 2006, the interviews served as a mechanism to gather 'descriptions of the life-world of the interviewee, encouraging interpretation of the meanings attached to the described phenomena' (Kvale, 1983: 174). Conscious of the perspective offered by Glacer and Strauss (1967), the researchers concluded that they reached information saturation after 24 interviews, whereby none substantive data was gathered from there on. Specifically, our study replicated Alexandersson's (1994) findings that one typically reaches data saturation in interpretative research at approximately 20 interviews, similar to that of Sias et al (2004) who postulated that saturation takes place at the 19 interviews point.

Scholars acknowledge the contribution of role theory (Katz and Khan, 1966) and personal construct theory (Kelly, 1955; Duck, 1994) in the sense that each party formulates relationships by the extent to which each can construe the meaning system of the other. So, "what matters is not if the impressions are correct but the impact that can have on other recipients" (Jones, 1995: 85). Hence, the researchers asked participants to reflect on their individual experiences in the boardroom and in particular on the effect that the Chairman/CEO relationship had on their individual role, on boardroom dynamics, but also more broadly on the organisation. The researchers captured such reflections through narratives with each participant drawing on their experience of the roles of chairman, CEO and NED. Any one individual may have held the role of chairman in one setting and CEO or NED in another (Katz and Khan, 1966).

Other inquiries show that personal narratives provide rich sources of data in the way individuals frame social experiences and the decisions that they make as a result of those experiences (Harvey *et al*., 1990; Baumeister and Newman, 1994; Brown *et al*., 2004). In particular, Sarbin, (1986) and Sias et al, (2004) concluded that people are by nature narrative beings who 'think, perceive, imagine and make moral choice according to narrative structure' (Sarbin, 1986: 8). When asked to describe their experience, they do so in a narrative way including information regarding their interpretation of and meanings derived from the events, feelings and emotions they experience (Greenhalgh and Hurwitz, 1999; Sias et al, 2004). The researchers of this study acted as participants in the interview, and co-constructed the boardroom experience with the interviewees, rather than depersonalizing the interview process (King, 2004).

Thus, in this inquiry, the researchers viewed narrative methods as a valuable tool, and captured practical knowledge which enabled understanding of socially constructed organisational processes (Pentland, 1999; Ng and De Cock, 2002; Feldaman, 2004). During interviews, participants often disclosed stories concerning boardroom dynamics and in particular that of "chemistry", in a non-linear and fragmented format. The interviewees presented a 'variety of social realties' (Sarup, 1996: 12) in narrative form. The researchers then had to 'sift through the facts to get to the real story' (Engel, 2000: 12). It was important for the interviewers to analyse the accounts in a way that brought these stories 'into a meaningful whole' (Czarniawska, 1998: 2), whilst preserving the individuality of each participant's experiences. As the researchers subsequently analysed and coded the narratives scripts, the imposition of a structure onto 'raw and fragmented material helped them make sense of participants' stories (Czarniawska and Gagliardi, 2003: vii). The inquirers recognised that the process of narrative analysis

may take a number of forms, from examination of the narrative as a whole (Lieblich *et al*., 1998), through to identifying self-contained story formats (Boje, 1991), to determining patterns of themes that recur in discourse (Reissman, 1993; Pentland, 1999). The researchers adopted the third approach, since the emphasis was on appreciating meanings attached to repeatedly used expressions focused around the term 'chemistry', or the lack of it (Labov and Waletsky, 1967; Czaroawska, 1998). With this in mind, the researchers selected particular descriptors capturing participant's meanings for inclusion in the text.

**Findings**

Four dominant and persistent themes emerged from narrative analysis: chemistry, tension, exposition and contempt. We provide illustrative story examples for each theme abstracted from the original participants' narratives. Cognisant that each individual experiences his or her world (in this case, boardroom relationships) uniquely through his or her own phenomena of consciousness, we are conscious that human perceptions are scientifically indescribable, 'because it is itself the world of picture', and that 'it is identical with the whole and therefore cannot be contained in it as a part of it' (Schrodinger, 1999: 141). Thus, our illustrations provide only a glimpse into the rich experience of the 'chemistry' factor in the Chairman/CEO relationship. Beneath the fabric of perceived boardroom reality an abstract and complex state of probabilities of individual interaction exists. We attempt to capture how chairmen, CEO's and other boardroom participants 'embed themselves in a linguistically generated symbolic universe of their own creation that we nevertheless believed to be an absolute presentation of reality' (Solomon et al, 2003: 459). In so doing, the stage is left open for

boardroom behaviours and perceived priorities to change during the firm's life cycle, as well as the criteria we use to assess individual and boardroom performance.

*Chemistry narrative*

The unsponsored but recurring usage of 'chemistry' surfaced terms include: 'special relationship', 'personal affinity', 'special ingredient', 'deep understanding', 'psychic connection', 'energy', 'synergy' and 'more than professional trust'. Narrative explanation described the chairman and CEO capacity to interpret information and events in a similar manner, both directionally (i.e. positive or negative) and in magnitude (e.g. low, high).

> "I quickly know what he is talking about in terms of what is right for the business."
>
> (Chairman, Board 7)

Chairman, Board 7 described his relationship in terms of directional similarity with the CEO of another board which the chairman also leads. For Chairman, Board 7, similarity of interpretative capacity captured the essence of the "chemistry factor" in his relationship with his CEO.

> "We can see that these two (Chairman and CEO) see the world the same way and like each other despite some of the abrasive comments they make of each other and of us. For me, no problem, as I trust the views put forward on the challenges to the business and their significance. It's really vibrant."
>
> (NED 4, Board 9)

NED 4, Board 9, attributed the stimulation experienced from the 'chemistry in the Chairman/CEO relationship' to both similarity of interpretative capacity and also to personal affinity *(philos)* enabling the construction of an experience "… similar to that employed by another" (Kelly, 1963: 90).

> "It is a positive relationship. The two of us offer an almost genetic compatibility and it is that which provides for a healthy relationship and an effective board. The relationship has a mystical touch. We are able to talk to each other and say, I feel it would be really better if you could do, or do you think you could help me, and do it in a way that is not threatening."
>
> (CEO, Board 1)

The comments of CEO, Board 1 more emphasised *philos,* namely being supportive and enabling, but also refered to being understanding of varying opinions on issues and sponsoring open communication. Others similarly provided general descriptors of *philos* stressing its criticality to the effective functioning of the Chairman/CEO relationship.

> "The Chairman must share a certain chemistry with the CEO, otherwise it will be a tense and even unworkable relationship. However, the chemistry must be of the right origin. If they share an affinity for each other, then trust, respect and a desire to succeed or learn from each other, make up that magic in a very special way – think of Tif'erath and Shekhinah."
>
> (NED 3, Board 1)

Positioning shared affinity as *philos* leads, as NED 3, Board 1 highlighted, to trust, respect and learning from each other. The point is that *philos* is a necessary precursor to shared interpretative capacity. Yet, in their emphasis of *philos*, both CEO, Board 1 and NED 3, Board 1, drew attention to analytical and interpretative capacity.

"… able to talk to each other; learn from each other."

(CEO, Board 1)

NED 1, Board 5 offered insight into the substance of *philos* by referring to functional and expressive complementarities in the Chairman/CEO relationship.

"They both share strong technical and verbal skills but also social sensitivities. … they both like to use metaphors, swap stories and generously appreciate each other's company but at the same they time show reverence to other board members. There is a certain magic between them that reflects positively on all board members – an enthusiasm - which I have-not experienced before."

(NED 1, Board 5)

In their emphasis on the criticality of the chemistry narrative, the study participants placed importance on nurturing the conditions under which the Chairman/CEO relationship could be positively enabled. The interviewees distinguished three approaches to relationship enhancement: the selection process, role delineation and consideration of other board members. Chairman, Board 2 particularly emphasised selection.

"The process of selection is very important but once the Chairman and Chief Executive are in place, it is largely up to them to develop an effective working relationship by building affective links, resolving differences in styles, defining individual and shared responsibilities and understanding the synergy they create."

(Chairman, Board 2)

Similar to the response of Chairman Board 2, other interviewees considered selection as encouraging an effective generative dance between the chairman and the CEO allowing for personal exploration and challenge through their shared foundation of *philos*.

"I would never take on a chairman's role unless I knew I could form the right relationship with the CEO because otherwise it's an absolute disaster. You'll find that the Chairman, if he was a good CEO and he's got a relationship that's not good or he doesn't respect the CEO or the CEO is weak, then that Chairman becomes the CEO. … That is not the case with me! And why? Because there is a great deal of chemistry between us. We both have very similar wiring (interpretative ability) and that means that we flip the same switches when we process information or handle emotionally charged situations. We both see the same picture."

(Chairman, Board 5)

Chairman, Board 5 highlighted that a poorly conducted executive search (selection) leads to role intrusion- namely the taking over of the role of the CEO by the chairman. To counter that, study participants narrated shared 'chemistry' as analytically

determined sense-making which, in turn, minimises role intrusion. They reported 'interpretative ability' and 'information processing' as necessary for addressing potentially 'emotionally charged situations'. In this narrative, they placed more emphasis on analytical interpretative capacity.

Chairman, Board 9 emphasised role boundary definition. The *philos* element informed this narrative.

> "Even if the Chairman and CEO define their roles, the most important element in enacting their responsibilities is the most elusive ingredient – their relationship chemistry. The conduct of these two individuals is evidently powerful. It is visible to board members and often to the market."
>
> (Chairman, Board 9)

Additionally, Chairman, Board 9 discussed the *philos* imperative in terms of third party effect, namely that on other board members. Emphasised by CEO, Board 5 is respecting boundaries and being seen to offer support to each other (Chairman and CEO), thus acting as positive role models.

> "The relationship between the Chairman and the Chief Executive is critical because boardroom members need to interact with both of us. We try to guide each other but without becoming intrusive and interfering into each others domain. Affection, understanding and appreciation of each other's views goes a long way towards healthy dynamics."
>
> (CEO, Board 5)

The study participants emphasised trust and mutual support continuity as a necessary platform for openness of interaction which is supportive of a 'climate' of learning (Higgs, 2003; Otto, 2003). The interviewees focused on strong chemistry bonding in forming a particular conception of reality. That allowed the chairman and CEO to be confident that their vision of reality was a 'true' one (Chairman, Board 5). Equally, comments in interview highlighted the strong *philos* relationship between the CEO and chairman enabled more penetrating and meaningful boardroom debate leading to a state of continuous learning (CEO Board 1; NED 4, Board 9). Through confidence in the emerging shared vision supported by a willingness to learn, the interviewees attributed the chemistry factor with not only enhancing boardroom dynamics (CEO, Board 5), but with positive tangible results evident to external stakeholders (Chairman, Board 9).

*Tension narrative*

The study participants noted a vivid tension in the Chairman/CEO relationship. This was attributed to a lack of sense making, namely poor comparability of information and events interpretation. However, the participants narrated the relationship as workable due to the strong *philos* link between the chairman and CEO.

> "There is tension between the Chairman and Chief Executive, but they handle themselves with decorum. They do like each other but just see things in opposite ways. The same word or piece of information is interpreted differently. How can I put it? If I were to show them an orange, one will tell you that it is a grapefruit and the other that it is an apple. The fact that both are fruit does not help."

The respondents narrated sense-making without a shared interpretative capacity for language, information and events but with a sharing of *philos* as enabling the two parties to evolve some semblance towards functionally complementing one another The terms 'liking', 'affinity' and 'shared values' permitted both parties to invest in the relationship. Trust of each other and respect for each other's personal integrity partly compensated for a deficit of interpretative capacity.

> "If we had a shared mindset, life would be much easier, perhaps too comfortable. … It can be frustrating, a lot of discussion and persuasion. We share a certain affinity for each other and shared values, but not a mindset and approach. So, we negotiate a lot! It's down to willingness."

> (CEO, Board 3)

Within the tension narrative, the respondents described trust as relational, based on mutual respect and affection. They did not include professional trust driven by deterrence or calculation. Lacking shared sense making and despite being 'leader of the board' with the authority to dismiss the CEO, the participants acknowledged that the chairman is not solely responsible for the 'workability' of the dual relationship. As long as the *philos* factor remained as the platform for relationship continuity, they described the ever present tension of 'resolving' interpretative contrasts as resting jointly with the chairman and CEO. Acceptance of that shared responsibility prevented interactions from reaching critically damaging proportions.

"Yes, we liked each other (referring to a previous CEO) but just could not see eye to eye. We both worked really hard to keep our differences under control. Although all on the board respected that. It was clear only one of our visions would prevail, mine. "

(Chairman, Board 9)

The tension narrative illustrates that when the chairman and CEO do not share comparable interpretative capacity (i.e. worldview), the validity or integrity of one is threatened by the other which may even undermine self-esteem (Solomon, 2003). The strong *philos* component inhibits 'destructive' response. That and of itself is reported as allowing for relationship longevity. However, this nurtures a context of extended dialogue that is unlikely to enable learning. Certain study participants reported strong respect for the *philos* component, permitting them to keep within behavioural guidelines and in so doing, allowing for relationship continuity (CEO, Board 3). The alternative is unsatisfactory agency behaviour or 'friendly submission' whereby one party dominates the world view of the other (Krackhardt and Stern, 1988). This leads to a diminution of issue representation at board level (Chairman, Board 9).

*Exposition narrative*

Those respondents who reported a lack of *philos* in their narrative, but emphasised shared interpretative capacity toward information and events, desired a workable functionality of relationship. The acknowledgement of 'it works', overcame a coldness of relationship or even a personal 'distaste' of the other party.

"You do not have to socialise with each board member outside the boardroom but you have to understand where they are coming from. This is especially important with the Chief Executive. Liking is not the issue! Having a shared understanding driven by a detailed appreciation of the organisation, is! Otherwise there is no workable relationship."

(NED 1, Board 5)

"I was a senor civil servant and a Sunday Methodist preacher and he a newly appointed Chairman of this multi-billion pound business. After discussing a controversial issue at the time, he suggested that I should consider working for him as a CEO when the position became vacant. … That was two years ago. I think that we share an incredible understanding of the organisation and yet we are such different people. That shows as we do not socialise with each other. It is incredible that we still work together if you consider the differences in our lives, except we think in similar ways."

(CEO, Board 7)

Comparable to the tension narrative, recognition and acknowledgement of the one missing dimension in this case, *philos*, was reported as necessary for the continued functioning of the Chairman/CEO relationship. Acknowledging the lack of *philos* and reliance on interpretative capacity for functionality of board relationships, requires access to detail (NED 1, Board 5), particularly concerning the organisation (CEO, Board 7).

**27**

"From my experience, I think the chairman has to have an agreement with the CEO, a professional understanding, and access to all necessary people below the board and the CEO. I think that is fundamentally important, especially if the chemistry is not quite right and trust is hard work to achieve."

<div align="right">(Chairman, Board 8)</div>

Insufficient personal affiliation was narrated as compensated for by greater organisational insight. Chairman, Board 8, unable to sufficiently personally relate to the CEO, outlined that he achieved confidence in the relationship through seeing for oneself the condition of the organisation via access to management and staff. A detailed understanding of the organisation permits further discourse on broader issues, enabling relationship functionality, through 'fine tuning' the shared interpretative capacity, of the chairman and CEO.

With the tension narrative, overcompensation of *philos* allows for a continuity of relationship. Similarly, with the exposition narrative, access to considerable detail and seeing for oneself in order to discuss details at length allows for a commonality of interpretative capacity to support continued interaction. As 'being ever nicer' captures the tension narrative, 'seeing is believing' acts as the basis for the exposition narrative. The study participants indicated that granular consideration of strategies to adopt makes manageable an imbalanced Chairman/CEO relationship. As Aristotle (1969) so elegantly noted, contemplation is the purest of human actions.

*Contempt narrative*

Lack of *philos* and also low (even non existent) complementarity of interpretative capacity was narrated as placing an unworkable strain on both the CEO, the Chairman and on the board.

"The Chairman often gets stuck into the Chief Executive but I think that the Chief Executive is great – fantastic. I also think that the Chairman is a good Chairman. Yet, there's contempt between them. The relationship is just about workable because the Chief Executive tries really hard by ignoring it. How long this can continue is another matter, for them and for us as a board."

(NED 1, Board 4)

"The relationship between the Chairman and me is controlled. Polite is the word that comes to mind. But he stretches my patience. Once I nearly 'flew off the handle', but nothing showed. Thank god. A breakdown in relationship would have been damaging for us and the organisation. Things are not going to get better in the future. The question is; who of us will go first?"

(CEO, Board 5)

Insufficient *philos* and low interpretative comparability induced comment that over time and despite all effort from either or both parties to maintain the relationship, termination in terms of either one or the other departing was likely, or even preferred (NED 1, Board 4; CEO, Board 5). Without termination or departure, the respondents

indicated that the organisation would suffer, even incuring substantial organisational damage.

> "If there is no particular chemistry between the CEO and the Chairman, then the value of the relationship is low and everyone feels it. Eventually, both become vulnerable and it is only a matter of time before cracks start to show and share price dives down. Some think it is just the board that is at risk. That is not true. Cracks on the board show to shareholders, the markets and the organisation."

> (Chairman, Board 1)

Chairman, Board 1 indicated that if neither side exercises the option of resignation, confidence in the organisation is undermined both internally and externally. The prevailing view was that, in time, tension would "morph" into visible damaging interaction. Aristotle (1969) captured *dyadic* discontent as agency behaviour through the use of power, position and even emotional abuse. Feeling threatened by the other's held radically different view can lead to the derogation of that person in order to preserve self-esteem (Solomon et al, 2003). Concurrently, both parties may make implicit and explicit effort to divest the other of their view through adopting a variety of influencing tactics (Solomon et al, 2003).If unable to do so, each may entrench their position leading to a power struggle or 'war' (Solomon et al, 2003) and pursued irrespective of the consequences (Chairman, Board 1). Dialogue and learning is simply the first casualty (NED 1, Board 4); the organisation is the second.

**Conclusion**

Numerous studies have examined work place relations from the quality perspective (Arthur and Kram, 1989), superior/subordinate interaction (Kets de Vries and Miller, 1985), gender (Fiske, 1993; Alvesson, 1998) social networking (Maineiro, 1994; Sias et al, 2004) and also the relational nature of senior management interactions and their organisational impact (Alvarez, 2000). However, few have focused on the nature and effect of the Chairman/CEO relationship (Kakabadse et al, 2006). Yet, despite scarcity of inquiry, scholars recognise the necessity for mutual engagement within boardroom deliberation (Higgs, 2003), particularly since Cadbury's (1992) determination for the role separation of chairman and CEO. Sense-making of boardroom issues and dynamics, framed as the governance of corporate reputation, goal setting, risk and vulnerability analysis and change leadership, have long acted as the lexicon to provide explanation for the effectiveness of organisational adaptability (Johnson and Scholes, 1993). However, the conclusion of this and other studies is that consensus denoting agreement offers an insufficient platform to effectively confront forthcoming challenges, particularly concerning the repositioning of the organisation, bearing in mind longevity and continued sustainability (Pettigrew, 1992). It is the bonding underlying agreement that requires nurturing in order to attain meaningful consensus.

With this in mind, this qualitative study draws attention to the necessity for the "chemistry factor" in the Chairman/CEO relationship, emphasising two critical elements: sense making, or comparability of interpretative capacity, and *philos*. The study participants described positive inter-relations attributed with both components through 'emotive' terminology highlighting the *philos* element, particularly the subcomponent of trust and, in so doing, subsume compatibility of interpretative capacity. However, this is simply a matter of expression as much determined by the

metaphors common to that context, which emphasise exhilaration and uplift. Both elements intertwined prompt a colourful spread of lexicon describing the "chemistry factor". The study shows that desire for chemistry and the personal zest that accompanies this dyadic 'nirvannha' is repeatedly emphasised as of paramount importance in the success of the Chairman/CEO relationship. The study identifies distinct strategies for its continued enhancement. These are identified as involving selection, role delineation and consideration of other board members.

If either component is lacking, the study respondents narrated bonding deficits, but specified the relationship as workable as long as both parties acknowledge 'the need to work at it'. Over compensation of that one present ingredient better guarantees a workable relationship. The absence of both *philos* and interpretative capability leads to division in the form of distaste, even despise, between the two parties. If allowed to fester, the participants narratives repeatedly drew attention to organisational harm. The absence of 'chemistry' is a good 'way out' to precipitate the resignation and departure of either the chairman or CEO.

Forbes and Milliken, (1999) already established the principle of attraction amongst group members affecting their ability to work together, thus leading to higher levels of satisfaction and greater cohesiveness. The contribution of this paper acknowledges liking, trust and personal connectivity (Nohria, 1992) as primary to *philos* but also emphasises that in top management dyadic relationships, stimulating and positive interaction go beyond *philos*. The combination of compatible interpretative capacity, already recognised as shared sense-making (Weick, 1995), and the zest and exhilaration

emanating from *philos*, are the primary components of the 'chemistry' of the Chairman/CEO relationship.

The combination of affective capital with analytical interpretative capacity for these two critical board roles, not only supports Hodgson *et al's*. (1965), pioneering conclusion of 'complementary of functions', but extends to enhancing the will to speak and the desire for freedom to act for the other members of the board. The combination of sense making and *philos* induces narrative highlighting 'mystical bonding' which, in turn, acts as the platform for what the study respondents refered to as an effective board.

These findings deserve further in depth scrutiny through both exploratory qualitative study and quantitative survey to examine how the presence or absence of shared interpretative capacity or *philos* between the chairman and CEO affects board and organisational performance. We recommend taking into account a number of organisational and personal demographics such as, sector, size of organisation, structural configuration and age, gender, education, nationality and experience of directors. Equally, we support identifying both 'hard' and 'soft' performance measures, recognising the significant impact of context in any analysis of performance assessment (Alvesson, 1998).

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