Top pop(ulation)s: dual, duo or duel?

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When it comes to CEOs and chairmen, is it better to have one company head or two?

Today's private biotechnology companies are increasingly behaving much like their larger public counterparts, with separate CEOs and chairmen of the board of directors. But although each company has its own best recipe for leadership, how effective this separation is warrants discussion.

Private companies have special needs. Constant cost constraints because of insufficient resources, coupled with the fear that the operation might not succeed and the blind determination that it has to, is the world of the early-stage company. The CEO must concentrate on keeping the company focused and doing more with less. Leaders at this stage need a mentor and a shoulder to lean on, and the early-stage CEO often gets this from his or her board. Early-stage boards provide a forum for refining strategies, measuring overall performance and getting a better look at the horizon. And wise early-stage boards often recognize—and distinguish between—the CEO's tactical operating focus and the board chairman's role in governance and strategic oversight. This board will elect to stay out of the way and try not to distract the CEO from accomplishing performance milestones.

An engine for growth

Growing a company is like building a high-performance engine: you must start with top-quality components and the best plans possible, and everyone must work in concert toward the finished product. Whereas early-stage boards often lend necessary additional hands, expertise and contacts, the CEO usually leads the execution of the operating strategies. Just like a race car driver involved in the construction and maintenance of his or her vehicle, the CEO often has the best picture of how the company can and should work, but a separate chairman can sometimes provide critical guidance.

The other board members—usually early investors—are also called upon for help and even participation in day-to-day operating decisions. The company may be part of a portfolio of assets that must grow and produce, and investors may find themselves having to divide their time and attention, as well as their funds, among many companies. Their focus, however, is on getting the early-stage company 'out of the nest' and on to the next level of investment and then focusing even more on the 'nest egg' left behind.

If your leader is experienced enough and has the skills needed, combining the dual roles of chairman and CEO and encouraging him or her to solicit board mentoring can allow an early-stage company to grow more efficiently while allowing board members with portfolios to spread themselves over several companies.

Governing growth

As soon as the engine is built and performing, steering and brakes must be added to the company. We need only look to Enron, Tyco and ImClone to see how unchecked performance can kill the performer as well as others around it. By the time the company has grown and/or gone public, ownership is spread out among many who have interest in moderating their risk. Speed and performance come second to safety and other expectations, which are generally centered around where the company is going and when it will get there. In the United Kingdom, the Institute of Directors polices board structures of FTSE companies and will ask a dual chairman and CEO to relinquish one of the two roles if they feel there is too much concentration of control. In the United States, the Securities and Exchange Commission and other financial governing boards, along with regulations such as Sarbanes-Oxley, impose accountability and balances and distribute control to achieve a prudent course of action and satisfy a more diverse ownership group.

But although two heads are better than one and the diverse needs of a larger company dictate having two people in the top spots, the possibility of disagreement exists. Therefore, leaders must take time to gain unity on corporate values, alignment of vision and good communication of strategic plans. Board politics can fatally cripple a company, so care must be taken to watch for and manage all conflicts. All of these efforts cost money and sacrifice speed and efficiency, but as a former CEO and participant in large-company board activities says, "The focus and intensity of the board is more important than the focus and intensity of the CEO in these companies." In these cases, the top pop is generally divided, but make sure it functions as a duo and not a duel.

Making the switch

How long a company can run with a combined chairman and CEO seems largely dependent on the individual's ability to effectively handle the roles of running the company's operations and the board's governance activities. A seasoned leader can often carry this off for a good while, but eventually it becomes necessary to partner synergistically with another person so as to add enhanced perspective and decision-making capacity without significantly sacrificing the pace of company growth. How do you go about making the switch from one top pop to two?

What are the characteristics to look for in a leader who can partner synergistically? In the long run, the best candidate is an open listener who is good at gaining and synthesizing various inputs, a person who appreciates the experience and values the opinion of others, who frames discussions where people hear and learn from each other and who then compounds them into strategies and ideas beyond expectations. The bottom line is that understanding the unique needs and potential of your company helps you set the right structure and find your most dynamic duo.

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