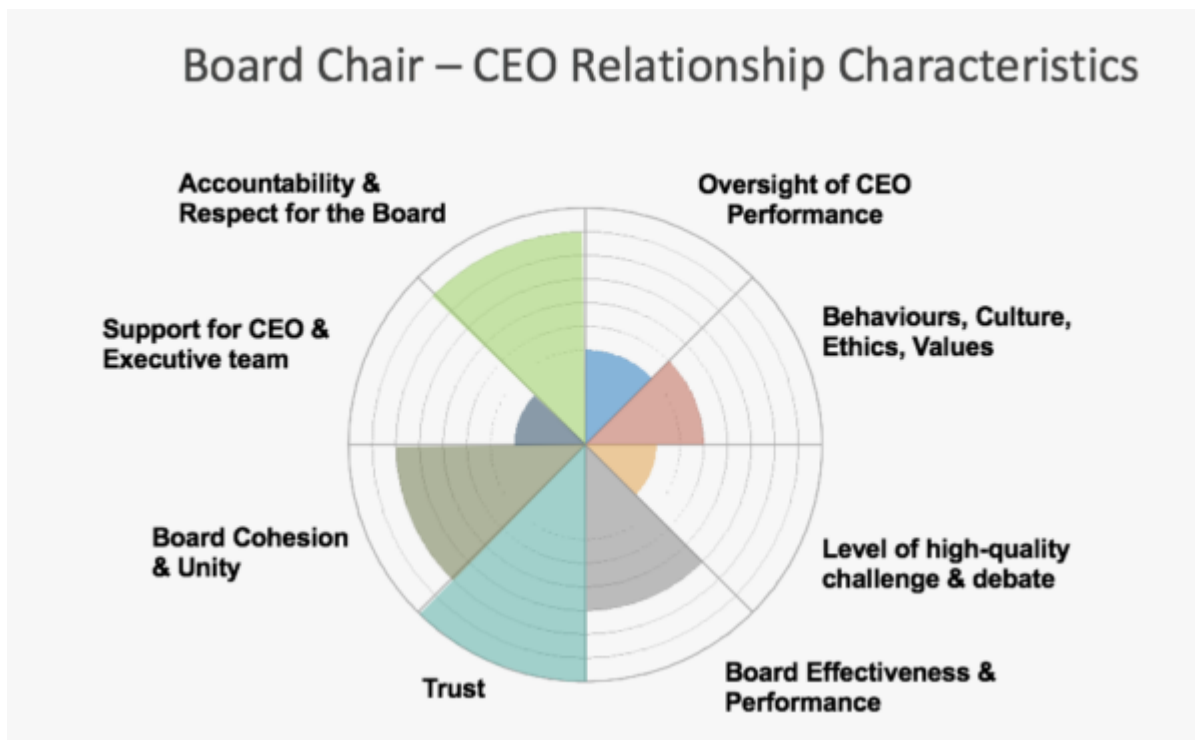


# The “Goldilocks Zone” in the Board Chair – CEO relationship and its impact on the board’s effectiveness and performance

## Description

The relationship and engagement between a Board Chair and CEO has a fundamental importance for and impact on a board’s effectiveness and performance. Where this relationship is too close, it can result in a lot of board dysfunction whereby the CEO’s feet are not genuinely held to the fire on performance, the quality and levels of challenge and debate can be greatly diminished and inappropriate behaviours by the CEO tolerated. Where this relationship is confrontational, it can cause severe damage to the board, creating mistrust and factions within the board and in many cases ultimately leading to either the Board Chair or CEO stepping down to enable the board to properly function again.

What you are ideally looking for is a Board Chair – CEO relationship that, to borrow a phrase from astronomy, is in the “Goldilocks Zone” that is not too hot (close) and not too cold (confrontational). In this zone, there is a genuine healthy balance between the Board Chair holding the CEO’s feet to the fire on his/her performance, respect for the board and the highest standards of behaviours, ethics and values with the Board Chair providing outstanding levels of support to the CEO and executive team, through thick and thin. In Diagram 1 below, we outline key characteristics of this relationship and explore how these manifest themselves in common board situations.



## Common challenges when the Board chair and CEO are too close



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This is the most common case of an un-balanced Board Chair – CEO relationship and can often create a number of serious challenges for a board as outlined below.

### **CEO-dominated board**

This is quite a common board type where the CEO dominates the board and while on the surface it looks like there is a properly balanced board of executive and non-executive directors, in reality, it is the CEO that is the de facto decision-making entity on the board. In my experience, a common root cause of a CEO either dominating or “managing a board” is often poor leadership by the Board Chair who has become too close to the CEO and facilitates the CEO’s poor engagement model with the board.

### **Mini-board within the board**

This is quite a serious type of problematic board and a more common problem than what a lot of people realise. This is the case where there is effectively a “mini-board” that exists that comprises the CEO, the Board Chair and sometimes a trusted long-serving non-executive director or shareholder/investor nominee director closely aligned to the CEO. In this model, this mini-board calls the shots and makes the decisions, often actually physically meeting or having conference calls in advance of the main board meeting in which they literally conduct the planned board meeting, make the major decisions and where needed, agree an appropriate strategy to “get these decisions through the main board”.

### **An un-touchable CEO**

A fundamental responsibility of every board is the oversight of the CEO and ultimately the responsibility to hire and fire the CEO. Where the Board Chair is too close to the CEO, an interesting “bodyguard” effect can develop over time where the Board Chair subtly discourages very robust levels of challenge and debate particularly in the area of CEO and organisational performance. This makes it increasingly difficult for the other non-executive directors to discharge their key oversight responsibilities. In a scenario where the right thing to do for the organisation and for the board is to potentially replace the CEO, due to either performance or behavioural problems, it can be extremely difficult for the board to even entertain these discussions where a Board Chair is too aligned to the CEO, could be blinded to the true extent of the problems with the CEO and can thwart any efforts to examine the CEO’s continued tenure.

### **Common challenges when the Board chair and CEO do not have a constructive relationship**



At the root of many “boardroom wars” is a breakdown in the relationship between the Board Chair and CEO that seriously impacts on the board’s ability to function. In my experience of supporting board teams over the years, I have seen many cases of Board Chairs and CEOs who while not a great fit at a personal level would have a very professional balanced relationship that enables the board to function properly. I have however seen many strained relationships where trust has eroded over time, unhealthy tension and conflict are never far away and the board cannot function as a genuine team excelling for shareholders and stakeholders. Two common scenarios include;

### **Poor levels of trust, unhealthy challenge and debate**

Where there is a poor level of trust and relationship between the Board Chair and CEO, it damages the overall trust equation in the board and often leads to a “them and us” dynamic between the CEO/Executive team and the Non-Executive Directors. When I see the very best boards in action, trust flows through the veins of the board team enabling a high level of constructive robust challenge and debate. In this problematic scenario, challenge and debate can often be fractious underpinned by a continual second-guessing of the motives and decision-making of the CEO and executive team. In some extreme cases, a CEO can feel continually on the edge of a precipice where one stumble in terms of performance could lead to the Board Chair not hesitating to question if the board and organisation have the right CEO !

### **Micro-management of and lack of support for the CEO and Executive team**

In scenarios where the Board chair and CEO have a poor and/or confrontational relationship, you often end up with the board increasingly micro-managing the CEO and executive team as well as the Board Chair in certain cases not hesitating to assert his/her authority and crossing the line between the executive and non-executive areas. As the current Covid-19 crisis is demonstrating, there are times when even the most battle-hardened CEOs need a lot of support and encouragement to navigate the organisation through a crisis. In this scenario, the Board Chair will not only roll up the sleeves and go the extra mile in terms of not only strong support from the board but more importantly, the personal support, sounding board and encouragement that an outstanding Board Chair should provide to a CEO in times of an organisational crisis or where the CEO is genuinely struggling, professionally or personally.

### **A healthy balanced Board chair – CEO relationship**

*A key foundation of an effective high-performing board team is a genuine relationship and partnership between the Board Chair and CEO that balances the highest levels of oversight, accountability, behaviours and respect for the board with the Board Chair providing strong support to the CEO and Executive team, through good times and bad.* This underpins a vibrant partnership model between the non-executive directors and executive directors that mirrors the Board Chair – CEO relationship. In evaluating boards, I always look closely to understand this relationship and how it impacts the board dynamics and effectiveness.

In my experience, I am always happy to see a warm relationship between the Board Chair and CEO which is very natural after working in many cases closely together over many years. The key however is that the Board Chair cannot lose sight of his/her fundamental responsibility to balance this warm



~~relationship and support with the highest levels of oversight and holding the CEO's feet to the fire on his/her performance, leadership, engagement with and respect for the board and the highest standards of behaviours, ethics and values. This is a common characteristic of high-performing board teams whereby outstanding leadership from their Board Chair and CEO sets the example and tone for the partnership model between executive and non-executive directors and inspires the board team to excel for their shareholders and stakeholders.~~

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