



MARKKULA CENTER FOR APPLIED ETHICS

The Relationship Between Board and CEO

Running Time, 5:28 minutes

Summary

Veteran board member Robert Finocchio describes the proper relationship between a corporate board and the company CEO. An effective board hires, evaluates, and compensates the CEO to produce shareholder value. The board does not work for the CEO. A founder or rock star CEO creates particular challenges.

When to Use This Video

- to introduce the proper relationship between a CEO and a board
- to discuss the particular issues raised by a founder or rock star CEO
- to identify what boards can expect of CEOs and CEOs of boards

How to Introduce the Video

- Veteran Silicon Valley Board Member Robert Finocchio has hired and fired multiple CEOs. He has strong views on how boards must remain in the driver's seat.
- Pay attention to the specific things CEOs and boards can expect of each other. How does Finocchio suggest that boards should manage a rock star CEO?

Questions to Ask After Viewing the Video

1. Why is it sometimes unclear whether the CEO works for the board or the board works for the CEO?
2. Finocchio says there is necessarily some tension in the relationship between boards and CEOs. Is that okay?
3. Why are founders or rock star CEOs more resistant to board direction?
4. What could a board chair do to make sure that the board remains in control?

Concluding Comments Instructors May Wish to Make

- The natural tension between boards and CEOs has to be carefully managed. Boards can lose control to strong CEOs, and strong boards can tend to micromanage.
- A highly successful or rock star CEO is a mixed blessing.