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Tough Love in the Boardroom

Tough love: treating someone sternly with the intention of helping over the long run

In a successful partnership between the CEO and the board, the directors are able to assert their independence and challenge the CEO's assumptions when necessary. In the Lehman Brothers collapse it is clear that the board failed to sternly challenge Richard Fuld's assertions about the state of the business. In retrospect, he was certainly not on mission: "We are one firm, defined by our unwavering commitment to our clients, our shareholders, and each other. Our mission is to build unrivaled partnerships with and value for our clients, through the knowledge, creativity, and dedication of our people, leading to superior returns to our shareholders."¹ However, Lehman's main beliefs, as expressed in its Sustainability Principles, give us an idea of the way the CEO and board should have approached their strategic issues.

SUSTAINABILITY PRINCIPLES

Transparency and accountability. We will report regularly on the implementation of these principles.

Operations. We will aim to minimize negative environmental and social impacts of our operations.

Employees. We will engage with employees on environmental and social issues impacting our operations and business and encourage the development of innovative solutions.

Assessing risk. We will assess the environmental and social risks posed by our operations and business. We will engage with clients on critical issues (such as climate change, biodiversity loss and water scarcity).

Delivering opportunity. We will seek opportunities across our business that deliver commercial, environmental and social benefit.

Market-based solutions. We believe that market-based solutions can deliver commercially feasible environmental and social benefit. We will apply our knowledge and understanding of financial markets to develop and implement innovative environmental and social market-based solutions.

Investments. We will build our knowledge of how environmental and social issues impact business performance into advising clients, investing on clients' behalf and deploying our own capital.

Thought leadership. We will conduct research and analysis on key environmental and social issues and make the results publicly available. We will engage in public policy dialogues to contribute to the development of effective policies.

Governance. These principles are approved and owned by our Executive Committee. The Executive Committee will oversee and receive regular reports on implementation and performance.²

The Sustainability Principles show that the board had methods in place to address issues as a group, rather than relying solely on the CEO. Further, it had an advisory body that was focused on risk management: the Finance and Risk Committee, composed of five independent board members. This is the committee that should have challenged Fuld in 2007.

So what went wrong? The committee members did not provide an independent assessment of the company's risk but instead relied unquestioningly on Fuld's assertions. The Finance and Risk Management Committee met only twice a year in 2006 and 2007—years when Lehman's crisis was brewing, according to testimony by the Corporate Library research group to Waxman's congressional committee. "A company in this sector should have a risk management committee that is vitally involved

and has a great depth of expertise,” Corporate Library editor Nell Minow testified to lawmakers. “A company that had \$7 billion in losses after becoming embroiled in the global credit crisis had a risk management committee that didn’t understand or manage its risk.”³ And many have criticized the directors placed in that committee. Of the five, “one was a Broadway producer; one had a long and distinguished career in the US Navy; [and] one had run a Spanish-language TV station.”⁴

In the years leading up to the collapse, the board failed to show Fuld the “tough love” that could have saved not only his job, but the company. “Fuld took a franchise he’d built from almost nothing, brick by brick, and then trashed it in less than two years,” said Sean Egan, president and founder of Egan-Jones Ratings Co. in Haverford, Pennsylvania. “His biggest mistake was in not understanding the risks that had evolved since he was last active in debt markets. And he relied on the support of others whose interests were aligned with him.”⁵

Fuld, when asked to explain his company’s downfall to the congressional committee on October 6th, had no answers. “I wake up every single night,” Fuld said, “thinking, ‘What could I have done differently?’”⁶

Practicing Tough Love

It is clear, from the collapse of Lehman Brothers and the joint failure of Fuld and the Finance and Risk Committee, that having a statement of intent or a Social Contract in place is not always enough to ensure a successful partnership. For the board to be able to work effectively with the CEO, it must be able to ask questions, think independently, and show tough love when necessary. It is the board’s responsibility to

- Know the CEO’s behavioral style and leadership practices.
- Know the organization’s needs (strategy, priorities, and gaps).
- Match the organization’s needs with the leadership that is required.
- Look first at the CEO and then the senior team to find the correct match.
- Look elsewhere if the correct match isn’t found.

The CEO's Behavioral Style and Leadership Practices

Knowing the general behavioral styles of executives can help the board provide tough love to the CEO. The idea of distinct personality types evolved out of the work of Carl Jung. Today one of the most straightforward assessments is based on the behavioral styles research of Merrill and Reid. They define four Social Styles: Driving, Expressive, Amiable, and Analytical.⁷ In later chapters I discuss how these styles can be modified and expanded into leadership indices that are appropriate for CEO evaluation, and I deal more extensively with the assessment of the CEO's behavioral style and leadership practices. For now, however, let's consider how different behavioral styles can impact a company.

The CEO changeover at Coke, from Roberto Goizueta to Doug Ivester, is a classic example of the effect different behavioral styles and leadership practices can have on a company. From 1980 until his unexpected death in 1997, Goizueta created more wealth for Coke's shareholders than any other CEO in history.⁸ His expressive/innovative behavior was a stark contrast to his COO, Ivester, whose analytical, process-oriented behavior was legendary within the company. In October 1997, although still in shock from losing Goizueta, Warren Buffet and the other directors were convinced that they had the right successor in Ivester, and the board meeting to appoint him lasted only 15 minutes. Given Ivester's history with the company and years of working side by side with Goizueta, the choice seemed self-evident. As *Fortune Magazine* wrote in 2000:

For two decades Ivester had toiled away patiently inside Coke, the last ten years aiming directly at the top spot and dazzling Goizueta with his hard work and creative execution of company strategy. A onetime accountant and outside auditor, he was carefully groomed by Goizueta and put through all the paces to give him the breadth of experience he would need in marketing, in global affairs, in charm and public speaking. But for all his brilliance—and nobody doubts that Ivester is brilliant—he somehow failed to grasp the vital quality that Goizueta had in abundance: that ethereal thing called leadership.⁹

When making its decision, the board did not allow enough time to step back and ask if and how Ivester's behavioral style would align with the organization's needs. The directors apparently assumed that by going with

the Number 2 to Goizueta, things would continue as in the past. However, what resulted was a mismatch of a CEO's style and the needs of an organization. It is reported that Warren Buffet and Herbert Allen, two powerful directors at the time, met with Ivester in a private meeting in Chicago and informed him that they had lost confidence in his leadership after little more than two years on the job. Ivester resigned, and Douglas Daft was appointed to the position soon after.¹⁰

When planning succession, the board failed to see that Goizueta was not grooming Ivester as much as he was utilizing his contrasting strengths in his leadership team. When Goizueta and Ivester worked together, Coke functioned at its peak, but a leadership gap was created when one of the players was taken away. If the board had been tougher and more deliberate in its assessment of Ivester's behavioral style and leadership practices, it might not have had to be so tough on him two years later in assessing his performance as CEO.

The Organization's Needs

If the board hopes to help its CEO in the long term, it needs to focus on the few things that will make the biggest difference in the performance of the business. There is a hierarchy of needs in every organization that is typically expressed in its strategy, priorities, and the performance and opportunity gaps—the measurable difference between the current and desired future state. In many instances, an organization will distill its needs down to a goal statement. For instance, Tyco has Board Governance Principles that clearly state its goals:

TYCO GOALS: WHAT WE SEEK TO ACHIEVE

Governance: Adhere to the highest standards of corporate governance by establishing processes and practices that promote and ensure integrity, compliance, and accountability.

Customers: Fully understand and exceed our customers' needs, wants and preferences and provide greater value to our customers than our competition.

Growth: Focus on strategies to achieve organic growth targets and deploy cash for growth and value creation.

Teamwork and Culture: Build on the company's reputation and image internally and externally while driving initiatives to ensure Tyco remains an employer of choice.

Operational Excellence: Implement best-in-class operating practices and leverage company-wide opportunities.

Financial Strength & Flexibility: Ensure that revenue, earnings per share (EPS), cash, and return on invested capital objectives are met.¹¹

With these goals stated and jointly owned by the Tyco board and its CEO, the needs of the organization can be the focus of the board's work.

Matching Needs with Leadership

As was the case with Ivester at Coke, there can be a mismatch between the current needs of the organization and the leadership practices of the CEO. Ideally, this is the point where the board steps in and either shows the CEO tough love or takes more extreme action, such as removing him or her from office. Warren Buffet and Herbert Allen did the latter when they met with Ivester and delivered the board's message of no confidence.

The CEO's leadership practices must be aligned with the business in general, and the CEO must be flexible enough to change leadership style with each stage of the business. My original work linked the business cycle to critical leadership practices identified by the Kouzes and Posner research: challenge the status quo, inspire the future, enable others and model the way (see Table 2.1).¹² In a start-up or turnaround, the organization

Table 2.1.
Business Stages and CEO Practices

The Stage of the Business	CEO Practices
Low Success/Beginning Time Frame	Challenge the status quo
Rising Success/Early Time Frame	Inspire the Future
Growing Success/Middle Time Frame	Enable Others
Peak Success/Late Time Frame	Model the Way

needs a leader to challenge the status quo and build a viable business. Once the business is functional, the leader needs to provide a clear vision that inspires the future. As success is being achieved, the organization needs its leader to enable others to contribute to the growth of the business. Finally, as the organization continues to advance, the leader must model the way to continually improve the business while exploring opportunities to reinvent itself in the future.

Finding the Correct Match Internally

At Coke, the board's choice of Ivester to follow Goizueta made sense, as he was the COO under Goizueta and part of a senior team that had achieved significant success. Succession planning is built on the premise that an organization needs to have the bench strength to maintain its momentum. Boards should continually review their succession plan and determine whether their senior team matches up well with the demands of the business. Coke's board did not take the time to consider its succession options sufficiently when Goizueta died unexpectedly. Instead it immediately appointed Ivester as the obvious choice. Not only did Ivester's leadership style contrast with Goizueta's and therefore clash with Coke's needs at the time, but once appointed he did not foster a strong senior team and refused to appoint a COO, even at the board's urgings. Ivester failed as a leader, and he amplified this leadership crisis by neglecting to build an effective senior team that could complement his own style.

Richard Fuld is another example of a CEO who was not building an in-depth management team. For many years, he too refused to appoint a Number 2:

Christopher Pettit, a longtime friend and ally of Fuld's, was forced out as chief operating officer when he balked at an executive reorganization in 1996. Six years would go by before Fuld installed another chief operating officer. The man Fuld finally appointed chief operating officer was Gregory, a trusted lieutenant who had worked at Lehman since 1974. He would make it his mission to keep Fuld's life uncomplicated by debate.¹³

Both Ivester and Fuld failed to build strong senior teams. For Coke this meant having to go outside the senior team to find a successor. The

board quickly promoted Douglas Daft, who ran the company's Middle and Far East divisions, to COO and then to CEO. Had it challenged Fuld and questioned his leadership ability, the Lehman board would have found a similarly lacking senior team.

An example of a successful senior team builder is Jack Welch, the onetime CEO of GE. Welch was known for his top team, and he insisted that his colleagues share the best practices, rather than operate in isolation from one another. All the members of his senior team understood the total GE business, and this resulted in a lengthy and well-publicized succession saga prior to his retirement. James McNerney, Robert Nardelli, and Jeffrey Immelt were all considered candidates for the position. Immelt was eventually selected to succeed Welch as chairman and CEO. The trade-off for having such a strong group, however, was that the candidates who weren't chosen looked to outside opportunities to advance their careers. Nardelli became the CEO of Home Depot until his resignation in early 2007 (whereupon he was tapped by Cerberus, the private equity firm, to run Chrysler), while McNerney became CEO of 3M until he left that post to serve in the same capacity at Boeing. The positions these men went on to attests to the strength of Welch's team at GE, and this gave the board a number of options when it came time to choosing Welch's successor.

Finding the Correct Match Outside the Company

One of the toughest decisions that can be made in the boardroom is the decision to go outside the existing management team to find a CEO. However, if a board does not have the leaders to match up with the needs of its business, it must look elsewhere. The Tyco board made this decision when it selected Breen as CEO in 2002. Granted, it took a *New York Times* exposé and Manhattan district attorney indictment to initiate the former CEO's resignation and CFO's departure, but the board nonetheless made the right decision by looking elsewhere for a CEO. Rarely do we learn of the performance review by the board and its CEO unless it warrants removal or public recognition, nor should we. Tough love is based on an open and honest but confidential dialogue.

CEO Tenure and Company Performance

In fulfilling their role as the CEO's boss, boards can benefit from studies of CEO tenure and company performance. Hambrick and Fukutomi have identified five distinct seasons of a CEO's tenure, each of which is accompanied by a specific set of behaviors.¹⁴

According to their model, the first season of the CEO starts when he or she is hired and given a mandate from the board to advance the business. After an initial period of legitimacy building, the CEO is moved into a second season of experimentation and trying new things. If all goes well, he or she enters into a third season during which the CEO selects what works best and sticks with it. If what works endures, there is a fourth season, when actions converge to reinforce and bolster the culture of the company. That strategy becomes the "way we do things around here." Unfortunately, this convergence invites only incremental change to improve things. Eventually, the point of inflection, when success begins to shift downward from its highest point, is reached in a business cycle. This is the fifth season of the CEO: dysfunction. Hambrick and Fukutomi's model parallels the common belief about the business cycle, often referred to as the "S" curve (figure 2.1). Businesses start strong, experience a short-term decline as they try to find a winning strategy, and become more successful as they figure out what works and what doesn't. They will stick with that

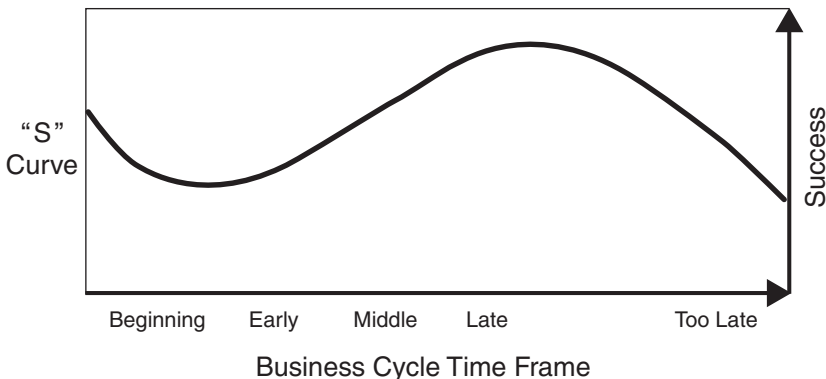


Figure 2.1.
The "S" Curve.

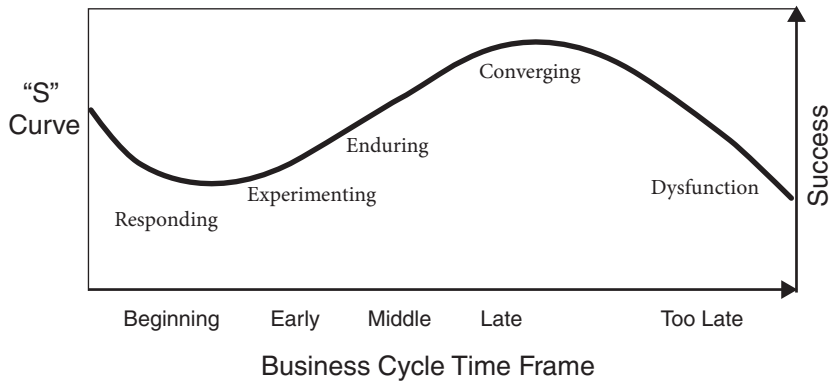


Figure 2.2.

Seasons of a CEO's Tenure and the Business Cycle. (Source: W. M. Klepper, adapted from Donald C. Hambrick and Gregory D.S. Fukutomi, "The Seasons of a CEO's Tenure," *The Academy of Management Review*, vol. 16, no. 4 (Oct. 1991), pp. 719–742.)

strategy as long as possible. However, without a parallel effort to begin a second wave, or "S" curve, dysfunction can occur—both in the leadership and in the business.

Overlaying the five seasons of the CEO's tenure on the "S" curve allows us to graph the success of the CEO at different stages in the company's growth (figure 2.2). Thus, the behaviors associated with every season can be understood as the ideal agenda for each stage of the business cycle. When the business is just getting starting, for instance, the best agenda for the CEO is to respond to the mandate from the board and to act consistently according to this mandate. At the peak of business, on the other hand, the CEO should not attempt any major changes, and should instead reinforce the strategies that have been successful in the past. If the CEO cannot make his agenda conform to the needs of the business, he'll become dysfunctional.

Many CEO's have modified their leadership style and practices to avoid collapse, and in a few instances they have achieved greatness. Jim Collins's *Good to Great* (2001) documents the most notable of these companies. However, without the CEO and company continually adapting to changing conditions, dysfunction can result. Collins's recent book, *How the Mighty Fall*, paints the picture of these stages of decline, depicted on an

“S” curve.¹⁵ In these economic times, there are references to “L,” “W,” and even “√” curves, but the “S” curve is an accepted model for explaining the business cycle time frame. CEO’s can join a company at any point in the business cycle, and thus the seasons of the CEO do not necessarily happen chronologically. Further, a flexible CEO can modify his or her leadership style and avoid dysfunction.

Looking back, it is clear that there were signs of dysfunction on Fuld’s part before Lehman’s collapse. He was underpowered to figure out the right risk/reward ratios and make the right decisions, and he took relatively few actions to confront the risk profile of the firm. “A CEO needs good managers reporting to him to figure out the right risk-reward ratios and make the right decisions. Increasingly, Fuld wasn’t getting good dope. He became isolated in recent years, people familiar with the firm’s operations said. He countenanced little debate and delegated more responsibility to Joseph M. Gregory, 56, who became president and chief operating officer in 2004.”¹⁶ The board must address these realities with tough love or share in the responsibility for the company and CEO becoming dysfunctional. In the case of Lehman, it is legitimate to ask, “What was the board doing to confront the CEO’s dysfunction?” As some have concluded, it was not doing enough:

As the world nervously awaits the effects of the unprecedented Lehman Brothers liquidation, one can’t help but wonder how and why this board let its long-time chairman and patron, Richard Fuld Jr., cling to both hope and power. Perhaps it was because Mr. Fuld wanted it that way. Over the years, Mr. Fuld had become the living embodiment of the securities firm, creating a top-down culture that sometimes had a military feel to it. Most mornings, Mr. Fuld rode alone in an elevator up to his executive suite. His colleagues simply call him “The Chairman.”

And it is telling that press accounts of Lehman’s capital-raising efforts focused entirely on the efforts of Mr. Fuld, and make nary a mention of the 10 other members of Lehman’s board.¹⁷

Uncertainties of Business Cycles: JetBlue

The problem with business cycles is that, given their inherent uncertainties, it can be difficult to predict what the next phase in the cycle will be.

The “S” curve will emerge over time, but in the short term it can be hard for a company to gauge where it is situated. The JetBlue board, under the direction of its founder, David Neeleman, found itself in these uncertain conditions. When board members realized their company was faltering, they were able to show tough love and shift their leadership, even when it was the founder who needed to be swapped out.

JetBlue Airways was founded in 1999 with the premise of “bringing humanity back to air travel.”¹⁸ Neeleman had had success in the business before—he co-founded his first airline, Morris Air, when he was only twenty-five, and later sold it to Southwest Airlines, the leading low-cost carrier (LCC) in the industry. He’d also served for three years as the CEO of Open Skies, the company that helped develop e-ticket technology. When JetBlue opened for business in 2000, Neeleman distinguished it from other airlines by offering such perks as seatback television, comfortable seating, and blue corn chips. In the company’s own words: “No exorbitant airfares, no cattle-train mentality, no hassles. In their place, add simplicity, friendly people, technology, design, and entertainment. JetBlue is a different kind of airline . . . younger, fresher, and more innovative. We’re looking at creative ways to reduce the hassles of flying and simplify the travel experience.”¹⁹

Despite its emphasis on how it differed from existing airlines, JetBlue also emulated some of the most successful features of Southwest Airlines, such as investment in human resources.²⁰ This mix of innovation and emulation worked. At a time when big airlines were losing money, JetBlue continued to post profits, and the forty-year-old Neeleman became an icon in the airline industry. Delta and United soon launched their own LCCs to compete with the budding airline.

But, even given its initial success, the question remained: Could the fledgling company really “fly” in such a difficult industry? As Warren Buffet once remarked, if capitalists had been present at Kitty Hawk when the Wright brothers’ plane first took off, they should have shot it down. When JetBlue entered the market, the U.S. airline industry faced daunting problems. Fuel costs were high, and even airlines that had made successful hedges against these higher costs, like Southwest, were straining under the pressure. Coupled with that were the large fixed costs—namely, aircraft—and a consistently competitive environment. Despite these industry difficulties, JetBlue’s position as a second-tier airline was advantageous. “The second tier, composed of newer airlines that never put in place huge legacy costs before deregulation unleashed price competition, limits the top tier’s

ability to pass along costs to customers.”²¹ JetBlue seemed to have the right business plan to succeed in a difficult market.

Initially flying only between New York and Florida, the airline expanded to California, Utah, and Vermont during its first few months of business, and celebrated its millionth flyer before its one-year anniversary. It launched international service in 2004 and continued to expand its domestic service. However, in 2005, JetBlue began to falter under the weight of increased fuel prices and its own rapid expansion. Discussing the full-year results in 2005, Neeleman said, “We are very disappointed in our performance this quarter as we continued to feel the effects of record-high fuel prices and a tough revenue environment, compounded by the impact of Hurricane Wilma and the residual effects of Hurricanes Katrina and Rita. Although we saw a 7.4% increase in revenue per available seat mile (RASM) in the face of 25% capacity growth, it was not nearly enough to offset the impact of high fuel costs.”²²

JetBlue continued to lose money in 2006, and just as business was picking up in 2007, the East Coast was hit by a paralyzing snowstorm over Valentine’s Day weekend. Unlike other airlines, JetBlue did not heed weather warnings and did not cancel flights until it was too late. In a business disaster that the press dubbed the “Valentine Massacre,” thousands of customers were stranded on planes and in airports, with some customers stuck at JFK for days. In response, the company released a press report stating: “JetBlue apologizes to customers who were impacted by the ice storm at our home base of operations in New York, specifically at John F. Kennedy International Airport,” and gave a full refund and a free round trip to any customer kept onboard planes for more than three hours.²³ More candidly, spokeswoman Jenny Dervin said, “We ran into an operational death spiral. We let our customers down, and we’re terribly sorry it happened.”²⁴

JetBlue’s initial rise and subsequent fall are a good illustration of the uncertainties of the business cycle, and this case provides a good platform for exploring both how a CEO’s style impacts the company and how “tough love” from the board can be used when this style is no longer working.

Neeleman, with one successful airline behind him and the drive to get companies started, was obviously in his element during JetBlue’s infant years, but he was also cognizant that the company required flexibility from its leader as it expanded in 2006 and 2007. I heard Neeleman describe his leadership capabilities in his own words during a lecture for a group of MBA students in the Marketing Club at Columbia Business School on

January 23, 2007. He was very forthcoming about his leadership style and its accompanying strengths and weaknesses. He was well aware of the realities facing JetBlue at that point. Although his business had gotten through its start-up phase and was starting to build momentum, he recognized that 2005 had been a point of inflection. Efficiency and cash flow became the priority when the company started to falter, and it was important to know the “numbers” on an hour-by-hour basis so that JetBlue could change fares as needed, rather than staying locked into a standard rate structure. Although Neeleman had the right entrepreneurial, innovative style and industry know-how to get the business started, he knew he wasn’t the right person to lead a detail-oriented intervention. Operational efficiency is more the diet of an analytical style, a process person tied to an operational drive that thrives in the tactical, and the company changed its revenue management leadership to address this. However, despite his awareness of his own shortfalls as a leader, Neeleman’s innovative spirit shone through during the lecture, and he excitedly discussed such new plans for the company as letting the customer buy the middle seat and spread out during coast-to-coast flights.

As it turned out, Neeleman would have little time to develop these ideas. On May 10, 2007, three months after the Valentine’s weekend debacle, JetBlue announced the appointment of Dave Barger to the position of chief executive officer, replacing Neeleman immediately, while retaining his responsibilities as president. “This is a natural evolution of our leadership structure as JetBlue continues to grow,” Neeleman said. “As Chairman of the Board of Directors, I will focus on developing JetBlue’s long-term vision and strategy and how we can continue to be a preferred product in a commodity business.”²⁵

The board also realized that Neeleman’s leadership style no longer fit with the needs of the company, and showed the tough love necessary to get the business back on track. The board confronted Neeleman after the Valentine Massacre and they jointly arrived at the decision to replace him as chief executive. Circumstances are not ideal when a board assesses its CEO at a time of crisis, and it is an even greater challenge when the founder is at the helm. Indeed, from my discussions with people involved with the company at the time, the members of the board all had considerable admiration for Neeleman, and the fact that he knew of his shortfalls as a leader indicates that he was in communication with his board about what kind of leadership style was best for the company. However, after the events in February, it must have become clear that

despite their amiability toward and regard for him, Neeleman had to be replaced. This is an example of tough love in action. The positive results of this change in leadership were immediately apparent, with the company reporting a net income of \$18 million in 2007 compared with a net loss of \$1 million in 2006.²⁶ This was the first profitable year the company had had since 2004. As Dave Barger reported: “Although soaring fuel prices contributed to our fourth-quarter loss, we believe we are well positioned as we move into 2008 with a strong brand, superior product and solid financial position.”²⁷

At this writing, JetBlue has been affirmed as a unique offering in the airline industry, receiving top honors in three categories in the 2008 Zagat Airline Survey: “Best Large Domestic Airline” for economy-class seating, “Best Inflight Entertainment” for domestic flights, and “Most Eco-Friendly” airline. In 2009, the company was named the “Top Low Cost Airline for Customer Satisfaction” by J. D. Power and Associates. Southwest Airlines continues to be the gold standard of LCCs, but JetBlue has made its mark through its innovative and unique offerings to its customers. As one frequent flyer of JetBlue, I hope they make it.

And, as a follower of the creative leadership of David Neeleman, I look forward to watching his career in the airline industry develop. Although he stayed with JetBlue for a year as chairman of the board, on April 8, 2008, he notified the Corporate Governance and Nominating Committee that he would not be standing for reelection at the annual meeting. He was leaving to do what he’d done successfully twice before—found an airline. In December 2008, he launched the Brazilian domestic airline Azul, which had already captured 5% of the market by July 2009. The JetBlue board, by showing Neeleman tough love when the company was faltering, both regained success for the company and freed Neeleman to pursue other endeavors.

The airline business is a very difficult one under any circumstances, and the board must constantly assess and adjust its leadership in order to survive. Finding the right partnership between the board and its CEO is central to a company’s success. When JetBlue was in a period of growth, it was a perfect match for David Neeleman’s entrepreneurial style, but as the business expanded, a more operationally efficient leader was needed. It took a crisis to make the change, but the change was made.

How is a board to know when this change needs to happen? The best advice is to assume your business is always at the point of inflection and to be prepared to make a shift in practices and encourage your CEO to do the

same. The following chapters offer additional guidance. Because a CEO's leadership style is so central to a company's success, boards can benefit from those who study CEO tenure and company performance as well as the requisite leadership behaviors to achieve success at the various stages in the life cycle of their business. If the board doesn't address these realities with the appropriate amount of tough love, the company and CEO can become dysfunctional.