

The Best Directors Stay Calm, Particularly When Dealing With A "Hair on Fire" Crisis

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Jonathan Johnson, former CEO of Overstock.com, shared timely insights with Adam Bryant and David Reimer. Key themes include why the best directors stay calm when crises erupt, how boards should broaden CEO succession into leadership development, and why collegiality must never slip into softness when evaluating board effectiveness.

Reimer: How have conversations in boardrooms evolved? And how do you think they should evolve?

Johnson: You can't talk about what's going on in the boardroom without talking about artificial intelligence. We've gone from how AI is theoretically going to impact us to accountability and results.

The other change is more active governance, particularly at the public company level. These are no longer just check-the-box exercises. The work of a board has become much more active and practical, and that shows up in more scenario-planning and more specific and fulsome committee charters. We want to make sure the audit committee doesn't become the catch-all for every issue that involves risk.

Another topic that has emerged is leadership development. I think the traditional focus on CEO succession is a little narrow, and it can be a little hindering and create nervousness. But when the focus is on leadership development, for the CEO and the C-suite team, and the few levels below them, it becomes

a much better and less threatening discussion.

Bryant: What qualities set the best directors apart?

Johnson: The directors I admire the most are calm, particularly when issues come up that might light some management team members' hair on fire. The pandemic was such an uncertain time. I was the CEO of Overstock when it happened, and there were so many issues to deal with, including work from home, supply chain difficulties, and social unrest. There were many days when I was chief pastor as much as chief executive officer.

How do you make a nervous workforce feel like things are going to be okay? Whenever a crisis or issue bubbles up to the board, they need to be focused on it with all the attention it deserves, but they don't need to be focused on it with a hair-on-fire attitude.

Reimer: How do you think about the board's role in creating a pipeline of leaders that's going to give you optionality in choosing the top future leaders?

Johnson: Management and the CEO in particular need to make sure that the board has adequate access to the leadership pipeline, who are the candidates to succeed the CEO and who are the candidates to potentially succeed the CEO's successor?

Management needs to give board-facing time to potential leaders, whether that's done in committee meetings or the board meeting. And good leaders don't answer every question, they allow some of their direct reports to do it. There should also be regular discussions about the strengths and weaknesses of potential candidates and what can be done to round those out.

Bryant: There is an old expression in board governance of "noses in, fingers out." Is that still relevant?

Johnson: As a former CEO, I love that statement because I found it helpful when certain directors showed up and decided to play "CEO for a day" once a quarter. That said, it can also be used as a kind of defensive shield by CEOs to limit probing by their boards.

I do like it when a CEO invites me to get more involved, whether it's mentoring a member of management or asking me to do some research on a particular issue. In those cases, the CEO is bringing me in as an early thought partner, knowing that any brainstorming we do isn't going to be held against him because we have a relationship of trust.

Reimer: We talked earlier about leadership development and CEO succession. What are your thoughts on board succession?

Johnson: I think it should start with the vetting and onboarding process. Board candidates should be told up front that they shouldn't expect to stay on the board until the mandatory retirement age.

With any board I'm on, I always tell the CEO, "The day you think I've outlasted my usefulness, just let me know. I won't feel fired." I think there are some directors who, when it's time to step down, feel like they're being fired. But these aren't permanent jobs. Industries evolve. That's why CEOs and board chairs need to have that discussion with new directors on the way in.

Sometimes board evaluations can be pretty perfunctory. But if they're too in-depth, they can create some unnecessary friction. There's a happy medium, where people are being candid about others in their feedback. A lead director or board chair can play a big role in that, including partnering with the CEO to deliver messages that someone needs to step it up.

As directors, we really value collegiality, collaboration, and trust among the board. But if collegiality turns into softness in evaluating board effectiveness, then collegiality is not useful. Collegiality should be a goal, but it shouldn't bleed over to softness.

Bryant: When you're evaluating CEOs, what X factors are you looking for?

Johnson: Communication skills that motivate people and get them to buy into the strategy and vision are really important. And every business has a unique culture. Most of them, or maybe some of them, are intentional. Many are not intentional, they just happen on their own. So the best CEOs are standard-bearers for an aspirational culture, and they can clearly articulate where we are now and who we want to be.

Reimer: What were early influences that shaped your leadership style?

Johnson: I had my first job as an after-school playground attendant when I was 12 years old, and I've had a job ever since. Early influences were my father and my mother. One lesson I learned from my father was to always be prepared. I remember hearing him rehearse presentations at home. So I may not be the smartest guy in the room, but I'll be among the most, if not the most, prepared.

My dad taught me another lesson when I had my first construction job. He said, "Your job is to make your boss's life easier." That became an important driver of my career. Whenever I saw problems, I would always try to bring solutions to my boss. That's how I moved forward.

My mother taught me to be a continual learner. I studied law, but I wound up running an e-commerce business. When I was president of Overstock, blockchain wasn't a thing, and yet I wound up running our blockchain internal venture capital group. I love climbing learning curves.

Bryant: What's the best leadership lesson you took away from the worst manager you worked for?

Johnson: When I was a general counsel, I had a board member who made it a point at every board meeting to find a typo in the minutes. He did it just to show that he was the alpha dog in the room. It's not helpful.

I'm a big believer in praise in public, correct in private. I'm a big believer in taking blame and giving credit. That's what I was taught growing up, but that director put an exclamation point on it, don't embarrass someone, particularly over something that's not important.

Reimer: What do you consider to be the hardest part of leadership today?

Johnson: The hardest part is the multifaceted noise that distracts us from the key issues at hand. This was particularly apparent during the pandemic, where every company felt like it needed to have a stand on every political issue. Today, the pendulum has swung so that most every company is trying to keep its head down and avoid social stands.

In the end, many of these issues and concerns swirl around, and spending mindshare on them, and whether to get involved, takes away from the issues that will really move the business.