Clarence Otis Jr.

The New Director's Chair
Conversations with business leaders about changing board dynamics in an age of disruption.
Biweekly Series

The Director's Role: To Both Support and Challenge the Leadership Team

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For the next installment of our interview series with top directors, my colleague ***David Reimer****, the CEO of* ***Merryck & Co. Americas****, and I sat down with* ***Clarence Otis Jr.****, the former CEO of Darden Restaurants who serves on the boards of Verizon, Travelers Insurance and VF Corporation. Clarence shared with us his insights about the importance of creating shared context for directors and management, and the delicate balancing act of board dynamics.*

Reimer: You've sat on each side of the table – as a CEO and as a director. How did being a director make you a better CEO and vice versa?

Otis: One insight that's been reinforced was the importance of shared context, so that the board and the leadership team, and the CEO in particular, all understand the world in the same way together. You want to have shared context on dynamics at a macro level and inside the ecosystem of our industry.

With that shared context, we can talk about the assets and gaps that we bring to the table and what we all think we need to do, because that's where the opinions can be very different. If there's a lack of shared context, it's very difficult to have a meaningful conversation when different opinions come up.

Reimer: As a director, what's the fine line between pushing management to think differently and getting involved too deeply in the operations?

Otis: It's about challenging some of their assumptions with questions about the world and the industry. And then the CEO has to get back to you to say, "No, the way we're thinking about it makes sense. Here's the answer and here's why it makes sense." Or they might say, "We can't really put together as strong a case as we thought we could." So it's about asking the right questions, and it's about challenging them to sometimes bring in outsiders to share their view of the company.

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You have to respect the expertise that is required to run these businesses. That's an important thing for a board to recognize – in virtually any business of a certain size, there is expertise that requires a lifelong investment of time to really master. So you can't get in their business. Some board members recognize that more than others. It's critical to resist the temptation to go deeply into operational detail.

Bryant: If you're giving advice to new CEOs who've never managed a board before, what are the three things they have to make sure they get right?

Otis: One of the first things you have to do is meet one-on-one with each board member. You want to understand where each member's coming from, and how that fits within the group dynamic. What are their perspectives? What are their insights? Their blind spots? Once you have a sense for that, then you can start to think about why the group might work together the way they work.

You also want to set clear expectations about how the board's going to do its work, in terms of the kinds of materials that are going to be shared for background to the board meeting and what's going to be presented. And you need to have a feel for the cadence of the board meetings.

Then you want to have a balance between them getting to know the whole leadership team and also spending some time when it's just you and the board, including in board-only dinners. Over dinner, you can get some real candor about their views. You can surface places where there might be misunderstanding and where they might need additional information. They'll say things that they just won't say in front of other members of the management team. And they might say them in executive session, but that's a crowded agenda.

Bryant: What are you listening for as a director to get a feel for the culture of a company?

Otis: I listen closely to how people articulate their aspirations for the company. Is it about financial value creation only? Are they talking about the larger purpose behind the work? Is it about the people in the organization and what they can accomplish? If the leadership team isn't talking to us about it, then they're probably not talking to the organization about it.

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As a director, you also want to know how the leaders are taking the temperature of the organization. What's the voice of the employee? How do you know? What are your ways for sensing that? Are they all qualitative, or is there a quantitative component? What do the employee surveys say? Where are the disparities? You start with questions like that.

Reimer: What are the X-factors of a truly great director?

Otis: I would say it's the ones who really can find the right balance in challenging and supporting the leadership team. The best directors can figure out the right moments to do one or the other. Trust is part of it. A CEO needs to know that this board has my best interest at heart and therefore they're going to challenge me when it's in my best interest to be challenged. And then they'll support me when that's the more important lever.

It also helps to have a mature board that has enough people on it who have been through cycles with the organization. You need some members who have been on a board for ten years. It shouldn't all be ten-year-plus people, but if you don't have any of those, you've got a real problem. Every business has a rhythm and nothing goes up all the time.

Reimer: In all your years of being a senior executive, CEO, and director, I imagine you have done your share of mentoring and coaching and developing people. What are the kinds of conversations you find yourself having most often?

Otis: Self-awareness is probably the biggest one -- helping people understand that others are watching them closely. They need to think about how people are seeing them and be very intentional about how they present and how they show up in a room, because most people just sort of show up. They're not intentional about it because they just aren't all that self-aware.

Bryant: What insights have you had about leadership that have become truer over time?

Otis: The best leaders are more ambitious for the organization than they are for themselves. People pick up on that. That's the key. You need someone who's doing the work because it reflects their ambition for the organization and they're willing to make personal sacrifices to make it to happen. I've seen that happen a few times. I was at the old Chemical Bank when it first started to roll up what ultimately became JPMorgan Chase. Walter Shipley was the CEO of Chemical, and he and his team were self-effacing enough that few people think of them as being the catalysts for the whole thing. As he started acquiring banks, he let others be the CEO for a period and took the name of the acquired bank, rather than Chemical. He put the organization first, and people lose sight of the fact that he envisioned the plan that turned into JP Morgan Chase.

Bryant: That's clearly part of your own value system. Where does that come from for you?

Otis: My father was an important influence. He was self-made, and he was part of the great migration out of the South into, in our case, California. He did manual labor, but he worked for the City of Los Angeles. So even though he was a custodian, he was a civil servant with all the benefits that came with that, and he rose up as he passed certain tests within the civil service. He was happy with what he accomplished but he was well aware that others didn't have the same opportunity. So he didn't get overly excited about what he accomplished because others were doing the same job, but his ecosystem had ladders to go with it. He just happened to work for the City of Los Angeles.

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