



John W. Rogers Jr. of Ariel Investments



### The New Director's Chair

Conversations with business leaders about changing board dynamics in an age of disruption.

# "Good Directors Understand How and Where They Can Add the Most Value."

Published on January 21, 2020



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*John W. Rogers Jr., the chairman, co-CEO and chief*

*investment officer of Ariel Investments, has decades of experience serving in boards, including McDonald's, Nike and The New York Times Company. He shared compelling insights about how to be an effective director and building cultures of diversity with me and **David Reimer**, the CEO of The ExCo Group.*

**Reimer: What have been the key lessons you've learned about how to be an effective director?**

Rogers: Directors should focus on the areas that they know well. Warren Buffett often says you want to stay within your circle of competence, and you make better decisions when you're in your circle of competence. Because of all the pressure on boards now, I've noticed that more directors can feel like they want to boil the ocean and get into all kinds of minutiae about everything that may or may not be important or relevant.

I'm a big believer in focus. Good directors understand how and where they can add the most value. For me, I focus on governance; diversity and inclusion, and, because I'm an investment professional, helping them think about their 401(k) plans, their pension plans, how to interact with Wall Street, and how not to get too swept up in whatever the current short-term Wall Street thinking is.

**Reimer: Other lessons about what makes for effective board dynamics?**

Rogers: I've found that when you have strong independent people around you, they're going to make you better. But it's also important to get people who know how to work well with each other. It's like any great team – if you get the wrong kind of people together, they don't win. It doesn't matter how talented they are.

You need people who know how to work together collegially, under enormous amounts of pressure. Somebody may seem like a great candidate because they have all these skills and they're a superstar, but they're not going to contribute if they don't know how to be a good teammate.

**Bryant: What about the board's ability to influence management. Where does that line of influence begin and end?**

Rogers: First and foremost, the CEO has to believe in whatever issue you want to advance as a director. If the CEO gets it and truly believes in it, then that gives you permission to work with the management to push that agenda. I'm pretty outspoken, but you're not going to succeed as a director or be impactful if the CEO thinks you're going beyond your purview.

So you have to be very careful when you jump into working with other leaders within the organization. But if you know the CEO has your back on the importance of, say, diversity and inclusion, then that does give you the freedom to engage between board meetings with senior management and say, "This is important, and we're not living our values. I know these are our values because I've talked to our chairman

and our CEO about it, so let's get on with this."

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that you're watching."*

As an example, with the #MeToo movement and D&I being so important, you have to get a sense of whether the company is creating a culture that's really and truly open versus operating based on a "good old boy" network. The CEO may say all the right things, but when you look who is in his inner circle, and it's five white guys who look just like him and have similar backgrounds. It's important for boards to be able to identify that and have conversations about management succession plans to help challenge that network. You have to let people know that you're watching.

**Bryant: There is still a gap at many companies between the walk and the talk on D&I.**

Rogers: When companies get it wrong, sometimes it's because they say they're going to promote some diverse people into these positions, but the diverse people got where they are more for being "go-along, get-along" types. They make the white-male leadership comfortable by saying, "Yes sir, that was brilliant." And then the organization never makes real progress.

It's about identifying people who are comfortable in their own skin and are willing to come in and fight for fairness and inclusion once they get

into their leadership roles, whether it's in the executive ranks or on the board. It makes all the difference.

**Reimer: Diversity is measurable, but inclusion is more of an amorphous concept. What is your framework for thinking about that?**

Rogers: You have to create an environment where independent points of view are valued and appreciated and respected. We all hear these horror stories of white men only looking at each other in a meeting and they're not looking to the women and people of color for ideas. You have to make sure that people in the boardroom and the executive suites are respecting people who come with a different perspective and a different idea.

And you can feel it when people are looking at you and asking follow-up questions. "That was a thoughtful idea, what do you think of this, what do you think of that?" You can tell when people are coming to you and asking you about your best ideas compared to people coming to you just because of your race or your gender. I've been in situations where people will come and ask me things like, "What do you think Reverend Jackson thinks of this issue?" How would I know?

**Reimer: Beyond venturing outside one's circle of competence, are there two or three critical mistakes that you see new directors making?**

Rogers: The most common one by far is when board members don't

know where that line is between management and board, and they get involved with the micromanagement of issues and they treat employees as if they're their boss. CEOs and management really hate that when people don't understand that line.

The second one is people thinking they're an expert in everything, and not being humble enough to understand the challenges that managements face in running complex companies. The third one is people who want to show how smart they are by asking questions. I've been on boards where someone will ask 20 questions for every question that an experienced, thoughtful director would ask. They want to just show how they've done all their homework. They ask questions that everyone knows the answer to, but they want to ask them anyway, even though they're wasting everybody's time. Some people can't help themselves. Whatever is put in front of them, they're going to ask questions that are not ever going to have any impact.

**Bryant: In your board roles at both Nike and McDonald's, you've been involved in CEO transitions in recent months. What can you share about your insights around these big decisions?**

Rogers: I've been through a lot with the various boards over the last 35 years. What I've found is that when you have to make tough decisions, it helps to have a board with this connective tissue and a level of trust among the directors. People think that it's good to have everyone on the board be very independent. But if people don't know each other and trust each other, then there's no way to have the kind of important conversations you need to have when you're making difficult decisions

to remove a CEO in a tough period.

That's why sometimes this idea of having constant board refreshment is maybe counterproductive. If there's always a new kid on the block, it's hard to have the appropriate knowledge of the company and the appropriate knowledge of each other. It is critical to have a level of trust and faith in each other to be able to have the kind of difficult conversations that are necessary to make difficult decisions.

**Bryant: What are the behaviors of a CEO that, if you were on the board, would make you start to be concerned about how they approach the role?**

Rogers: One problem is people who are always overly optimistic and overconfident. You want people who are appropriately humble, open to explaining their mistakes, and not always creating the sense that they have all the answers. You want people who are open and honest about their strengths and weaknesses personally, and the strengths and weaknesses of the organization, and are not always seeing everything through rose-colored glasses.

The second part is that you want people who are not defensive if you're going to ask them questions. You want direct answers, and you want an atmosphere where they welcome questions. Really great leaders are great listeners. If somebody thinks they always have all the answers, then people stop asking tough questions because they just get tired of hearing, "Well, I've already got that covered, you don't need to bother me with that."

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The third area of concern would be people who have a game plan and plan to win, but it's constantly shifting and adjusting. The best CEOs are the ones who put a plan in place and they work that plan, and if they start to be falling a little bit behind, they explain to you why they're falling behind and what they're going to do to get it back on track. You don't want someone who's always course-correcting because something isn't working, and ultimately doesn't have real faith in their plan.

The final problem is short-term thinking. I've been on boards where the CEO is literally watching the stock price minute by minute, and can tell you the moments they were ahead of the competition in terms of market capitalization.

**Reimer: Final thoughts on key leadership lessons for you?**

Rogers: I keep coming back to the same values. One growing problem I see in modern society is that people don't respond to each other. People are so busy and so short-term in their actions – because of phones and e-mails and texts and social media – that they are not responsive to each other. Even directors can call and the CEOs won't call them back. And then when you do talk to them, you can tell sometimes that they're distracted and not wanting to engage in honest conversation and



feedback.

I find that you see fewer of the skills that I think are so important, like living up to commitments to each other and being a good listener. My father taught me to do what you say you're going to do. People talk a great game and talk about teamwork all the time, and some people live those values and a lot of people don't.