

## THE DIRECTOR'S CHAIR



# **“You’re Trying To Look Around Corners. You’re Looking For Opportunities And Also Risks.”**

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**Cynthia (CJ) Warner, who serves on the boards of Chevron, Sempra, and Bloom Energy, shares timely insights on continuous CEO succession planning, linking strategy and risk, and aligning leadership in this The Director’s Chair interview.**

**Reimer: How has the role of directors evolved in recent years?**

Warner: The expectations of board members have become much more rigorous, especially from shareholders. It’s become a more serious role, in part because there are so many externalities that are creating change. It puts even more emphasis on what boards can do to help companies and their executive teams be stronger.

For example, strategy isn’t an annual conversation anymore. It tends to come up in almost every board meeting. There is also a more rigorous process around enterprise risk management than there used to be. There are a lot of conversations in which we link strategy and risk. You’re trying to look around corners. You’re looking for opportunities and also risks, including how to mitigate them and prepare for them.

Boards are also expected to engage with shareholders more now. Shareholders really want to be able to hear from directors. Those conversations also help board members understand the perspectives of shareholders.

**Bryant: One of the balancing acts of being a director is, as the saying goes, “noses in, fingers out.” That can be challenging when there’s so much going on in the world. How do you think about that balancing act?**

Warner: There is more pressure on boards to get involved in the details. One of the better mechanisms for doing that is to delegate as much as you can to committees. They can explore topics in a greater level of detail, and the directors can work more closely with company executives who are responsible for those issues. That allows you to give assurance to the main board and shareholders that you’ve made that issue a priority.

**Reimer: The relentless pace of change also has an impact on CEO succession planning. What’s your take?**

Warner: I find it helpful to use a multi-year framework for CEO succession. In fact, the minute the new CEO gets named, you’re really starting the process again, because that new CEO should be developing his or her team, which is part of the work of succession planning. The board should have an annual conversation about the selection criteria for a new CEO if hiring one were to become necessary in the next year or two. You have to guard against that conversation becoming a little generic, especially if the actual succession event is far off. But using storytelling and concrete examples can help ensure that it is a rich conversation.

**Bryant: Are there leadership X-factors that you think are becoming more important?**

Warner: If you’re not a good communicator, you’re sunk. In addition to being able to inspire your team, you’ve got to be able to communicate with the outside world, where expectations may be higher and even unreasonable. You have to figure out how to navigate that and communicate with stakeholders in a way that brings about alignment of understanding. In contrast to some of the divisive leadership in the world today, CEOs need to model how to bring polarities together and foster alignment. That is the secret sauce of getting something done in today’s challenging world.

That comes from being willing to listen, showing people you’ve heard them, and helping them see things differently. Some common polarities include delegation and assurance, which need to be managed together, because you can’t delegate without a rigorous assurance process. Another example of a polarity in the energy industry is driving down carbon intensity while driving up affordability. By explaining leadership challenges as polarities, you can draw others in and share their ideas to help with those balancing acts.

**Reimer: What was a critical leadership lesson for you?**

Warner: I learned a hard lesson about never promising something that you can’t deliver. Earlier in my career, I was put in charge of a plant that was in trouble, and the company was thinking about closing it down. Most of the people who ran the plant were second, if not third-generation, operators. Their dads had built the plant, and it was the best job they were ever going to get in that community. I said to them, “We’re going to make this place a lot better so we can save the plant.”

We worked really hard, and the union and management worked together beautifully. The plant started to run a lot better, but the company decided to sell it regardless. The day I had to tell everybody that news was one of the worst days of my life. I should have told everyone at the outset, “I don’t know if we can affect the outcome, but this is the best thing I know that we can do.” Then we would have

been in it together with a different mentality. But I know people trusted me, and I violated that trust by not being able to deliver.

**Bryant: What were important early influences for you?**

Warner: I was blessed with parents and a broader family that imbued me with a belief that I could pretty much do whatever I wanted to do. They exposed me to a lot of things that gave me confidence. I had an uncle who was a cattle rancher, and I loved to work on weekends with him, learning to ride horses, fix fences, and round up cows. It was a different time then. We were allowed to get on our bikes and ride for 20 miles and not necessarily tell anybody where we were going. Being able to do things like that gave us a level of confidence, because you learn how to solve problems when you're off doing your own things.

Both of my parents were self-starters themselves. My mom was a schoolteacher and an amazing gardener, and my dad was an accountant, but on the side, he was an airplane mechanic. He and his uncle were founders of some of the earliest municipal airport facilities in our area.

Everybody liked to do things in my family, and they let me do things, too. That's important for learning about your limits and how to solve problems. It also taught me that it's okay to ask somebody for help. One of the keys to being a good leader is that you can't think that you're going to do it all yourself. You have to have the skill set of knowing when to ask for help and who to ask.