



A Key Test: Can Leaders Throw Out Their Old Playbooks To Handle A Big Strategic Shift?

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Don Liu, who serves on the board of Invesco Mortgage Capital, shared timely insights on continuous CEO succession planning, linking strategy and risk, and aligning leadership in this The Director's Chair interview.

Reimer: As you step back from the day-to-day, what are the clouds on the horizon that you think people should be talking about more?

Liu: My sense is that both at the C-suite level and the board level, there is so much going on right now that there's not much oxygen left to be thinking three, five, or even ten years out. From politics to the socio-economic divide to global trade to climate change, I've been struck by the ping-ponging nature of the day-to-day challenges and issues.

Bryant: Organizations are getting squeezed from both the right and the left these days. As a board member, how do you maintain a sense of what is straight down the middle?

Liu: Using a golf analogy, the name of the game is to be on the fairway, not in the woods. As an organization, you have to be aware of your key audience and how they perceive you. It doesn't matter whether your critics are right or wrong. If your critics believed you shanked the ball, then you shanked the ball. There's no debate about it. You have to meet them where they are. And if you don't meet them where they are, they will leave you behind.

Reimer: You're a lawyer by training. Part of a lawyer's job is to identify and mitigate risk. Similarly, a director's job at some level is to mitigate shareholder risk and to make sure that management delivers. How do you think about navigating all the risks in the world right now and not being paralyzed by them?

Liu: I start by trying to simplify issues and think about the business objective that we're trying to accomplish. And then, when I'm being asked as a director about risk, I tell people not to worry about the legal risks because if you properly address your business risks, then you've eliminated 95 to 99 percent of that legal risk.

If you worry about legal risk first, then you're sequencing things the wrong way. Get your business risks properly addressed, and I'm almost guaranteeing that you won't have any legal risk left.

But I do find that a lot of boards have it backward. They worry about legal risks more than business risks. And I am concerned that some board members are delving too deeply into management risks to the point that they're forgetting that they are board members. As just one example, I've heard of board members making minor edits to the company's ESG report.

Reimer: The word "unprecedented" is being used a lot these days to describe the actions from Washington. I've been thinking about this a lot in terms of boards and CEOs and our need to address the world objectively, so we can steward our companies through the world we have, not the world as we want it to be. In that vein, the question that occurred to me the other night was, "Are we moving into a post-constitutional era?" Is it just that we've spent the last 80 years with a version of the Constitution that was really set during FDR's years, and so we're simply resetting to a pre-1930s set of interpretations, or are we leaving the Constitution behind? What's your take on this moment in history?

Liu: Every 100 years or so, we have these major shifts and a significant realignment of aggregate laws that change people's lives and impact the way we live. Those so-called constitutional moments haven't occurred in a long time. I would argue that the FDR period was one of those moments. I would argue that the 1960s were another such period—we saw the Civil Rights Act and all the related social movements, including the War on Poverty.

And now, decades later, we might have either an adjustment or a major overhaul of what occurred in the 1960s, including a substantial realignment of how legally we view DEI. It's already happened at the college level. The question now is whether it is going to happen in the private world.

But that's only talking about a small slice of this so-called transformational moment. I think there are repercussions well beyond that, regarding the role of executive power. Power was the issue during the FDR days, and it came to a point where legislators said we've got to limit the power of the president by limiting the office to two terms.

I don't know about the idea that we are in a post-constitutional phase, but I am supportive of the view that there are major overhauls that occur, and they happen because there's a groundswell of issues and people who are sufficiently disgruntled and who say they don't like the status quo. As boards and leaders, we have to recognize that we could be living in one of those moments.

Bryant: What are the X-factors that separate the best CEOs these days?

Liu: The key question for me is, are you the kind of person who people will follow because they genuinely like you and trust you? Are you the kind of person who walks the talk? When you run into a problem, are you going to share your personal challenges in a way that people feel like you're telling them like it is?

The second key thing is being agile enough to deal with changes. Are you quick on your feet? Can you handle a big shift and throw out the playbook that you've been using for the last decade? That skill is hard to predict.

Bryant: Shifting to you more personally, what were the important early influences that shaped who you are today?

Liu: My dad and my mom took their three kids—ten, seven and three years old—from Korea to come to the United States. They had a very comfortable life there; they were middle- to upper-middle class. But they liquidated everything in a hurry, leaving them with only about \$5,000 in their pocket.

I often think about what it took for them to decide to go to a country where they didn't speak the language, they didn't know the culture, they didn't know anyone who lived there, and they had no idea how they were going to make a living. But they said we're going anyway.

These people were not uncomfortable with change. They were not afraid of change. So one of my strengths is that when changes occur, I see opportunities. I love leaning into changes that are coming, rather than fighting them, and trying to take advantage of the changes that occur so that you maximize the opportunities.