



SUMMARY: FROM HYATT TO BOEING: LEADERSHIP IN THE BOARDROOM

“Good news should be delivered using the stairs, and bad news should be delivered using the elevator....”

That was a quote emphasized at NACD Florida’s program, “From Hyatt to Boeing: Leadership in the Boardroom” featuring **Sue Kronick**, director, American Airlines Group and Hyatt Hotels Corporation, and trustee, John S. and James L. Knight Foundation; **Ron Williams**, director, American Express, The Boeing Company, Johnson & Johnson, and Envision Healthcare; and moderator **Frank Scruggs**, NACD Florida board member and director, SunTrust Banks, Inc., Guidewell Mutual Holding Corporation, and Florida Blue.

Ms. Kronick related an experience that was pivotal to her 37-year career at the customer-focused businesses of Federated Department Stores (Macy’s, Bloomingdales, and others). After college, she lived in India for six months. It was there that she learned both to see the world through someone else’s eyes and to appreciate the value of diversity of opinion and background.

Mr. Williams shared that he grew up seeing the world from the outside, as there were no business people in his community in those years. If he had been five years older, he said, he never would have had the chance to become who he is—a former Aetna CEO and chairman who took the company from losses of \$292 million to earnings of \$2 billion, and now as a director of some of the most recognizable corporate brands in the world.

Highlights from the program:

- *Every board is a play in progress.* According to Mr. Williams, every board has dynamics as a whole, via its committees, and, for some problematic boards, in clusters. Many boards operate to achieve unanimity; however, this practice may have unintended consequences, as decisions can sometimes go to the lowest common denominator. Ms. Kronick added that boards must be clear on what they want to be:
 - A complacent board (a rare find these days)
 - An engaged board (ideal)
 - An intrusive board (important at times depending on the circumstances but generally suboptimal)
 - An operational board (often seen in startups and the private equity world)

In the end, board members should have intelligence, respect for each other, and the willingness to hear different points of view. These attributes are especially important when times are bad, added Mr. Williams. This is when board members sometimes become self-focused instead of concentrating on shareholder value and ensuring that the board has the right members to weather the storm. Both agreed that 12 is the optimal board size.

- *Best practices for boards are not universal but rather are dependent on the circumstances.* For example, Mr. Williams opined that the CEO and chairman roles can be combined or separate, depending on the circumstances. If the company is troubled, the roles likely should be separate. At other times, a combined role may be most appropriate, depending on the CEO's personality and other factors.
- *Is your board playing an infinite game or a finite game?* Ms. Kronick believes that a board must decide the answer to this question and ask whether the company is doing enough to innovate. Long-term returns may trump short-term gains as companies move to digital platforms, for instance. Mr. Williams added that organizations are built to do yesterday's work. It is the CEO who must support and protect innovation, with the board's oversight of the balance between current operations and innovation and input on emerging trends. Also, if a company is not taking market share, it's losing it, so status quo will never be enough.
- *It's all about the people at the end of the day.* "Customer awareness in the boardroom is critical," said Ms. Kronick, and culture and customer experience are competitive advantages for companies such as American Airlines and Hyatt. Board members should go to the field, talk to management below the CEO, and get to specific customer satisfaction data rather than aggregated, potentially homogenized, data. Also, if data of any kind is too good to be true, boards should dig for more. The compensation committee should evaluate whether reward systems incent the right or the wrong behavior.

In his tenure at Aetna, Mr. Williams was a firm believer in annual employee satisfaction surveys. At the end of the day, he stressed that "human capital wins the race," and Ms. Kronick stressed that organizations must be clear about the culture they want.

The NACD Florida Chapter would like to extend its thanks to the panelists for their remarks and to Northern Trust for hosting the event.