BE YOUR OWN ACTIVIST

MAGGIE WILDEROTTER, VETERAN OF 36 BOARDS, INCLUDING COSTCO, HP ENTERPRISE, JUNO THERAPEUTICS AND LYFT, ON HOW TO CHALLENGE YOUR OWN STRATEGY— BEFORE INVESTORS DO IT FOR YOU.

BY RICK SMITH, CNEXT

Maggie Wilderotter is best known for leading troubled Frontier Communication's journey from a regional player with $750 million in revenues to a $10 billion national broadband, voice and video powerhouse. Joining Frontier as CEO in 2004, she drew on experience leading Silicon Valley startup Wink Communications and tenures at Microsoft, AT&T and McCaw Cellular to steer a growth track that entailed acquiring and integrating systems from Commonwealth Telephone, Verizon and AT&T.

Since leaving the company in a planned transition in 2015, WIlderotter has been the consummate board member, serving on dozens of public, private and nonprofit boards. She is currently a director at Costco Wholesale, Hewlett Packard Enterprise, DocuSign, Juno Therapeutics and Lyft. CNext's Rick Smith recently sat down with Wilderotter to talk about effective governance in an age of activism. Excerpts of that conversation, edited for length and clarity, follow.

What was the state of Frontier in 2004 when you joined the company as CEO?
When I got there our revenues were around $750 million, and it was a company that was in trouble. It had sort of lost its way. There had been a falling out between the previous CEO and the board. They tried to sell the company, but no one would buy it. So I came in with, you know, high expectations on what we could do, but there were pretty low expectations of the outcome for the company at that point and that does give you time from an expectation perspective of your shareholders.

So for the first couple of years, all I did was right-size the business, get people in the right seats on the bus, develop a new strategy for the company and build the board. I replaced 10 of the 12 board members in the first 18 months. The [new] board could provide me with capability that I wouldn't have had with the previous board. It also allowed us to build processes and capabilities in the company that would give us a right to win to do more.

Talk to me about that process of assessing and replacing directors, how you think about that? How do you know when that is appropriate?
Just for a little background, there was a public company that Frontier had owned called Electric Lightwave, headquartered in Oregon. Eight or nine years before I joined Frontier, I actually sat on the Electric Lightwave board as an independent director with five directors who are on the Frontier board. So when I came to Frontier, I did know five of the current directors that were already on that board. And I think because I had some familiarity with who they were, and because Frontier was the major shareholder of Electric Lightwave, even though it was public, I had a sense for the culture and where they were coming from.

When I looked at the board, the board did need to be refreshed. The average age was 75 years old on the board. It was all white men, but me. While I worked for the board, I also knew that if I didn't have a

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CNEXT

This is the fourth in an ongoing series of discussions with CNEXT Leaders. In partnership with Chief Executive Group, publishers of *Corporate Board Member,* CNEXT exclusively represents an active community of former CEOs with extensive experience within respected, multi-billion dollar organizations. If you are interested in a confidential discussion about CNEXT and its mentoring and advisory services, e-mail Inquiries@C-NEXT.com

MAGGIE WILDEROTTER

EDUCATION
College of the Holy Cross, B.S., Economics; Honorary Doctor of Engineering, Stevens Institute of Technology; Honorary Doctor of Law, University of Rochester.

FUN FAMILY FACT
Wilderotter's sister, Denise Morrison, is the former CEO of Campbell Soup.

SIDE GIG
Owning Napa Valley's boutique Grand Reserve Inn and 80-acre vineyard.

FIRST CEO ROLE
Wink Communications
"We took the company public with a $2.5 billion market cap and, a couple of years later, sold it to John Malone at Liberty Media."

GOVERNMENT SERVICE
President's Commission on Enhancing National Cybersecurity (current); President's National Security Telecommunications Advisor Committee, 2010-2014.

board that could help me, I was not going to be successful. So I approached it that I didn't have anything to lose in working candidly with this board of directors to refresh it, to do it with respect but to do it in such a way that there was a sense of urgency to get the right talent on the board that would help me take the company to a different level of where it was.

In the first few months, I had three board members who were providing different services to the company through their own businesses that were a conflict. I gave them a choice. They could stay on the board, or they could continue to do business with the company. Because they were making more money doing business with the company, three of them left, which opened up three seats that I could immediately start to fill, which I did. Then we had, unfortunately, one of our board members pass away. And we replaced another board member who was not in good health. So, by then, I had five new board members. Between myself and the other five, there were six of us, and they started to pick up the momentum with me on replacing the rest.

Do you think CEOs are too timid about actively trying to create the board that will make them and their organizations successful?

I would say on balance, you're correct. CEOs, because we work for boards, [feel we] don't have the authority to change the board. But I actually think CEOs have a lot more clout to do that than we give ourselves credit for. It took me in a dire situation to say, "I don't have a choice here." A lot of CEOs, because they do have a choice, will probably wait too long to push either their lead directors, their head of nom and gov or their chairmen of the board—if it's not them—to really own that transition. I look at it as it's my group of counselors that are gonna help me make good decisions that I need to make for the company. I want people that bring diverse perspectives, experience, backgrounds, points of view and capabilities, so I make the best decisions possible.

We've been talking about diversity in boards and diversity in the executive ranks for more than two decades. Yet, it always feels like we're not really moving the needle enough. What is your perspective on where we are with that?
Well, I think in the last 12 to 24 months, we are starting to see really positive traction in the Fortune 500 in the United States. I look at the number of board seats that were filled by women over the last 12 months, it's 40 percent-plus of those open vacancies, which is unheard of in the past. I also think that board members, as well as CEOs, are prioritizing diverse talent on their boards because they are starting to see that it makes a difference in helping them make better decisions.

So, I do think we have some great momentum at the top of the house. Between the Fortune 500 and the Fortune 1,000, there's still work to be done there. The smaller the companies, the less momentum we've seen. I think that's for a few reasons.

One is that with smaller companies you typically have smaller boards. So, from a refreshment PR perspective, you have less openings that come up. You also have a big investor base on your board still versus independence. So, that transition is taking longer, and there should be more focus in that area to really push.

Also, I think that until we get to parity, and I'm hoping that boards stop thinking about having two or three women or three or four [diverse] people from an ethnic and gender perspective, so that we can start to get to 50-50 with gender and ethnic diversity side by side with, you know, white males on the boards.

One other complication to all this is that people are living longer. They're staying active in business longer in their careers. People aren't retiring at 65 years old as they did in the past. There are a lot of very valuable folks that are in their 60s and 70s who still can add a lot of value. That has also slowed down the refreshment transition from an age perspective, but it doesn't stop as companies morph to make sure they have the right skills and capabilities on the board based upon where the company is headed versus where it's been.

"WE'VE ACTUALLY WRITTEN OURSELVES AN ACTIVIST LETTER. IF WE WERE ACTIVISTS, WHAT WOULD WE WANT TO LOOK AT THAT MIGHT BE VALUE-CREATING INITIATIVES OR ACTIONS WE SHOULD WRESTLE TO THE GROUND…"

Should there be an age limit on boards?
I actually think tenure is a better way to look at it versus age. Because I think there's some very valuable and viable board members that will surpass specific ages. Tenure is really more about your independence, not necessarily where you can add value. But keeping objective, keeping perspective and keeping independent on how you think through, create and maintain that shareholder value focus is important. I have a perspective that 10 to 12 years on a board should be what board members think about from a commitment perspective versus sort of lifetime board work. And I see more companies going setting that expectation upfront.

I also think that we're getting a lot better at having candid conversations and doing assessments annually of board member viability and skill base—that conversations can be had a lot more easily than in the past if you just had an age limit. It allowed you to have board members that probably weren't adding value anymore move off your board. So, I think there's more proactivity in the governance process of what the board composition should be.

ACTIVIST YOURSELF

The level of activity in the activist area is driving events that trigger a lot of these conversations.
Very true. I do think that we're starting to see boards be more activist-oriented. I sit on a number of public company boards today, and, in a couple instances, we've actually written ourselves an activist letter. If we were activists, what would we want to look at that might be value-creating initiatives or actions that we should, you know, wrestle to the ground and see if they really do make sense for the company?

With Hewlett Packard Enterprise, as a good example, we worked with an outside entity with the board to create this activist letter to have an outside-in-and-inside-out approach to it. And, frankly, when the board coalesced around what that looked like at the end of the day, we implemented it as a company.

We're now at a point of doing that again. We implemented a three- to four-year plan, which we are coming sort of to the close of, and we're now looking at the next three to five years and how do we write ourselves another letter? What do we now need to look at versus what we did back then? I think those are healthy best practices.

We were also transparent with our shareholder base as to the choices that we made and the choices we decided not to make. Because today a lot of activists bring up stuff that boards have looked at and discarded because they don't feel it's right, but the boards haven't communicated that.

It's an interesting idea to force an incident like that that triggers a thought process of having to challenge all of the assumptions currently driving the business.
Yeah. And in the world of technology, the cycles of technology and customer or business adoption of technology continue to get faster. Because of that, you don't necessarily have the luxury of time to wait. You have to be more proactive in saying, "What do I have to do to stay relevant?

What do I have to do to have a right to win? Where's the market headed? Where are customer expectations going?" That drives different decisions than you made even a year ago. Testing those decisions, where you might double down on certain ones and then pivot to others, is what's important for boards.

You're on the boards of Lyft and HPE, as well as larger companies. How does the role of a director differ in these hyper-growth and newer entities?
It's a great question. Hewlett Packard Enterprise, breaking off as part of the original Hewlett Packard, has a very long and distinguished history. It's a company that's been around a long time, so it's been through morphs and changes and ups and downs. It has a very seasoned board, and it has a very strong technology bent to that board, but it also has generalists on the board that bring different perspectives and different capabilities. So, the work of the board has continued to grow and change over time. And when companies face a lot of adversity, it really does strengthen the will of the board to make big bets.

In smaller technology companies or those fast-growth companies like Lyft, part of the board's responsibility is to bring up what scale looks like. I chair the audit committee at Lyft. I'm chairman of the board of DocuSign, another great high-growth company in tech, and one of the things that I try to bring to the table for these CEOs and founders is how do you prepare for scale so you don't outgrow your capabilities to manage the business appropriately, especially being public?

You have some levels of predictability and some levels of consistency on how you generate revenue and profitability or how you move from not being profitable with really high growth to staying with high growth but driving to get to profitability. I find, with DocuSign and with Lyft, very open CEOs who want to learn, who

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have learning cultures and environments and huge market potential to capitalize on, and who do lean on their boards for that expertise and help.

So I spend a lot of time with both of those CEOs between board meetings, either on phone calls or in person, talking through those opportunities and challenges. I try to be a great sounding board, but also bring my experience to the table of what I've seen and done. I don't try to tell them what to do. I try to give them choices of what to think about because they have to run the company, not board members. We're there to make sure that we have the right leader in the CEO, that we've got the right governance for the company and that we have the right strategy for the company.

INSIDE OUT, OUTSIDE IN

How do you as a director avoid overreaching in those types of situations?
I try to do it through storytelling. Telling stories about being in similar situations and what choices I made or didn't make or what mistakes I made or recoveries I put in place is a way to show how I've done things and what I learned from them versus telling them what to do.

I also ask questions. "So, tell me what you think about this?" Or, "If you had two choices to make, what would those tradeoffs be, and why would you make each of them?" Or, "Have you thought about the talent you have in a specific area to make sure you get the information so you can make a good decision here?" I don't try to answer or provide them with the answer. I just try to provide them with paths to get to the answers.

You've talked about high-growth, disruptive environments where the assumptions are constantly changing. What do you look for in a leader at those types of entities?
I look for CEOs who know that talent is the most important asset in their company. It's not technology; it's not their products. It's not their ideas. It's the people that they work with and the culture that you create to get the best talent possible to help you be successful that is the most important thing that CEOs do. I also think that CEOs have to be paranoid. You can never be satisfied about where you are, and you can't get comfortable in the job you're in. Having that healthy dose of paranoia and fear keeps you sharp and looking around corners for what's gonna come at you.

Great CEOs are inside-out and outside-in. Not only do they spend time running that company from an inside-out perspective, but they're out there in their industries, in their markets, with their customers, listening, learning what they need to incorporate back into their organization so they stay relevant and [able to add] value. These jobs are not for the faint of heart. They are where the buck stops. You have to make tough calls on talent, on people, on direction, on organization and on the products and services that you deliver every day. You have to keep an eye out for what the risks are and how to make the right kind of calculated risks that don't kill your business.

So, surrounding yourself with great people who work for you and tell you the truth and keep you being better every single day and with a great board—who have seen different things than you have and can help you make good decisions and bring different perspectives—are all part of this secret sauce of building great companies that have sustainability and a right to exist.

How can directors help companies deal with the pressure of balancing short-term and long-term performance?
I'll answer that also in the context of the focus that we've seen shifting to other constituents being stakeholders for how we govern companies because I think they go hand in hand. Sustainability for the long run is making sure you do right things the right way and that you build moats but are also able to take risks in the business to morph and change the business for where the customers are going, where industries are headed and where needs are.

Sometimes that's placing big bets, sometimes it's smaller bets, but knowing that balance is really important. But I also feel that the best ideas sometimes come from the outside, right? They come from what's happening in other places and by reaching out to other industries and seeing what they're doing.

I always ran companies from a CEO perspective that—and I firmly believe this from the board perspective and from a management leadership perspective—that it is about growing shareholder value that's not just short-term but also sustainable for the long term. And the way you get there is by hiring and developing great people who can help you get to that point so you take great care of your employees. It's by being active in your communities because healthy communities buy more products and services. It's about focusing on your customers from an end-to-end perspective because keeping customers that you acquire is a very profitable endeavor in the long run and building that loyalty matters, especially in a changing world.

You also have to focus on the shareholder as the recipient of the benefit of doing all of those things with other stakeholders. So, our partners in our supply chains really matter too. And by having healthy supply chains, you keep your business intact, and somebody doesn't come and take that away from you. And that builds shareholder value as well. Corporate America has to do a better job of linking shareholder value to the constituents that we serve because they do go hand in hand.

What's your view of the Business Roundtable statement that you have to have a broad and active impact on a much larger playing field?
The intention is really good. They didn't articulate it in a way that I would. I still think that the reason companies exist is to create long-term sustainable shareholder value. Serving constituents, like our employees, our supply chain, our communities, etc., are all ways that we build sustainable shareholder value. You can't leave those constituents behind and still be successful.

I know when I ran a Fortune 500, I took care of all those constituents. That was part of our competitive advantage in the marketplace. So Corporate America has been doing that. We don't talk a lot about how that relates to shareholder value and how important those constituents are. We should talk more about that. I really do believe that's what the Business Roundtable was trying to communicate.

I'm a servant leader, I have always been a servant leader. I know I sit on the shoulders of my employees every day as I was CEO of these companies. And I had gratitude to the customers and partners who helped us be successful. Because our success is tied to those that work with, for and around us and who use our products and services. We should never forget that. **CBM**

IS IT TIME TO REGULATE BIG TECH?

Uncharacteristically, a large number of the directors participating in a 2019 survey conducted by *Corporate Board Member* (see What Directors Think, p. 44 for findings from *CBM*'s 2020 survey) reported being in favor of new regulations for tech disruptors like Google, Facebook and Amazon. *CBM* asked Maggie Wilderotter for her perspective.

"I have mixed emotions about it. I have run very heavily regulated companies in the past. And, unfortunately, I think a lot of times regulation is a backwards problem fixer versus a forward-looking problem fixer. So they're really solving issues that things have moved forward from, where they wind up with regulation that doesn't necessarily have the intended consequence I think that they want.

"Has there been some bad behavior and probably misses in terms of data and respect for customers and unintended consequences of how technology is creating addiction for young kids? Yes. I think companies have to fix those things. Is regulation the right answer? It's situational. I don't think we could just say across the board that every large tech company that has been successful and has a lot of market share should be regulated. But I also think that we do have very good history, laws, and checks and balances on the size of companies and whether they are competing fairly in the marketplace or prohibiting competition. That's the area where I would start.

"Also, having customers put pressure on the providers of products and services to make sure that they are doing the ethical things in how they run their businesses is important and worth putting a spotlight on. I just worry that it becomes more politicized and doesn't necessarily position us [well] from a competitive perspective. Because other countries like China are playing by different rules, and we want to stay leaders in the innovation space where we are today. So I'm not sure that across-the-board regulation is the right approach."