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OpenAI Got Its CEO Back. What Happens Next?

As the company expands its board and explores governance changes, here are the key players with the most at stake

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Sam Altman successfully pressured the OpenAI board into reinstating him as chief executive. PHOTO: ELIZABETH FRANTZ/REUTERS

Sam Altman is back at the helm of OpenAI, days after the board abruptly ousted him. Almost everything else is still in flux.

The deal struck Tuesday night to restore Altman as CEO is a long way from the ultimate goal he wanted to achieve heading into a weekend of intense negotiations. He had lobbied for an entirely new slate of directors—built on the ashes of the directors who fired him—and wanted to rejoin the board again himself, according to people familiar with the matter.

Instead, Altman won’t be on the reconfigured board, and one of the directors who fired him is still there.

On Tuesday evening, the company announced a new initial board consisting of Bret Taylor, the former co-CEO of Salesforce; Larry Summers, the former Treasury secretary; and Adam D’Angelo, the chief executive of Quora and only holdover from the old board.

The previous board and Altman also agreed to an independent investigation into his conduct, the process the board used to oust him last week and its aftermath, The Wall Street Journal reported. When the board announced Altman’s departure, they cited a lack of candor in his communications, without elaborating.

OpenAI’s unusual corporate setup—where a nonprofit board governs a business arm that raised outside money from investors—will remain for now. Under the company’s current charter, the board’s sole responsibility is to ensure that the company develops AI systems beneficial to humanity—even if it means wiping out investors’ profits.

The initial new board has a lot to work out in the coming months. It has been tasked with appointing directors for an expanded board and will likely explore substantial changes to OpenAI’s governance structure, people familiar with the matter said. Most OpenAI investors and executives are expecting new checks

and balances that limit the board's ability to so abruptly oust a founder and jeopardize billions of dollars in business value.

As the company debates its future, here is what is at stake for the key players.



Bret Taylor, the former co-CEO of Salesforce, was announced as a member of OpenAI's new initial board. PHOTO: NATHAN LAINE/BLOOMBERG NEWS

Sam Altman

Altman's biggest victory was to successfully pressure the board into reinstating him as chief executive.

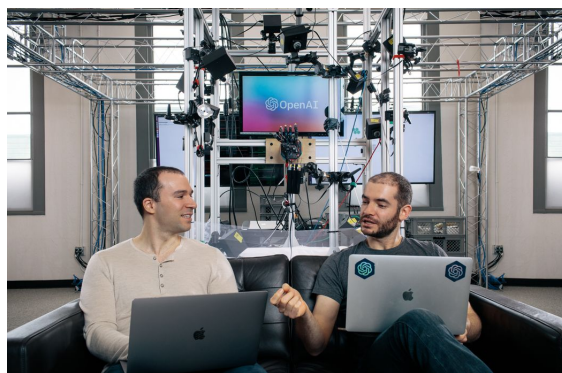
He is rejoining OpenAI with the public support of Microsoft, its largest corporate backer, and the support of most employees, who have seen the value of their shares soar in the past year.

Three of the four directors of the board that fired him are gone, including a board member who clashed with Altman this fall over publishing a paper that praised the safety practices of a competitor. And Altman and the new directors may have a chance to change OpenAI's board and governance structure to insulate him from a repeat of what happened Friday.

But Altman is also in a weaker position than he was aiming for as he negotiated his possible return. His camp believed it had reached a tentative agreement Sunday to bring him back onto the board—as well as restoring him as chief executive—people familiar with the matter said. But the deal fell apart late Sunday and the board named a new interim CEO, forcing Altman back to the negotiating table. He ultimately signed on to an arrangement that didn't include him on the board, limiting his influence.

Altman also lost a key ally on the board: former OpenAI President Greg Brockman, who was abruptly removed as a director right before Altman was fired. Brockman initially quit the company to protest that move. Now, he is back at the company but not as a board member.

The parties also agreed to an independent investigation into Altman's conduct and the board's decision to fire him, people familiar with the matter said.



The Old Board, Minus Ilya Sutskever

The old board's goal to replace Altman ultimately faltered after they failed to win over employees, who were angry about the way the decision was communicated and said they had lost trust in the board. By Monday morning, one of the initial four directors who fired Altman flipped sides.

Still, the remaining three board members negotiated key concessions that will give them influence over OpenAI. Over the weekend, they demanded representation on the new board and sought a full independent investigation into Altman's conduct, the people said. Both these conditions were met in the deal struck late Tuesday.

The prior board of directors also approved two independent board members—Taylor and Summers—who it hopes will act as impartial directors and keep Altman in check, people familiar with the matter said. Through D'Angelo, they will likely have a voice to advocate for their vision of the company, which has placed a strict emphasis on safety over profit.

The old board included D'Angelo; Helen Toner, a director at the Center for Security and Emerging Technology; Tasha McCauley, an adjunct senior management scientist at a policy nonprofit; and Ilya Sutskever, OpenAI's chief research scientist, who supported the coup but then changed his mind on Monday.

Microsoft

As OpenAI's biggest backer and beneficiary of its technology, Microsoft had a lot to lose amid the chaos and uncertainty of the past several days. The company invested \$13 billion but didn't have a board seat, and knew that the nonprofit board could wipe out its investment in the name of protecting OpenAI's mission.

Instead, the tech giant placed its faith in the close relationship between Altman and Microsoft CEO Satya Nadella and Chief Technology Officer Kevin Scott. But as OpenAI's board shed members over the past year—critically Reid Hoffman, who is also a director at Microsoft—Altman's loyalist contingent shrank. When he was ousted, Microsoft was completely blindsided.

It is still unclear whether Microsoft will end up with a board role within the new structure. If it gets one, potentially a board observer role, Nadella would get the visibility into OpenAI's governance he lacked. But if it doesn't, and critically if Altman doesn't get appointed to the larger board, then Microsoft would emerge from the turmoil in a worse position, with even less visibility and control over one of its most valuable assets.



Microsoft CEO Satya Nadella has a close relationship with Sam Altman. PHOTO: JUSTIN SULLIVAN/GETTY IMAGES

Venture-Capital Investors

Over the years, Silicon Valley venture firms such as Thrive Capital and Khosla Ventures have invested in OpenAI by purchasing shares from employees. (The company has largely relied on Microsoft for outside capital.) Like Microsoft, these investors had no say in the governance of OpenAI—leaving them at the behest of a board that had no obligation to act in their financial interest.

Altman's firing put an investor deal to buy shares at an \$86 billion valuation on ice. It even opened the possibility of seeing those shares tank in value, given that the company could very well have collapsed if employees followed through on their threats to resign. Over the weekend, investors rallied behind Altman, pushing for him to be reinstated.

Investors want OpenAI to become a corporation managed by a board financially aligned with its shareholders, they said. That would free them from the nonprofit board, which doesn't act on behalf of shareholders and has also instituted profit caps for investors. The change would be a tall task, given the prior board's continued influence and OpenAI's long-held identity as a nonprofit devoted to developing safe artificial intelligence.

Employees

Altman's return was hugely popular with employees. Over the weekend, more than 95% of them signed a letter saying they would quit if he didn't come back.

OpenAI was founded as a nonprofit in 2015. It began to look more like a Silicon Valley startup—especially in the year since it released the viral chatbot ChatGPT, one of the most successful technology launches in history.

The company wooed engineers from other tech companies with high salaries and the promise of getting wildly rich off company shares. The company's San Francisco headquarters were outfitted with amenities typical of highflying tech companies, including a bar, cafeteria, and library.

Many preferred to stay at OpenAI over Microsoft, which Altman planned to join earlier this week before he was reinstated as CEO. On social media, employees joked about the cultural differences with the software giant.

They also had financial incentives to "reunify" OpenAI. Employees who intended to sell their shares to venture capitalists were on the verge of a massive windfall. That stock sale would have tripled OpenAI's value in less than a year, but was paused after Altman was fired. Now, investors are optimistic the deal will go through.

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