AAPA Meeting

Commissioners Seminar…*Board-Management Relations…*

A Critical Factor in Your Port's Success

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The Role of the CEO vs. the Board

A positive relationship and clearly defined roles between the CEO and the Board are critical to organizational success

- The Board should allow a CEO/Management team to handle execution and other day-to-day details while the responsibility of the Board is in the governance of the company, which includes policy setting

- A public sector Board needs to establish and communicate appropriate metrics to measure performance and success of the organization (e.g., service quality, customer satisfaction, compliance with regulations, and other public policy objectives or service mandates)

- In the public sector the role of a Board member is to provide an independent perspective that protects the integrity of the organization and the public interest; whereas in the private sector the primary concern will be the interest of shareholders

Conflicts and Failures...What are some of the Root Causes and Consequences?

- The major threat to Board-Management Relations is failure by the Board to clearly communicate expectations

- When expectations are not understood or are out of alignment Management is likely to act in a way that creates distrust

- Distrust eventually leads to an exercising of greater Board member influence in the running of the business

- Micromanaging the enterprise by Board members ultimately creates erosion of Management's authority and has a negative affect on morale and the success of the enterprise

- Frequent changes of Senior Management creates a negative impact on the "brand" and causes significant organizational disruption

Conflicts and Failures…How to Mitigate the Potential for Failure

- Leadership that is recruited from the private sector to the public sector needs to fully understand the public sector mission and modus operandi of the organization

- The Board needs to clearly communicate expectations, policy, and governance issues

- While strategy is developed by Management it must be evolved in collaboration with the Board

- The Board and Corporate Cultures need to be one

- Management needs to keep the Board fully informed…there must be a "no surprises" environment

- With potential greater influence of P3 efforts there will likely be some contentious operating and philosophical differences that will need to be addressed

Best Practices

Just like private sector companies, public sector organizations need Board members who think strategically and provide strong governance. Board members must have/be able to...

- An influencing rather than a directing approach
- A stakeholder mind-set
- Challenge constructively – harmony is not necessarily the goal
- Foster collaboration
- Instill confidence
- Share wins and successes
- Inculcate a "we" culture

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