

Steering in Rough Waters

The Board's Role

June 17, 2019



Agenda

The Board Landscape and Agenda

Guiding the Port Authority in Uncertain Times

Tying Strategy to Port's Capacity & Capability

Keeping Current as a Port Board Director



The Board Landscape

- All boards are facing unprecedented challenges and risks, but Port Authorities have a unique set of issues
- PA boards need to review the port's strategic plan and specific strategies more often- once a year or every couple of years doesn't cut it
- Respecting their respective roles, the scope and impact of these new challenges demand that directors work ever more closely in partnership with management teams to **anticipate, understand and manage | mitigate critical risks** & find new commercial opportunities
- Given increasingly uncertain future, board's changing role, and to fulfil directors' duties, boards' skill sets and competencies need to evolve as well to keep pace



The Board Landscape

Port Authority boards are challenged by an evolving roster of complex issues over which they have little or no control:



Infrastructure repair & replacement

Shifting demographics

Rising sea levels
Technology
Immigration

Public Policy

Local / national / international competitiveness

Extreme Disruption
Climate change

Shipping alliances

Artificial
Intelligence

Geopolitics

Port Infrastructure

Innovation

Globalization

Community involvement &
engagement

Market volatility
Fuel Prices
Environmental concerns
Supply chain
Expanded Port security



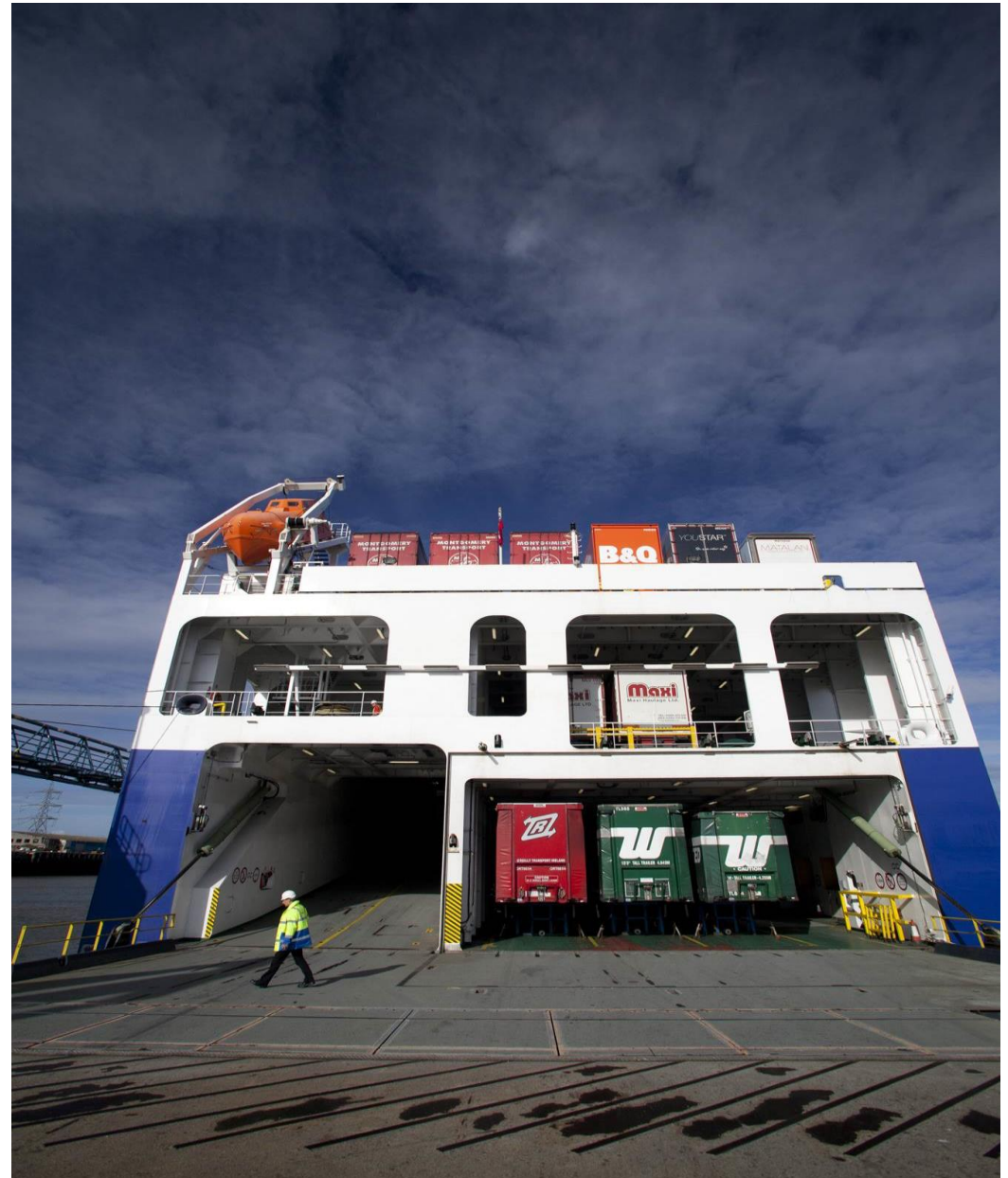
Guiding the Port Authority in Uncertain Times

Short term(ism) a serious threat-

Boards in business for the long term- keep focused on long game but help guide management to pivot and navigate short term crises such as:

- Geopolitical/economic factors
 - Trade agreements
 - Shipping alliances
- but don't veer off course

Determine and remain focused on your sustainable competitive advantage



Guiding the Port Authority in Uncertain Times

- Continuously review- “What business are we in & what customer experience are we delivering?”
- Understand global context. Not a time for insular thinking
- Where and who is the global best?
- Be brutally honest in benchmarking against the global best to set your strategic course
- Ensure management is considering, exploring and presenting all options for diversification and planning for all possible scenarios



Guiding the Port Authority in Uncertain Times

- Significant part of board and committee agendas focused on strategic discussion, strategies and not dwell on tactical | operational issues- management's purview
- Bring in external experts who take contrarian view to board | management to challenge your thinking and assumptions
- Encourage and support management in taking well considered risks
- Review KPI's regularly- reward innovation and punish complacency
- Find solutions through technology and talent plans– time now to invest in reskilling and retooling- what resources dedicated to developing detailed people and technology strategies?



Tying Strategy to Port's Organizational Capability and Capacity

Strategy - Establishment | Refresh

Board Leadership

CEO

Executive Leadership

Culture

Risk Management



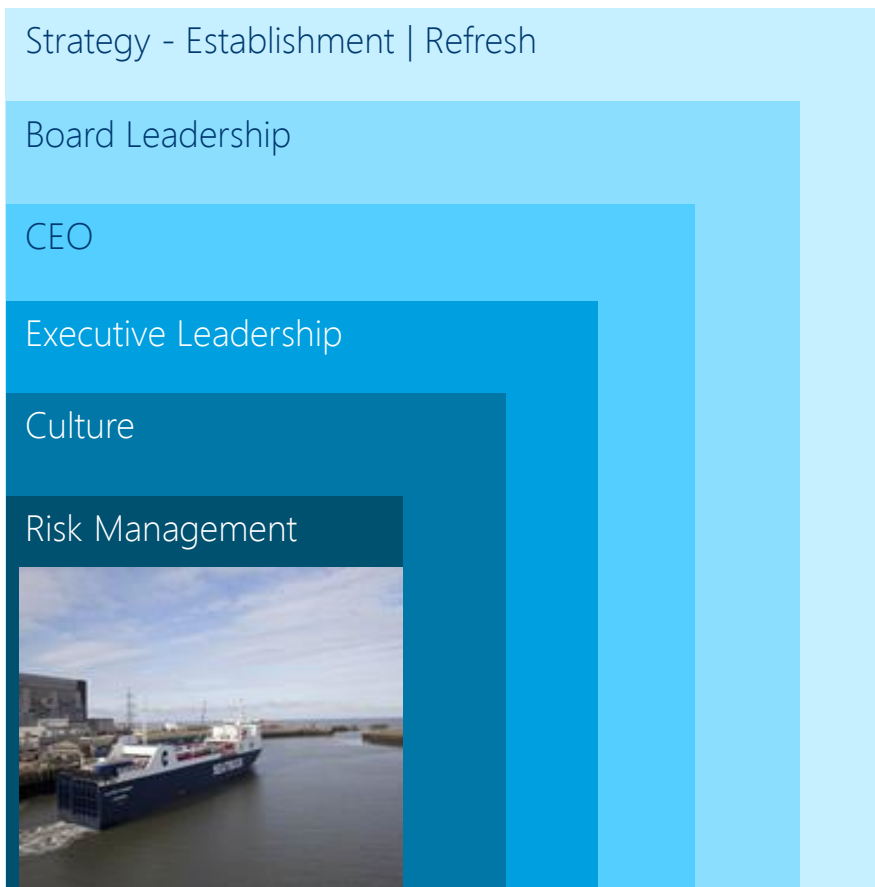
Collective leadership is required now to ensure that Port Authorities are successful, competitively advantaged and sustainable.

Board, CEO & Executive management roles provide required **capacity and capability** to deliver PA strategy

- **Strategic Landscape** – management's scope- 3-10 years; board's scope – 10-20+ years
- **Leadership Capability** – given strategic & performance challenges, what are strengths | risks to be mitigated? Board holds CEO to account; CEO to ensure delivery; Executive leadership to execute
- **Leadership Agility** – the potential for three levels of leadership to innovate and pivot given changing circumstances and ensure success
- **Leadership Sustainability** – succession plans must be defined and executed to ensure that pipeline of talent for Board, CEO and executives is being identified, developed and delivered.



Tying Strategy to Port's Organizational Capability and Capacity – Starting at the Board Level



Boards should be conducting at least annual strategic review of business strategy to determine adjustments to **talent capability/capacity** from the boardroom to senior management ranks.

- Evaluate existing board skills/terms/competencies to identify gaps or changes needed over a period of 3-5 years to support and drive the business at the governance level.
- Through the auspices of the Nominations/Governance Committee, the Board will ensure that there is a rigorous process of annual review and planned renewal of board leadership, and the development of an evergreen pipeline for future appointments.



Key Leadership Traits & Competencies for Port Authority Boards



Skills & Competencies



Traits & Behaviours



Keeping Current as a Port Board Director

- Read a lot- general business books articles, SEAPORTS magazine, other industry periodicals, newsletters, HBR, etc.
- Stay on top of legislation and evolving policies- county, state, federal; industry
- Listen | watch local, national and above all, international news reports, webcasts, news feeds
- On your boards, recognize the skills you bring.
 - Be the most knowledgeable & informed person on the topic of your unique skill; know your role
 - Share your knowledge appropriately, constructively
 - Don't be the expert on every topic- listen and learn from others
- Consider your level of engagement | attendance | level of thought | strategic perspective | how are you contributing to diversity of thinking & constructive, challenging, compelling discussion on issues | are you being courageous & independent in your thinking and contributions | do you come prepared & informed
- Conduct PA site visits; develop a formalized board education program
- Follow analysts; as a board, bring in subject matter experts routinely and do deep dives on matters of strategic importance



Keeping Current as a Port Board Director

- Increase the board's oversight of organizational culture- spend time on every agenda assessing | discussing the PA's culture:
 - "With an ever changing business, talent and technological landscape, the onus is now on boards to take a much more active role in overseeing and assessing the organization's culture." – Jonathan Arnold
- When doing site visits, walk the decks and floors- what is the energy level? | is the work space inclusive ? | have conversations with different levels of staff- how open are they? | do they seem stressed? | what is the office / workplace set up?
- "Every CEO is in fact a Chief Cultural Officer. The terrifying thing is, it's the CEO's actual behaviour, not their speeches or the list of values they have put up on posters, that defines what the culture is". - Scott Berkun, Author and Speaker
- Borrowed from Odgers Berndtson's most recent issue of OBSERVE magazine, 5 steps for PA boards to take now on oversight of culture:
 1. Understand why culture is vital to ensuring long-term business success
 2. Define exactly what culture is within the PA and assess it fairly and accurately (board and organization's)
 3. Make sure that culture helps align PA's values and purpose with strategy and execution
 4. Ensure that reward and performance evaluation mechanisms reinforce the right leadership behaviours
 5. Define the roles of the Audit | HR & Compensation|| Nominating & Governance committees in the oversight of culture



