



# 2012 AAPA Commissioners Seminar

## “Board-Management Relations – A Critical Factor in Your Port’s Success”

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## Board – Management Relations ... Critical Issues

- Historical Drivers
- Core Needs in Effective Relationships
- Public Sector Board Nuances
- Challenges in Creating Board Collegiality
- How to Improve Board – Management Communication
- The Cultural Thing
- Resources and Sources

## Board – Management Relations ... Recent Historical Influences

Recent influences that have driven Board – Management relations include:

- The Sarbanes-Oxley Act of 2002 (SOX)
- Collapse of the U.S. financial system in 2008
- The Dodd-Frank Reform Act of 2010 (Financial Service Industry focus) – created Consumer Financial Protection Bureau
- Overall shareholder/constituent anger at ineffective Director oversight and conflicts of interest
- Boards focusing on risk governance

## Board – Management Relations ... Recent Historical Influences

- Management compensation **not tied** to performance
- Emergence of the Lead Director role
- Call for separation of Chair and CEO roles

## Board – Management Relations ... Core Needs

To ensure that Board – Management relations are constructive vs. contentious there needs to be an/a:

- Understanding of distinct separation of roles and responsibilities
- Free flow of communication between Management and the Board – “no surprises”
- Environment based on mutual trust
- Alignment in mission and strategy

## Board – Management Relations ... Public Sector Nuances

Public Sector Boards can have a tendency to act differently than private sector and publically traded enterprise boards. Actions are frequently driven by:

- Politically driven agendas
- Public interest demands (traffic, environmental, social)
- Fewer board member time constraints
- Excessive number of board committees
- Long tenured board members
- Desire to influence personnel and procurement issues

## Board – Management Relations ... Collegiality – A Unique Challenge

Functional cohesiveness of a board today is challenged by:

- Increasing time commitments of directors due to board and committee requirements
- Balkanization created by independent committee structure
- Knowledge differential among the directors
- Trend in focusing on compliance and monitoring management issues
- Consequential management view of a “monitoring board” vs. an “advisory board”

## Board – Management Relations ... It's All About Communication

Creating a more effective Board – Management relationship takes a concerted effort:

- Directors desire a stronger line of communication with the CEO
- Committing to an intelligent exchange of ideas with your CEO requires discipline
- Don't let senior executive reports take up an exorbitant amount of meeting time
- Boards must take ownership of the meeting agenda
- The CEO, as well as the Board, needs to set the tone for strategic discussions



## Board – Management Relations ... It's All About Communication

- Successful CEOs commit to sharing information with board members on a regular basis and encourage each director to communicate directly with the CEO and vice versa
- Executive sessions need to be orchestrated not to alienate the CEO
- There needs to be an understanding that crisis management and turnarounds frequently require a more active board for an interim period

## Board – Management Relations ... The Cultural Thing

Board culture sets the tempo for the corporate culture.

Understanding cultural issues is a key component of Board –

Management relations:

- Culture is the term used to describe an organization's personality
- Assessing the organizational culture gets at the fundamental temperament and capability of the leadership team and its ability to set and execute strategy and operate with a moral compass
- Culture is an aspect of governance where it can be easy for fiduciaries to dabble unnecessarily and such interferences can be dangerous to organizational culture

## Board – Management Relations ... The Cultural Thing

- The Board's interaction with management reveals the enterprise's cultural traits, but culture is determined by the tone at the top (i.e. CEO)
- The nominating and governance committee reviews and recommends the code of ethics and bylaws for board approval and thus gives these directors oversight of governance principles that define culture
- The compensation committee's regular discussions about performance of executives should raise questions that form broader discussions of the health of the enterprise's culture

## Board – Management Relations ... The Cultural Thing

- Ultimately, the Board's interaction with management reveals the enterprise's cultural traits
- A key to good corporate governance is all about an exemplary Board culture

## Board – Management Relations ... Resources and Sources

- [www.agendaweek.com](http://www.agendaweek.com)
- Alliance for Board Diversity
- BoardSource  
([www.boardsource.org](http://www.boardsource.org)) – special focus in the non-profit board sector
- Directors & Boards  
([www.directorsandboards.com](http://www.directorsandboards.com))
- Directors Source (Canadian Institute of Chartered Accountants)
- Executive Leadership Council
- Lead Director Network (LDN)
- National Association of Corporate Directors (NACD)
- Rock Center for Corporate Governance at Stanford University
- Tapestry Networks (Corporate Governance Network)
- Women Corporate Director Global Institute

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