

Board Management Relations in the Private Sector

Presented to the AAPA Commissioners Seminar



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Presenters

Jim Brennan

Partner at Norbridge, Inc., (DC)

- ▶ Founding partner of Norbridge, Inc., a strategy & management consulting firm
- ▶ Directs Norbridge's Maritime Practice
- ▶ 38 years of industry experience: clients include shipping line, port authorities, global terminal operators, and port investors (private equity, infrastructure funds, banks)



Charles E. Commander

Partner, Global Managing Partner of Heidrick & Struggles' Global Infrastructure and Industrial Services Practice (Atlanta)

HEIDRICK & STRUGGLES

- ▶ Core Member of the CEO and Board Practice
- ▶ Leads Board Effectiveness Projects for Public and Privately-held corporate entities
- ▶ Member of the NACD and speaker at the KPMG Director's Forum

Stephen H. Fraser

- ▶ Professional independent board member, advisor and interim CEO for companies in transition.
- ▶ Currently serving on boards including
 - Metropolitan Stevedore Company/Nautilus International Holding (private, bulk, break bulk and cruise terminal operator in 20 U.S. ports).
 - Maher Terminals (private, container terminal operator in Port of NY/NJ and Prince Rupert, owned by Deutsche Bank)
- ▶ Former CEO of Horizon Lines (which includes private stevedoring operations in 5 ports), and others.
- ▶ Former CEO of multiple logistics businesses

TODAY'S OBJECTIVE

Provide a private sector perspective on leadership, Management-Board relationships and key success factors

Today's Agenda:

- ✓ Leadership: a critical ingredient to success
- ✓ What should a board do? To whom is it responsible?
- ✓ Board/Management boundaries and their maintenance
- ✓ Symptoms of **Underperforming** and **High-Performing** boards
- ✓ Board management (CEO/Executive Director perspective)
- ✓ Tips for being an effective board member
- ✓ Top 10 list of things to maintain and/or restore board/management health
- Q+A Session

Leadership – More Than Technical Expertise

	Definition	Hallmarks
Self-Awareness	<ul style="list-style-type: none">• Ability to recognize and understand your moods/emotions/drives and their effect on others	<ul style="list-style-type: none">• Self-confidence• Realistic self-assessment
Self-Regulation	<ul style="list-style-type: none">• Ability to control or redirect impulses and moods• Suspend judgment – think before acting	<ul style="list-style-type: none">• Trustworthiness and integrity• Comfort with ambiguity• Openness to change
Motivation	<ul style="list-style-type: none">• Passion• Pursue goals with energy and persistence	<ul style="list-style-type: none">• Strong drive to achieve• Optimism, even in the face of failure• Organizational commitment
Empathy	<ul style="list-style-type: none">• Ability to understand the emotional makeup of other people	<ul style="list-style-type: none">• Cross-cultural sensitivity• Service to customers
Social Skills	<ul style="list-style-type: none">• Proficiency in managing relationships and building networks• Ability to find common ground	<ul style="list-style-type: none">• Effectiveness in leading change• Persuasiveness

A Big Challenge – Finding the Balance

Stability

- If too fiery, you will be short-tempered and overreact
- If too composed, over-optimistic and too laid back

Extraversion

- Don't want to be too assertive or energetic
- But being too introspective is damaging as well – need to be social

Openness

- Being too innovative means there is a lack of consistency
- But challenge yourself to prevent your management style from becoming too conventional

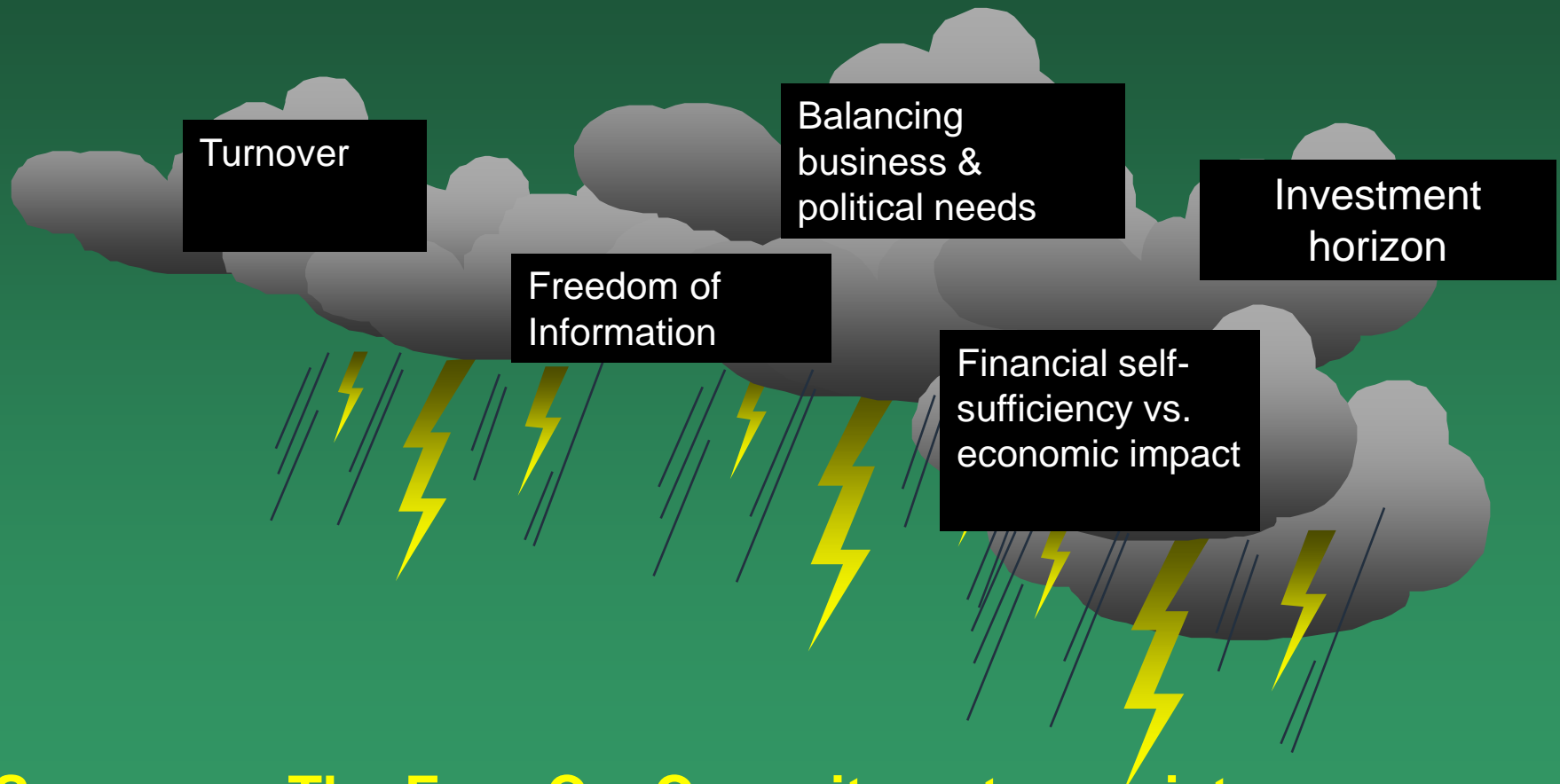
Agreeableness

- If too considerate, perceived as easy to manipulate
- If too watchful, you will be thought of as untrustworthy

Conscientiousness

- Micromanagement can be counterproductive
- Don't be too trusting of intuition
- Focus on results

Port Industry Board-Management Challenges



Success = The Four Cs: Commitment, consistency, continuity & communication

What Does A Board Do & For Whom/What?

- Primary duty of the board of directors is to protect and sustainably maximize **shareholders'** assets, and interests
- All stakeholders have interests which should be understood and respected ...customers, employees, lenders, governing authorities, but it is the **Shareholders'** interests which trumps)
- There are subtle differences between various entities' expectations of boards – but start with the organization's **Bylaws** to understand role and expectation of the board member
 - No business is sustainable unless it generates economic returns from operations (and safest if returns exceed its cost of capital

Board Responsibilities

The Basics

- Approve financial statements and budgets
- Select or approve the independent audit firm for the financial statements
- Set tone (policy if needed) for compliance function and risk management
- Establish dividends to shareholders, recommend stock splits, oversee share repurchase programs

The Value Added

- Review, test and approve strategy
- Select, evaluate, support and mentor the company's chief executive officer
- Direct or approve major M&A and finance (mergers and acquisitions, divestitures, JVs/partnerships, finance transactions)
- A resource: sounding board, advice, guidance, open doors, etc.

Board/Management Boundaries and Their Maintenance

- Build on a common framework of WHO'S interests are to be protected and served - and HOW work will be done.
- Establish/protect strong chairmanship (priorities, process management, agenda setting, aligned vision with CEO, leadership)
- What it means to be an Independent Board Member
- Strive to be aligned (as a board) on the key strategy and priorities
- “Paint within the lines” of how information is gathered and managed. Understand the process for getting work done (pre-reads, agendas, committees, minutes, meetings).
- Remember: The Board oversees (but does not manage) the results of management.

Board Performance

High Performers

- ✓ Ensure robust and realistic Succession Planning
- ✓ Safeguard the Values and Reputation of the organization
- ✓ Engage in review of strategy and contribute to rigorous and informed debate
- ✓ Monitor the implementation of strategy (dashboards? project plans?)
- ✓ Objectively oversee quality of leadership and management
- ✓ Establish and maintain a governance framework that adds value to the enterprise
- ✓ Seek consensus – but don't oblige or expect unanimity

Under Achievers

- ✓ Asking too many (or too few) questions in board sessions
- ✓ “Majoring in the Minors” (issues and gotchas)
- ✓ Contacting staff directly. Providing input to staff directly
- ✓ Tolerance of cliques that work surreptitiously and which back channel information amongst themselves (misalignment and incomplete information)
- ✓ Reliance on management-provided information exclusively. (There is an inherent conflict between board and management. “Trust but verify” for corroboration and texture.)
- ✓ Conflicts of interest.

Board Management

CEO/Executive Dir. Perspective

- **Relationship**: Manage the relationship:
 - This is your most important relationship and it is potentially fraught with complexity/tension.
 - Difficult relationship with one? Figure it out and fix it. One-on-Ones.
- **Communication**: “In the absence of communication we burn trust as fuel” – Brian McLaren.
 - (Clippings, consultant reports, headlines, updates on key projects, successes and defeats, key visit reports). **Minimize surprises!**

Board Management

CEO/Executive Dir. Perspective

- **Alignment**: Aggressively pursue alignment with your board on both strategy and “messaging” (and lobby for it). Can your board articulate the key mission, vision, values?
- **Education**: Seek structured opportunities for education and engagement of board members to learn and contribute (tours, conferences, etc.). Your Board wants and needs to be protectively engaged.
- **Gaps**: Work with Chairman to shore up skill or discernment gaps within your board through board succession planning and recruiting.

Tips for Being an Effective Board Member

- ✓ (If new) Request/review last 2 years' board minutes, audit reports, strategic plans
- ✓ Consider joining National Association of Corporate Directors (www.nacdonline.org) and get involved with the chapters
- ✓ Set up Google alerts on the company, key customers and competitors
- ✓ Work with Chairman to set up a personalized orientation program (1:1 meetings with key personnel, visit facilities, attend a sales presentation or two, and review copy of the organization's training materials)
- ✓ Get to know your board colleagues 1:1 to understand their issues and "roles" on the board

Tips for Being an Effective Board Member-continued

- ✓ Check out first few pages of Google on the entity every few months to see what others are saying
- ✓ Do “comparison desktop shopping” of the organization and its peers competitors (as if you are a customer)
- ✓ Consider joining the Audit Committee
- ✓ Check out www.glassdoor.com to learn how the organization is perceived
- ✓ Understand your ability to commit time and expectations, especially around committee work – to the hour of commitment.

“Top 10” Behaviors to Maintain Board/Management Health

- 1. Representation:** Remember who you represent (the shareholders) and be independent, objective and vigilant with respect to their interests. Treat board service as a fiduciary trust
- 2. Values:** Embody the highest values and principles
- 3. Confidentiality:** Maintain the integrity/confidentiality of the board room (Stop Seepage)
- 4. Conduits:** Respect the Chairman as conduit between board and CEO...and the CEO as conduit between board and management.
- 5. Independence:** Maintain professional detachment; not friends with CEO and staff

“Top 10” Behaviors to Maintain Board/Management Health

- 6. Conflicts:** Avoid conflicts of interest (in letter and in spirit)
- 7. Permission:** Seek permission before meeting with staff or representing the entity
- 8. Communication:** Communicate early and often through established channels (boards, chairs, CEOs).
- 9. Informed/Prepared:** Work hard to become and remain broadly informed and prepared (far more than meeting prep)
- 10. Executive Session:** Institute (and always practice) process of an Executive Session after each board meeting.

(Bonus) Curiosity: Be productively and constantly curious about industry, politics, competitors, customers, technologies, etc.

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QUESTIONS AND RESPONSES



Thank You!