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)*

- 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
<table>
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<th>Leadership – More Than Technical Expertise</th>
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<tr>
<td><strong>Self-Awareness</strong></td>
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<tr>
<td>• Ability to recognize and understand your moods/ emotions/drives and their effect on others</td>
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<td>• Self-confidence</td>
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<td>• Realistic self-assessment</td>
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<td><strong>Self-Regulation</strong></td>
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<td>• Ability to control or redirect impulses and moods</td>
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<td>• Suspend judgment – think before acting</td>
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<td>• Trustworthiness and integrity</td>
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<tr>
<td>• Comfort with ambiguity</td>
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<td>• Openness to change</td>
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<td><strong>Motivation</strong></td>
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<tr>
<td>• Passion</td>
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<td>• Pursue goals with energy and persistence</td>
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<td>• Strong drive to achieve</td>
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<td>• Optimism, even in the face of failure</td>
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<td>• Organizational commitment</td>
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<td><strong>Empathy</strong></td>
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<tr>
<td>• Ability to understand the emotional makeup of other people</td>
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<td>• Cross-cultural sensitivity</td>
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<td>• Service to customers</td>
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<td><strong>Social Skills</strong></td>
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<tr>
<td>• Proficiency in managing relationships and building networks</td>
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<td>• Ability to find common ground</td>
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<td>• Effectiveness in leading change</td>
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<td>• Persuasiveness</td>
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### A Big Challenge – Finding the Balance

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<th>Trait</th>
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<td><strong>Stability</strong></td>
<td>• If too fiery, you will be short-tempered and overreact</td>
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<td></td>
<td>• If too composed, over-optimistic and too laid back</td>
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<td><strong>Extraversion</strong></td>
<td>• Don’t want to be too assertive or energetic</td>
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<td>• But being too introspective is damaging as well – need to be social</td>
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<td><strong>Openness</strong></td>
<td>• Being too innovative means there is a lack of consistency</td>
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<td>• But challenge yourself to prevent your management style from becoming too conventional</td>
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<td><strong>Agreeableness</strong></td>
<td>• If too considerate, perceived as easy to manipulate</td>
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<td>• If too watchful, you will be thought of as untrustworthy</td>
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<td><strong>Conscientiousness</strong></td>
<td>• Micromanagement can be counterproductive</td>
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<td></td>
<td>• Don’t be too trusting of intuition</td>
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<td>• Focus on results</td>
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Port Industry Board-Management Challenges

- Turnover
- Freedom of Information
- Balancing business & political needs
- Financial self-sufficiency vs. economic impact
- Investment horizon

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.
# Presenters Contact Info

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QUESTIONS AND RESPONSES

Thank You!