Parting the Kevlar Kimono

By Bart Mindszenthy, APR, FCPRS, LM

We have all witnessed the transformation of boards of directors at many companies both publicly-traded and privately-held. The enlightened organizations with forward-seeing management have opted to embrace significantly improved standards across all aspects of board operations.

From the process of selecting board members and structuring board committees, to reporting and accountability procedures, right through to board decision-making processes, there have been profound changes. And those changes have improved the quality, nature and scope of board operations and professionalism.

The result: in every organization with a strong, clear and practiced governance policy and practices in place, the role of the board director has changed significantly.

Today's effective and ethical director is much more knowledgeable about the organization; he or she is much better briefed and prepared for board meetings and decision-making. Today, most board members are better trained for their roles compared with their counterparts from the past. Pretty well gone is the 'old buddy' system of CEOs and their trusted chairs, picking and influencing directors.

However, what's not gone yet is the relative safety and seclusion in which most board members serve.

The fact is that, even now, the principal board 'face' is either or both of the CEO and the Board Chair. If anyone, they tend to be front and centre to the world outside the boardroom — whether that's the world of employees, investors, analysts, advocacy groups, or even the media. Even at the oft-orchestrated Annual General Meeting, other than being introduced and mixing and mingling with shareholders during the obligatory social period, board directors are remarkably reclusive.

As board governance evolves and advances further in the coming years, a key question that's sure to blossom into full debate-mode will be how interactive should board directors become with the organization's shareholders and other stakeholders? Or, how wide can, and should, board directors part their protective Kevlar kimonos to allow others into their world? They already have a lot more work, responsibility and accountability than their peers had to deal with two decades ago, so why would one want to create board-based encounters with any of the company's stakeholders?

To explore these questions, it's worth examining some of the core stakeholders that come into play, and what more accessibility could do for them and the directors.

So, then, to what extent should directors be available and accessible to shareholders? What would the benefit be to either of more interaction with each other? How could that interaction make the director wiser, and how does it help the shareholder? Perhaps the answer lies in the cumulative impact of such a relationship. Directors could get a much better and more direct sense of shareholders' dreams and nightmares regarding the company and its performance, while shareholders would find an overall more human face for the organization.

Next, consider the employees. Would directors be able to make improved decisions if they better understood the inner workings of the organization? Would they be able to ask more pointed questions about productivity or turnover if they got to spend some time with a cross-section of employees? Could directors have stronger insights when considering union-management issues and challenges if they had periodic meetings with shop stewards and the union's local representatives? The answer to all these questions is probably 'yes'. But the key challenge then becomes, how does management retain its role of leadership and authority if employees and union leaders come to believe that interaction with the board means they've been able to leapfrog right to the top?

Chances are, with clearly defined guidelines and well-planned and managed (but certainly not stage-managed) opportunities for interaction with each other, directors and employees could each learn from the other. The former, a sense of how corporate missions, visions, values, and business objectives are being operationalized and embraced. For the latter, an opportunity to ask questions, register concerns and have a sense of who the people are who actually make the biggest, toughest, most important corporate decisions of all.

Then there are the advocates. Those who have some issue with the organization — about the environment, or product quality, or about where and who the company's suppliers are. How well should directors understand them and their needs? While many directors may cringe at the thought of being left alone with what many consider to be fanatical social extremists, the flip side is that it's not hard to find some common ground by looking at an issue together. Solutions may not be in the cards, but some sense of mutual understanding certainly can be.

Government — those elected and in the bureaucracy — are also important stakeholders. Often a director's knowledge of those in government and access to them can be an added value to an organization. However, the ever-evolving and stricter rules of engagement at the federal level, and on increasing provincial fronts, makes this an area for special consideration and a high degree of caution.

And, of course, there is the proverbial misconstrued nemesis of senior management and boards everywhere: the media, let alone the investigative reporter. But while media shouldn't be considered a friend and expectations should be for balance, not support, history shows organizations more often than not bring the media glare, exposure, and all the negative results unto themselves. Should board members interact with media?

Probably not. Just as organizations rightly try to contain media encounters with any employees, there needs to be some kind of constraint with board directors. With media, there is a fine balance between providing facts and being drawn into speculation, and some dangerous quicksand when a justly probing reporter happens upon a poorly-articulated opinion.

The only obvious case that can be made for board directors having involvement with media is in the case of general 'backgrounders' on who the directors are, and their qualifications and values they hold. Any more than that creates potential conflicts in board versus management roles and responsibilities.

Similarly, analysts really don't need access to board directors in any kind of ongoing way; they need excellent and thoughtful information from the Investor Relations function, and reliable and accurate guidance from senior management and, perhaps, the board chair. The one area of engagement that could be beneficial, though, is a periodic roundtable with directors and analysts for much the same reason as with media: to give analysts a better understanding of who directors are, their qualifications, thinking, and values.

The bottom line: clearly, there are risks and benefits to exposing board directors to shareholders and other core stakeholders. The key risks include:

- Potential for 'mis-speak', a polite euphemism for someone falling off script and saying something that creates new issues or problems for the organization.

- Potential for too many voices at the most senior level of the organization speaking out on its behalf, increasing the very real risk of inconsistency and confused messaging.

- Potential for overlapping and, therefore, conflicting with the work for corporate investor relations, public relations, government relations, internal communications, human resources, and senior management. This may be one of the most glaring risks if enough directors decide to engage with shareholders and other stakeholders directly.

The key benefits include:

- Opportunity for board directors to become more aware of the organization's core stakeholders and what those relationships can and should be. That awareness can translate into better decision making at the board table.

- Opportunity for some important stakeholders like shareholders and analysts have a better understanding of the composition of a board and by extension, its strengths and weaknesses.

- Opportunity for other core stakeholders such as advocacy groups and regulators, for example, to have an improved awareness of directors and a human connection.

So there are risks and benefits, and each organization will see the balance of the two in different ways. But with ever improving corporate governance, directors shouldn't be satisfied with being safely ensconced in hermetically-sealed board rooms far removed from all those very real people they don't know or understand who can make or break the company.

So Many Books, So Little Time

A couple of months ago, I was browsing the shelves in Ben McNally's bookstore on Bay Street when the word 'salt' caught my eye. Pulling the volume down revealed *Salt: a World History* as its full title. When I opened it, I read an Adam Smith quote on the flyleaf.

> *'The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it.'*

I was intrigued at once. How could something from *The Wealth of Nations* apply to the culinary *sine qua non* that we sprinkle so freely? Mark Kurlansky's book is a brilliantly written revelation of the central role that salt has played in the economic history of the world.

You will discover quickly that the book is not really a history of the world, in fact it does not have a historical thread binding it together, rather, it is an incredible collection of facts, figures and anecdotes organised under tantalizing headings such as '*Liberté, Egalité*, Tax Breaks' or 'Two Ports and the Prosciutto in Between'.

Until modern chemistry and geology revealed how prevalent it is, salt was considered so valuable that it served as currency (in a few remote regions, it still is). It is the only rock that we eat, and eat it we must, for humans, in common with all other animals, cannot live without salt. Go back 100 years and it was scarce, go back 1,000 years and it was precious. Salt provoked and financed some wars, and it was a strategic element in others, such as the American Revolution and the Civil War. Salt taxes secured empires across Europe and Asia and inspired revolutions, notably Gandhi's salt march in 1930 that began the overthrow of British rule in India. Returning to that intriguing quote from Adam Smith, salt has been a central cause in the age-old debate about the right of governments to tax and control economies.