

Corporate Governance: A New Approach for Building Enterprise Value

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Mr. Bill Boyar

Private hospitality companies have many important challenges – from ensuring quality for customers, to developing a sustaining culture and brand, to building a great workforce, to building shareholder value, to aligning investor, customer and employee interests. Effective corporate governance can contribute real value in forwarding the purposes of the company. And this is not just important for public companies; it's an imperative for private companies as well. All companies need a formal governance structure. That's the easy part. Elect a Board, hire senior management, and develop a structured decision-making environment. Delegate, empower and hold people accountable. Develop a meaningful business model and strategic plan for your business. The real question is – with all of this formal structure in place, what governance model adds value to the enterprise and eliminates waste? The answer: governance based on Valuable Senior Purpose, Valuable Communication, a Culture of Transparency and Alignment.

Valuable Senior Purpose

The starting point for effective governance is valuable senior purpose. Senior purpose is that fundamental commitment to the shared interests of investors, employees and customers. It's what customers will pay for and employees and investors will willingly provide and protect. Some refer to this as mission. Others call it vision. Whatever the name, a clear senior purpose is the cornerstone of any organization. Healthy companies will protect and advance the shared interests of the three constituents in serving the senior purpose. An unhealthy (or diseased) business will more typically sacrifice the interests of one of these important constituents. (See the discussion under Alignment below).

Without a clear commitment by all constituents to a shared senior purpose, it's difficult to govern at all, let alone effectively. Without a shared senior purpose, individual agenda overcomes creative, collaborative and cooperative decision-making.

Valuable Communication

The second important element of effective governance is valuable communication. By valuable conversation, we mean communication that is designed to produce value for the company and avoid and eliminate waste. Most organizations need tools in order to stimulate collaborative interaction. Our friends at Conversant, a Boulder, Colorado headquartered consulting practice (www.conversant.com), have developed two great tools for understanding conversation and stimulating valuable interaction: the *Conversation Meter* and the *Intersection Model*.



Conversation Meter

The *Conversation Meter* is an effective tool for assessing and upgrading the business value of conversation. The terms of the meter are defined as follows:

Pretense – Dishonesty, ranging from lying to withholding relevant information. Pretense is lying and withholding; it's common. It's toxic in organizations and destructive of productivity. Lies and withheld information undermine group intelligence and waste organizational resources. People who operate in pretense lack courage and competence. There should be no place for pretense in healthy organizations.

Sincerity – Honestly expressed and well-defended opinion. Sincerity is convince and conquer. People who operate in sincerity honestly believe in what they say. However, honest belief does not make fact; opinion and perception are confused for facts. Sincerity discourages debate and differences. This is wasteful to an organization, where creativity often results from healthy debate and disagreement, but valuable outcomes demand factual foundation.

Accuracy – Careful separation of facts from opinions. An accurate conversation produces value because the participants place facts before opinion. The ability to distinguish facts that we mutually agree on from our perspective, opinion and point of view about those facts is the beginning of creativity and collaboration.

Authenticity – Genuine consideration of relevant facts and important purposes. Authenticity is the highest form of conversation; it's where the most value is created. It's the intersection of my view, your view and the relevant facts. It's the sweet spot where deals are made, decisions are reached and learning is experienced.

The *Conversation Meter* goes from 0-100, and the higher the score the more valuable the interaction. The further to the left of the scale (pretense and sincerity), the more waste in the interaction. The further to the right (accuracy and authenticity), the more value in the interaction. The further to the left, the less likely the other person will be listening; the further to the right, the more likely you will be heard.



Intersection Model

The *Intersection Model* is a graphic illustration of Authenticity. For organizational well-being, this is the most valuable conversation. In governing any organization, the most value is created at the intersection.

A Culture of Transparency

The third element of truly effective governance is a culture of transparency. Transparency as a cultural element is a commitment to providing people with ready access to information about the organization that will enable them to understand their accountabilities in the company and more effectively do their jobs. Many businesses make information available on a “need to know” basis. The problem is who is making the

decision about need. People are empowered by access to information and disclosure. Commit to transparency, and you will experience more trust, and less gossip, rumor and politics. Of course, with this commitment to transparency comes permission to expect confidentiality and discretion.

One simple tool for implementing a culture of transparency is a simple request. Ask people what they think they need in order to improve performance and job satisfaction. If at all possible, make information available in a discreet and confidential format. Encourage curiosity, research and inquiry. And, respond in accuracy and authenticity.

Alignment

The fourth important element of an effective governance model is alignment. Manage the business within the context of the aligned interests of customers, investors and employees.

The issue of alignment is most visible when it does not exist. Where alignment does not prevail, board meetings are often reduced to one constituent pursuing its interests at the expense of the other constituents. Management often pursues a path that ignores investor interest. Investors often act without sufficient regard to the employee community. All of these interactions produce waste. The antidote for this disease is proper alignment, where the decisions that the board and management make will necessarily serve the interests of all constituents. Where the interests of these constituents intersect on a particular issue, strategic and tactical decisions have clarity and purpose.

The Whole Enchilada

Business leaders often diminish the importance of these critical elements of effective governance. Customers, investors and employees pay a big price for such mistakes. A governance model based on Valuable Senior Purpose, Valuable Communication, a Culture of Transparency and Alignment is a powerful combination. Take this approach to the boardroom and the executive suite and witness great things happening in your company. Make these a part of the culture of your company. This can distinguish you from your competitors. Create huge value and eliminate wasted time, energy and money. It's a powerful package.

Bill Boyar, chairman of the Houston-based law firm Boyar & Miller, has advised and guided leading regional, national and international companies involved in acquisition, disposition, capitalization and financing for more than two decades. Additionally, Bill works with Conversant, a Boulder, Colorado-based communications consulting firm, in providing strategic planning and negotiations consulting. His experience encompasses diverse industries including real estate, hospitality and lodging, manufacturing / distribution, venture capital and financial services, and food distribution. He can be contacted at (832) 615-4218 or bboyar@boyarmiller.com

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