

Transparency - the first rule of thumb for boards in difficult times

 By [Francois Schoeman](#)

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The life of a board member or CEO can and does hit periods of great stress and difficulty, especially when big problems arise, like zero reserves at a time when you need quick capital, or when a major stakeholder wants out of the business. And these days, amid industry-wide belt-tightening, with cost-cutting being the buzz word, the pressure in these situations can be compounded, and the problem becomes magnified.



Image source: [Gallo/Getty](#)

These crises can often become long, stressful stretches in a development's history that can affect the best of persons – they test your mettle while making ugly truths impossible to hide. The first rule of thumb in navigating them is: prioritise your relationships, especially with your board, shareholders, investors, owners, partners and service providers. But just how exactly should you communicate with these individuals or groups during a particularly rough patch?

Personally, I come down hard on the side of openness and transparency. I have often thought that stress is directly related to just how much information you put out there. Information is easy to share, but often not so easy to understand, and miscommunication, misconceptions and half-truths can be a challenge even in the best of times. Yet stay the course, and pursue transparency at all times, because it is the smartest strategy in steering out of troubled waters.

Let's assume the owner and/ or entrepreneur is planning an exit. It's easier to get divorced than to rid yourself of an initial owner, who should be your steadfast, long-term partner on this journey. Your best strategy is to fully inform your shareholders as soon as possible. Transparency with your shareholders builds trust, which facilitates sharing good advice and maximising options. Lack of trust shuts down all those avenues. Openness is not only the 'right' strategy, but it's also the smartest one.

Here is some advice:

Perception versus reality

You need to be mindful of managing reality, and not perception. You might be tempted to hide bad news from your shareholders initially, or at least minimise it. If you've been media trained, you know you're supposed to stay positive and

publicly 'on message'. That's fine, except that your investors are not 'the public', nor are they reporters. They're insiders, and they also often have a lot of experience in how to navigate tricky business situations and can act as the buffer in the public relations arena while you focus on the business side of the problem.

Be truthful and collaborative

Communities and people, in general, have respect for a leader, board or group that can admit mistakes, don't sugar-coat problems and are willing to take calculated risks to improve their investments. Don't be excessively concerned about how big and possibly controversial business moves will be perceived by outsiders – rather focus on resolving the situation or problem. You are where you are, and must now deal with it. And you don't have to go it alone.

Be brave

You need to be brave and make proactive, difficult decisions that will probably cause short-term pain and can have bad press as a result. These decisions can, however, have long-term value for shareholders if made prudently and in time. Pack away your golf clubs, stop having long coffees about minor matters or political agendas, and roll up your sleeves – there is real work to do!

Talk more, not less

In bad times, you should own the problem, and then overcommunicate it to your shareholders and board, exploring solutions with them and your developer. Once ownership of the situation is declared, waste no time bringing your board members, shareholders or developers into the conversation, and hold nothing back. At those early meetings, emotions will flow and you need to remain deadly calm, sifting through egos, vendettas, emotions and misunderstandings to take what you can into the next phase. Discuss the problem, lay out the facts, demonstrate a clear understanding and approach the matter from all sides.

Lay down the concept

This first draft concept may or may not be your ultimate move, but it's your best idea right now with the facts at hand at this time. Stay open to changing your mind, often in the ensuing period. Remain flexible and keep talking with your shareholders. Being open-minded almost always expands your choices.

Meet often

Depending on the severity of the matter, you may want to set up weekly, monthly or quarterly sessions or communiqués to keep everyone abreast of the situation, and also to keep soliciting ongoing feedback or input. This also builds trust and allows you to successfully navigate the situation, on an emotional level as well. Be careful, however, not to drown in these discussions – stick to the facts, and focus on maximising your options.

Act early

I have seen some management teams tolerate excessive burn rates for too long, then come to their board or developer with an urgent need for a new investment, rest or remuneration increases or a 'bridge' financing option for a problem that has compounded over time. The hard truth is that cash is not always available. It is particularly hard when things are not going well. However, communicating early, often and openly with your board or developer will increase the chances of success and help you to navigate the rough patches and build a solution with lasting value.

ABOUT FRANCOIS SCHOEMAN

Francois Schoeman's professional experience lies in driving business growth through strategic marketing and business company initiatives, including core competencies in governance, management, planning and directing launches for diverse sectors, and is known as a turnaround strategist. Currently, he is the COO of GEVS Property, consulting to more than 65 companies in diverse sectors.

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