

Great Leaders Are Hard to Come By

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The notion that great leaders are begotten, not made, is foolish. What is true, however, is that they are few and far between, and never more so than in present day Canada, which is experiencing a serious lack of talented principal players able to give inspirational yet trustworthy guidance, in the realms of politics, business, and sports.

While it is possible to identify the men and women who might excel at leadership, their aptitude, know-how and skills must be nourished and developed over time. It is never a case of arriving on the scene at just the right time. Throughout history the greatest leaders have been prolific readers and attentive listeners. They have often ventured outward in order to journey inward, and sought new continents to discover themselves. They have had an innate ability to separate the wheat from the chaff and, though they may not be the strongest of the species, nor the most intelligent, they have always been the ones most responsive to change. My friend “Humble” Hank Swartout, Chairman and CEO of Precision Drilling Corporation, is just such an example.

POLITICAL LEADERSHIP IS WANTING

Despite being regarded as politically inept, ethically deficient, ideologically bankrupt and personally dishonest, Paul Martin’s sycophantic blarney following his most recent close encounter with defeat takes self-flattery with sickening piety to new heights of absurdity! Unfortunately, Stephen Harper has not shown himself to be the shining exception to Ottawa’s rancid mediocrity and embittered partisanship. His response to Belinda Stronach’s betrayal showed a lack of statesmanship, as did his handling of Gurmant Grewal’s tawdry recording of conversations with senior members of the Liberal Party. His timidity in response to the Supreme Court’s momentous ruling on health care was also baffling, and hardly evidence of inspired leadership. Given these golden opportunities to rise above the fray, he blew it!

Notwithstanding, with the prospect of an immediate election behind us, the spotlight will once again shift to the government’s lack of performance. This will give the Conservatives a chance to push the Liberals back on their heels, and an opportunity for the opposition parties to outline their vision for Canada in greater detail.

Rather than stick to its promise of providing Canadians with accountability and transparency, the latest federal budget is neither. It is nothing more than a classic Liberal pre-election standby, devoid of fiscal probity and any effort to make Canada more competitive in the global market place. Though CEOs have been known to tinker with

some success, meddling is never appropriate when it comes to running a country. The politicians would be better advised to get out of the way and let the economy roll. Though we may not get the kind of government we truly need in the new, centralist Conservative party, we certainly will do no worse should Paul Martin be sent packing.

At the moment the Bank of Canada may feel compelled to raise short-term interest rates in an attempt to offset the threat of inflation, resulting from the federal government's massive new spending intentions. The good news is that there is now plenty of room for a party of the centre-right to stand up for fiscal conservatism, with improved productivity and prosperity to pay for social programmes. To be convincing, Stephen Harper must stop being so smug, and rid himself of the chip on his shoulder that sees those who disagree with him treated with disdain. He would also be well advised to express a sense of humility, and smile as though he was enjoying himself. As it now stands he is drawing heat for looking perpetually grumpy. His unrelenting negativity and sour response to the Commons vote on the budget has made Paul Martin look appealingly prime ministerial by comparison.

Even so, when Canadians next go the polls, one would hope that the Conservatives will not allow the Liberals up off the mat for the third time in a row, given as the crisis-ridden government appears ready to go down for the count! Should Stephen Harper find a comfortable place within his heart and party for socially liberal Tories, and if that message were to take hold in Ontario and elsewhere in Eastern Canada, he stands to gain a majority in the upcoming federal election. If he is not willing to do so, the Conservatives should go looking for a new leader. No matter what, I have no doubt Paul Martin's days in politics are numbered.

It is high time we Canadians did things right. Hopefully there will be new straightforward and simple ethics and accountability rules for federal and provincial parties – stemming from the Gomery Commission report and recommendations – ones that carry painful fines and stiff jail sentences for violations. Ditto for corporate CEOs who betray their investors, and athletes who disregard the rules of fair play.

LEADERSHIP IN BUSINESS IS LACKING

Lack of leadership is also evident in the world of business. As I see it, the best CEOs are more than willing to earn their keep. They have every phone call, e-mail and letter attended to, and with dispatch. While they will not suffer those who are long-winded or poorly prepared for work, they recognize value and are willing to compromise when necessary. They would never hold their shareholders to ransom. The Sarbane-Oxley Act prevents the more unscrupulous CEOs from doing so in the future, with any gains resulting from misstated results or other misconduct being confiscated.

ENTREPRENEURS ARE A DIFFERENT BREED

Entrepreneurs who own their companies tend to have a management style that is all their own. Those who deal with them must adjust accordingly if they want to maintain a business relationship. Many shun consultants until they absolutely cannot cope on their own. This is one of a few persistent weaknesses, and a nut that is hard to crack!

Most of these lone rangers are impulsive, impatient, swift to anger and quick to change their minds, essential characteristics of those trying to build a successful company from scratch. They take business relationships, contracts, promises and payments personally. No

matter how large the outfit may become in time, even if it goes public, they regard it as theirs, believing it is their money and reputation which are at stake and must be guarded at all times!

If you have to deal with these sort of people, get used to the rough edges. Many will display poor grammar, salty language, and eccentric analytical skills, but never underestimate their intelligence, or ability to get things done. Many go by gut feel, their first reaction often being the last word. So make the best first impression you possibly can and take objections seriously. These are busy people. Many march to their own drummer. They are willing to work day and night to get things done on time and under budget. Though it may take months to pull together a contract, push things through as fast as you can as entrepreneurs are always hungry for results. If you discover such a client to be too inconsistent, disrespectful or demanding, be prepared to walk away from the account. Life may be too short for some to endure such aggravation!

As food for thought, judging by the value being attributed to the Aeroplan Income Fund, an entrepreneur would know instinctively to sell Air Canada and not the popular loyalty programme, which is a far better outfit and a more consistently profitable enterprise. Hired-hand executives, independent directors and investment bankers be damned!

WHO OWNS THE JOINT ANYWAY?

Whether or not the current investors acquired their equity position by way of seeding the enterprise, the IPO, or in the aftermarket, they all believe they own a direct interest. Their focus is in seeing the investment gain in value, and the payout increased over time. Anything that detracts from such happening is a no no as far as they are concerned.

If the CEO, with the approval of the board of directors, chooses to cut the payout, that is seen as being a cost born by the investor and not management. If it is decided to reward the executives by way of bonuses and stock options, that is yet another expense – because these monies are thereby not available to be paid out to the owners of the company or trust, or to grow the business. If, however, it can be shown that the overall results are substantially better than those of the direct competitors, suggesting superior management input, then the payment of additional monies in any which form may be justified. Even so, and as a recent article in Forbes magazine suggested, whereas a limited number of chief executive officers really do earn their pay, many do not. Some are so bad they should be paying the shareholders! Similarly, if all that is holding a stock's price up is a runaway bull market, the CEO's take should be kept in check, for when investor sentiment changes, as inevitably it will, the share or unit price could well collapse, leaving the owners out of sorts and the CEO still on cruise control.

If you have not already noticed, entrepreneurs tend to have a different slant on things. As noted earlier, they believe the company or trust is theirs to do with as they wish, the public investor to come along for the ride or simply sell out to someone else who is willing to do so. Multiple voting shares have often been used to make sure their control remains secure. Though pension fund managers have long complained about such arrangements, the criticism is often misguided. If nothing else, we all need to be reminded that good governance is a state of mind. Not all entrepreneurs are crooks. Many are far more successful than the hired-hand types. The only real fly in the ointment is that by having two different classes of shares listed for trading there will always be confusion in investors'

minds as to which to own. Therefore both the simple and multiple voting shares will tend to trade at a discount to what would otherwise be the case, which in turns means that the cost of capital is somewhat greater. If dividend paying, the yield is relatively higher, which many individual investors regard as being an offsetting advantage. Institutional investors should think so too. Most do not!

I believe the real debate about multiple voting shares has to do with the issue of passing on effective control to successive generations of the founder's family. After all, history is fraught with examples in which the abilities of the sons, daughters, and even grandchildren, pale by comparison to those of the entrepreneur who got the enterprise up and going in the first place. Though the case can be made that the offspring be given a chance to prove themselves, playing with other people's money is not a responsibility to be taken lightly. Should it be deemed that they are not up to the task, I believe it is in the family's interest, and that of the public investors, that all the issued and outstanding shares carry the same voting rights. At least in this way the multiple-voting share discount would be eliminated and a takeover premium may be realized, to the advantage of every shareholder. If, however, the heirs prove to be capable and are committed to executing a long-term vision, without the distraction of delivering short-term quarterly results, so much the better for all concerned.

IN SUMMARY

The point of my comment is this. I believe investors and voters would be a step ahead if they focused on the attributes of great corporate, community or political leaders. Successful pacesetters in any field have moral fortitude. They command respect. They honour their commitments. They will not capitulate. They have a sense of priority and exhibit concentration of effort. A single spasm of courage is not enough. Without judgment, courage is pointless and may even be dangerous. Sorting out the truly big issues from the small takes innate horse sense that is not given to most human beings. Unfortunately, Canada's governing party and the official opposition have been tainted by the latest scandals. That said, in the real world, topflight corporate leaders surround themselves with smart people, and identify a successor long before it is their time to go. Most of the truly great ones also have a fine sense of humour! How do you stack up?