



MANAGING CONSTITUENCIES

CASE STUDY

Back to basics

After three years of flat earnings and flat sales, Chris describes BJ's as 'stuck' when he showed up in 2015, with the share price trading at \$4.

He articulated and acted on a simple, four-point strategic plan that anyone could understand. It described BJ's core business and the strategic advantages that set them apart from its competitors, including a presence in the Northeast USA and a fresh food business.

In 2018, BJ's went public at \$17 per share and today trades at \$69.

Chris attributes his success in part to building trust with key constituents – including the board and the company's 35,000 employees – using clear, consistent messaging anchored on a core strategy.

Balancing demands from employees, board members, and investors is challenging enough. Today's CEOs must respond to investor activism and public pressure to take a stance on political issues. How can you manage this growing number of constituencies without being forced off track?

01 RULES OF ENGAGEMENT

“One thing I hope you get out of this conversation is the importance of consistency: strategy, principles, and messaging.”

- Chris Baldwin

Know your strengths

Before approaching constituencies, figure out who you are as a company. Decide what is unique about your organization compared to others in your industry. In the long term, knowing this will help you make tough calls, and help those inside and outside your organization make sense of them.

Make it personal

Find your motivation for doing what you do. Being yourself will help you be consistent, genuine, and believable in your interactions, regardless of who you are speaking to.

“I think in the world today, you must put something on the table. You need to get people to believe that you really care about what's going to happen.”

- Chris Baldwin

FRAMEWORK

Engaging employees

In a large organization with diverse interests, simple frameworks work best.

Tell your employees:

- What you are doing
- Why you are doing it
- How they can be a part of it

CASE STUDY

Making it personal

Chris realized that what was deeply personal to him was helping others move up the economic ladder – as he had done himself.

He decided to make a personal investment in the future of top performers, for whom a grant could make a life-changing difference.

With no publicity or fanfare, he was able to give a tangible signal to employees of what he valued, linked to something meaningful to them, boosting levels of engagement.

Be intentional about the language you use. For example, words like 'transformation', 'turnaround', or 'broken' can give the wrong message to long-standing employees. Instead, create a guiding framework for words that convey more accurately what you are trying to say.

Avoid lots of adjectives; rather, state the facts.

02 MANAGING CONSTITUENCIES

“The most important constituency is your employee base.”

- Chris Baldwin

Employees

Anchor your internal messaging on your foundational purpose as a company. Then show people that you believe in it.

Take a calculated risk or two to demonstrate that you are personally committed to their success. Remember that you need to get thousands of hearts and minds moving in the same direction. Demonstrate this commitment to your employees with efforts that are meaningful to you, and to them.

“Without some level of deep personal commitment that's demonstrable to the employee base, engagement will top off at a certain level.”

- Chris Baldwin

Board

Invest in relationships. Spend real time with each board member to draw out their unique perspectives, interests, and possible contributions. People feel valued when they are asked to add value.

CASE STUDY

Put to the test

A month after Chris became BJ's executive chairman after stepping away from the CEO role, his replacement passed away suddenly.

In an emergency midnight meeting under severe time pressure, the board appointed a successor, agreed on a new governance model, and hashed out the details of a plan that included Chris stepping back in for a period.

Without strong relationships already in place with each board member, Chris believes this process would have taken weeks, not hours.

"Each board member will make a unique contribution, and you won't find that out until you develop a relationship with them."

- Chris Baldwin

Give board members credit for understanding the complexities of your world. Avoid 300-page board decks and compliant-heavy processes. Instead, be open about your challenges and draw them into your decision-making.

"Board meetings can be stunningly boring. Change that dynamic; give board members opportunities to engage and add value."

- Chris Baldwin

Take opportunities to work with board members before you are faced with the pressure of being CEO. Raise your hand for projects that require board member involvement. Develop great relationships early because, at some point, when faced with a crisis, you will need them.

Investors

Anchor yourself in a strategy that is predictable and deliverable over a long period of time. Sticking to what is best for the company over the long term is a primary CEO responsibility. Communicate openly and honestly about what you can and can't do.

"If you're playing a short-term game, you don't have the right to be a CEO. Period."

- Chris Baldwin

MEMBER INSIGHTS

Taking a stance

- Mission-driven companies can be a pull for both customers and employees
- While taking a position can help many of your employees feel more connected to the company, it may risk alienating others
- Without taking a position, you can acknowledge the issue and show empathy to those involved
- When an issue directly impacts your employees, be clear on the support you will offer them

Judge yourself in five-year chunks, not months and quarters. Separate the company's performance from the stock performance. Don't be afraid to tell short-term investors that your stock might not perform the way they expect.

Give activist investors a seat at the table. Stick to your principles but hear them out. Be open-minded to the possibility of their input adding value.

Flow activist plans through your economic model to see whether they are viable – you might learn something unexpected.

Public and press

You can ignore the press, or you can manage it, but what you can't be is inconsistent with your messaging.

Align key messages with your core principles and strategy. Remember that people view you through different lenses, so crisp, consistent, and clear communication with repetition matters.

"There's no winning on issues in a 51/49 America, but working out your values and living with them is key."

- Chris Baldwin

Being silent on highly politicized issues is no longer an acceptable response; companies are expected to take a position. Yet a company's stance may be different from the personal view of any one individual within it. Therefore, rather than picking a side, empathize with those involved in the issue at hand.

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