

THE LONG CLOCK · CHAPTER ELEVEN

The Hard Conversations

Chapter Eleven of The Long Clock

Ammanuel Santa Anna

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Chapter Eleven of The Long Clock. The whole book, with every chapter, is at business.hautelumiere.life/library/the-long-clock (DOI https://doi.org/10.5281/zenodo.23989072).

A NOTE BEFORE YOU READ

This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

ABSTRACT

Every structural change in this book has to be explained to someone before it is made. A longer bonus period goes to a remuneration committee. A protected apprenticeship line goes to a lender who would prefer the cash. A purpose clause goes to a family that has always assumed it could sell. A letter about the company's clock goes to investors who were promised quarterly guidance. And all of it goes, eventually, to the people who work in the company and to someone who thinks the whole exercise is a fashion. These conversations are where most long-horizon plans end. Not because the plan is wrong, but because it is presented as a value to people who are listening for a risk. A board hears purpose and thinks of liability. A lender hears patience and thinks of a missed payment. A worker hears long term and thinks of a pay freeze explained in better words. Each is listening on their own clock, and each is right to.

CHAPTER ELEVEN

The Hard Conversations

The page and the person

Every structural change in this book has to be explained to someone before it is made. A longer bonus period goes to a remuneration committee. A protected apprenticeship line goes to a lender who would prefer the cash. A purpose clause goes to a family that has always assumed it could sell. A letter about the company's clock goes to investors who were promised quarterly guidance. And all of it goes, eventually, to the people who work in the company and to someone who thinks the whole exercise is a fashion.

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This chapter takes six audiences in turn. For each it sets out what they fear, what they need to hear, and a short script the leader can adapt. The scripts are not pitches. They are the plainest true thing the leader can say, in the order that lets the other person hear it. They assume the leader has done the work of chapter 9 and has the pages to show.

Two principles govern all six. The first is from Ammanuel Santa Anna's *Ecstatic Economics*, and it sets the tone for every room: "Ecstatic Economics doesn't demonize this model."[71] The leader is not arguing that the quarterly clock is wicked, that investors are greedy or that the board has failed. The book is precise on the point: "It recognizes that shareholder-primacy capitalism produced genuine value — technological innovation, material abundance, global coordination at unprecedented scale."[71] The argument is narrower and easier to accept. Some assets in this company renew on a longer clock than the one it is judged on, and the company proposes to protect one of them.

The second principle is the calendar rule of chapter 9. Hard conversations are held in calm weeks. A lender approached in the week of a covenant test will say no to almost anything. The same lender approached two months later, with the register on the table, may say yes.

The board

What they fear. Liability, first: that a purpose clause or a protected line will expose directors to claims that they failed shareholders. Then loss of discretion: that a rule written now will bind them in a crisis. And under both, the fear chapter 3 called the accountability objection: that a company told to serve several goals will be judged on none.

What they need to hear. That the change is specific and narrow. That chapter 2's reading of the law, in most common-law jurisdictions, leaves directors wide latitude to weigh the long term in ordinary decisions, and that the company's own lawyers have reviewed the wording. That the purpose sentence ranks decisions rather than multiplying goals: it says which thing comes first. And that any protection has a review date and a stated procedure for overriding it, so discretion is preserved and recorded rather than removed.

The script.

> *We are proposing one change, not a new philosophy. Here is the register. These three lines renew assets that take between four and six years to rebuild, and in two of the last five years we cut them to meet a quarterly figure. We propose that one of them, the apprenticeship programme, is protected at its present share of revenue unless the board records its reasons for reducing it. The board keeps the power to reduce it. It loses only the ability to do so without saying why. Counsel has reviewed the wording. We would like to review the rule in two years.*

The finer point. Bring the sceptic to the board meeting and let them speak first. A board that hears the objection from inside the proposal stops looking for it.

The lender

What they fear. Being paid late or not at all. A lender's clock is the repayment schedule and the covenant test, and anything that protects spending ahead of debt service looks, at first, like a threat to both.

What they need to hear. The arithmetic, in their terms. The Owner's Horizon Review from chapter 5 shows what profit would be if the long-clock lines were cut, and what that draw-down would cost in four or six years. A lender with a ten-year relationship has a direct interest in the company still having skilled workers and a product pipeline in year seven. The leader is not asking the lender to be patient as a favour. The leader is asking the lender to price the loan on the clock of the asset it is secured against.

Santa Anna's teaching on living financial institutions gives the line that changes the frame: "Patient capital isn't about sacrificing financial returns; it's about recognizing that true prosperity encompasses social and environmental well-being."[72] A banker may not use that vocabulary. The practical translation is that a longer tenor matched to the asset is not a concession. It is a more accurate loan.

The script.

> *We'd like to talk about the shape of the facility, not its size. Our two largest long-clock commitments renew over four and six years. Our covenant is tested quarterly and the loan amortises over three. That mismatch is why, in a hard quarter, we cut the very spending that keeps your security valuable. Here is the arithmetic. We are asking whether the tenor could be extended to match, or the covenant measured over a rolling twelve months. In return we will report the two long-clock lines to you alongside the usual figures.*

The finer point. Offer information before asking for terms. A lender who receives the register every quarter for a year before a refinancing is a different lender at the refinancing.

The founder and the family

What they fear. Losing what they built, or losing the right to sell it. For a founder, a purpose clause can feel like a judgment on how they ran the company. For heirs, any limit on sale is a limit on what is, for many families, most of their wealth. And under both runs the oldest fear in a family firm: that the conversation about the company is really a conversation about who loves whom.

What they need to hear. That nothing is being taken. Chapter 6 showed steward structures settled so that companies would outlive their founders, in two cases after the founder's death, and chapter 7 showed founders choosing to give up the right to sell in their own lifetimes. A family does not have to go that far. The Steward Structure Sketch shows where the three rights sit, and the smallest borrowing, a period of notice and a review before a controlling stake is sold, removes no one's wealth. It removes only the shortest clock.

Santa Anna's book names the moment this conversation is really about. "Even the most mission-driven founder eventually retires," he writes, "and if the company's ownership can be sold to the highest bidder, years of vitality-centered culture can be dismantled overnight by a new owner with different priorities."[71] Read aloud at a family meeting, that sentence often does more than any proposal. It names what the founder already worries about.

The script.

> *Nobody is proposing to take the right to sell from anyone. We're proposing that a sale of control has to wait six months and be read against what the company is for, so that it is never decided in a hard week. Here is what the company is for, as we wrote it. Here is where the votes, the dividends and the right to sell sit today: all in the same place. We'd like each of us to say what we want the company to be in twenty years, before we talk about any rule.*

The finer point. Hold this conversation in the family's own room, not the boardroom, and separate it from any discussion of money owed to individuals. A family that talks about purpose and inheritance in the same meeting talks only about inheritance.

The investors

What they fear. Being kept in the dark. An investor told that the company will stop giving quarterly guidance, or will report long-clock measures in place of familiar ones, may hear that management is preparing to miss its numbers and wants cover.

What they need to hear. That they will receive more information, not less. Chapter 8 set out the Investor Clock Letter: what clock the company intends to keep, which measures of its long-clock assets it will report, and when. Chapter 3 described Bushee's finding that short-term pressure came not from investors in general but from particular kinds of owner, those with high turnover and momentum strategies.[73] The letter is, in part, an invitation to the investors the company would like to keep.

The letter is subject to the rules on disclosure in the company's market, and its wording should be settled with the company's lawyers and finance lead. Nothing here is investment advice to any reader about any company's shares.

The script.

> *From next year we will report three measures of the assets our purpose depends on, every half-year, alongside our results: apprentices qualified, products in development, and customer retention over five years. We will continue to report our results each quarter. We will stop giving a forecast of next quarter's earnings, because it encourages us to manage to it. Here is the letter. We would welcome your view of the measures before we fix them.*

The finer point. Speak first to the longest-standing holders, privately and in advance, then publish. An announcement that long-term holders have already read lands as a shared decision.

The staff and their representatives

What they fear. That *long term* means *not now*: that a protected training budget will be paid for by a pay freeze, that a purpose clause is a new way to ask for more work for the same money, or that the whole exercise precedes a sale or a restructuring. Where staff are represented by a union or works council, their representatives carry these fears formally, and also a further one: that management will use purpose language to go around them.

What they need to hear. The specific change, in plain words, with a date and a document. The page for the staff from week 12 of chapter 9 is written for this conversation. They need to hear what is protected, what is not, and who holds the rule. They need to hear that the change does not reduce any existing right or term. And they need to hear that management knows the difference between a purpose and a poster. Santa Anna's book is blunt about what happens when a company announces a value it does not structure: the poster "is worse than useless — it's gaslighting."[71]

Where a union or works council exists, the conversation should go through it, early, and the representatives should be offered a role in the long clock itself: a standing item at the meeting where the register is read, or the right to be consulted before a protected line is reduced. Chapter 4 argued that the people closest to a long-clock asset receive its signals first. In most companies those are the people doing the work.

The script.

> *We have changed one rule. From the first of next month, the apprenticeship programme is protected at its present share of revenue, and it can only be reduced if the board writes down why. This does not change anyone's pay or terms. Nothing is being sold. We would like a representative of the staff to sit in on the meeting where the long-term figures are read each quarter, and to be told before any protected line is reduced.*

The finer point. Do not hold this conversation in the same quarter as a pay negotiation or a reduction in staff. The calendar rule applies with most force here, because this is the audience with the shortest clock and the least protection.

The sceptic

What they fear. Being taken in. Every organisation has people who have seen several initiatives arrive with new vocabulary and leave without changing anything. They fear wasted time, and they fear being the one who believed.

What they need to hear. That their objection is part of the design. Chapter 9 made the sceptic one of the four roles, and chapter 3 treated the strongest objections as a specification. A sceptic outside the room needs to hear the same thing: that the proposal is narrow, that predictions were written before the change, and that the verdict will be read in a year and recorded whatever it is.

They also need to hear that the argument is not anti-business. Santa Anna puts it in five words: "The alternative is not anti-business."[71] The sceptic who suspects a moral campaign is reassured by a measured one.

The script.

> *You may well be right that this changes nothing. Here is what we expect it to do, written down before we started, and here is what we would expect to see if it did nothing. We'll read both in twelve months and tell everyone the result. If you'd like to add a prediction of your own, we'll put it in the register under your name.*

The finer point. Do not try to convert a sceptic. Recruit one. The most useful sceptic is the one who agrees to keep the register honest.

A seventh room: the conversation with yourself

There is one more conversation, and it comes before the other six. It is the leader's own.

A leader who proposes a longer clock is usually judged on a short one. Her bonus, her contract, the next annual review, the analysts' view of her first two years: each measures her faster than the assets she is proposing to protect. Chapter 4 called this the mismatch at the heart of short-termism. It applies to the person making the proposal as much as to the company.

So before the first meeting, the leader fills in a Conversation Card for herself. What does she fear? Usually that a protected line will cost her a target, and that she will be judged before the asset renews. What does she need to hear? That the change is narrow, that its predictions are written down, and that the board has agreed in advance how the result will be read. What role can she give herself? The plainest is to ask the remuneration committee to measure her own performance on the long-clock lines as well as on profit, over the same period as the change. A leader who asks to be judged on a longer clock is more convincing in every other room than one who asks only others to be patient.

This conversation also has a calm-week rule. A leader who decides to propose the change in the week of a disappointing quarter is deciding on the short clock. The proposal can wait for a better week; the register will still be there.

Finally, she should name, privately, what she will do if the answer from the board or the lender is no. Most often the right answer is to keep the register, keep reading it each quarter, and ask again in a year with a year's evidence. A no in a calm week, recorded with its reasons, is a better position than a yes won in a hurry.

What all six have in common

Read together, the six conversations share a structure.

Each audience listens on its own clock. The board on the term of its directors and the next annual meeting, the lender on the covenant, the family on a generation, the investors on their holding period, the staff on

the next payslip, the sceptic on the last initiative. The leader's first job is to know which clock the listener is on, and to speak to it.

Each needs a page, not a principle. The register, the review, the sketch, the letter, the staff page, the prediction register. A conversation that brings a document can be checked. A conversation that brings only conviction can only be believed or not.

Each is offered a role. A review date to the board, information to the lender, a voice to the family, measures to the investors, a seat to the staff, a prediction to the sceptic. Chapter 13 argues that somebody has to hold the long clock. These conversations are how others are brought near it.

And each is held in a calm week, by a leader who is not afraid. Chapter 4 explained why that matters. A frightened leader asks for patience as a favour. A calm one presents it as accuracy.

The finer points

Say what is not changing. Every audience fears more than is proposed. Name the things that are not affected: pay, terms, ownership, the right to sell, the quarterly results. A short list of what stays the same makes the change believable.

Never use purpose language to ask for a sacrifice. If a conversation ends with someone being asked to accept less money or more work for the sake of the long term, it has become the thing the sceptic feared. Long-clock changes protect assets. They do not ask the people with the shortest clocks to pay for them.

Write down what was said. After each conversation, record the objection raised and what changed in the plan because of it. Chapter 9 makes this part of the charter. It is also the best evidence, a year later, that the conversations were real.

Expect to change the plan. A conversation that leaves the proposal untouched was probably a presentation. The lender who suggests a rolling covenant instead of a longer tenor, the union that asks for a different protected line, the family member who wants the notice period longer: these are improvements, and the plan should take them.

The Tool: The Conversation Card

One card per conversation. Prepare it before; complete it after.

Before

- Audience: board / lender / family / investors / staff and representatives / sceptic / other: _____
- The clock they listen on: _____
- What they are likely to fear: _____

- What they need to hear, in one sentence: _____
- The page I will bring (register, review, sketch, letter, staff page, predictions): _____
- What is not changing, in three items: _____
- The role I will offer them: _____
- The week, and whether it is a calm one: _____ · calm: yes / no

The script, in my own words

After

- What they said, especially the objection: _____
- What changed in the plan because of it: _____
- What they agreed to, if anything: _____
- The next date with this audience: _____
- Recorded in the charter: yes / no · date: _____

A chair kept empty

At some family firms there is a custom of leaving one chair empty at the annual meeting, for whoever will run the company after everyone present has gone. Nobody sits in it, and nobody needs to explain it. It is a reminder that every decision taken at the table will be lived with by someone who cannot yet speak.

The six conversations in this chapter are ways of speaking for that chair without pretending to occupy it. Chapter 12 takes the same reasoning home, to a household with a holder, a purpose sentence and a patient party. *Ecstatic Economics* is kept at , and the house's book on Hirschman's exit and voice, *The Embedded Market*, reads the choice between leaving and speaking up that sits under every conversation here.

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The Hard Conversations

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