

Highlights of the
panel discussion
at TMS Academy's
Directors-in-Dialogue
Forum on
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The New Age Board - Turning Uncertainty into Breakthrough Opportunities



Insights for Leaders



THE NEW AGE BOARD - TURNING UNCERTAINTY INTO BREAKTHROUGH OPPORTUNITIES

In times of uncertainty, the board must be able to provide companies with much-needed guidance. To achieve this aim, the board needs to ensure that it remains effective and relevant. The August 2015 forum of TMS Academy's Directors-in-Dialogue series concluded with a panel discussion on how the board can enhance its capabilities and steer business decisions. The panel comprised Euleen Goh, Independent Director of CapitaLand, Kai S. Nargolwala, Chairman of Clifford Capital, and Göran L. Seifert, Managing Director of Anda Pacific. Globally acclaimed business advisor, speaker and author Ram Charan facilitated the discussion.

The Importance of Board Composition

As a company changes, its board must change with it. The skills, knowledge and experience represented by board members must reflect the company's activities. This may mean replacing some board members, or bringing in additional directors.

However, it may not always be possible to source the needed talent locally - in such cases, the board needs to apply alternative strategies. A panellist cited the example of Singtel's transformation from a traditional voice carrier business to one that focused more on multimobile data platforms and home-related digital business, which required new talent on the board. It proved challenging to find senior individuals with the relevant knowledge and experience in Singapore. Singtel then attempted to recruit candidates from Silicon Valley, many of whom were busy individuals who were not willing to travel frequently to Singapore for board meetings. However, they were interested to be engaged, especially in the business aspect, as they saw Singtel's footprint in the critical Asian market as one with lots of potential.

“We must think more broadly about how to complement the board, not just add to it.”

KAI S. NARGOLWALA

As a compromise, Singtel set up a technology advisory committee which comprises mainly overseas experts from Silicon Valley and a few board directors of Singtel. The committee enables Singtel to draw on the expertise of these experts without having them to be too closely involved with the running of the company. Whilst the members of the committee are carefully selected for representation and skillsets, the committee's composition and effectiveness are regularly reviewed. It meets three times in two years, following a management-driven agenda that is prepared well in advance to minimise time spent on auxiliary matters.

Finding The Appropriate Talent

It can be difficult for boards to find the talent that they need in order to be effective. Individuals with the requisite business skills and experiences tend to be already occupied with their own companies. In addition, much of the talent in the legal and accounting functions in Singapore are absorbed by professional firms with very strict conflict regulations that prohibit them from serving as directors.

Another panellist suggested that boards should appeal to these professional firms to find ways of managing potential conflicts, so as to widen the available talent pool. In addition, boards need to be open-minded about accepting more unconventional candidates, including younger people and more women. This would help to broaden the pool of talent with a more diverse mix

However, boards also need to make an effort to consciously overcome their own biases. The facilitator shared an example of a firm asking him to help them recruit a technology expert from a certain country. He found a successful CEO whose company had gone from fifth to third position in the worldwide industry within just one year, but the existing directors rejected the CEO based on his youth.

“When there are sensitive issues, such as political and environmental issues, that require external input, a good way of influencing the board is to hire very senior consultants for their insights and analysis.”

GÖRAN L. SEIFERT

The Chairman's Role

The Chairman sets the tone for the board and plays a very critical role in ensuring that the board remains effective and relevant. With just a little effort, the Chairman can uplift the entire board. One of the panellists shared an example of a Chairman who would end all discussions by summarising what had been covered, and was very active in engaging board members to discuss their views and decide on the agenda.

On the other hand, there may also be occasions where the Chairman inadvertently holds the board back. Directors encountering such a situation could attempt to directly engage the Chairman in a tactful manner when they need to introduce new ideas or suggestions. Wherever necessary, they must assist the Chairman in raising issues and questions that he or she may not have thought of.

“The Chairman's role is very important. As a board member, before agreeing to join the board, I will always talk to the Chairman and make sure I'm comfortable with the Chairman's views and perceptions and the way he/she intends to run the board.”

EULEEN GOH

Finally, before joining any board, directors should make the effort to meet the Chairman and gain a greater understanding of the Chairman's perspectives, priorities, and management style.

Addressing CEO Succession

“As board members, we need to set the tone for a company to be inclusive rather than exclusive. If a company works very well but is unable to take in people from outside, they have lost something.”

EULEEN GOH

In Singapore, many companies experience difficulties in finding a local CEO. There are two possible solutions: a) to groom an internal candidate; or b) to take the risk of hiring an external candidate, or even one from a foreign market. The first solution is usually preferable, and it is incumbent on the board to start internal succession planning early, find ways to fast track suitable candidates and groom them to be future CEOs. One of the panellists pointed out that this should not be an issue because many people in Singapore have the potential to take on leadership roles and deserve to be offered the opportunity.

However, it may not always be possible to develop internal talent, or there may be a need to find an external candidate – someone different and unconventional who can change the trajectory of the company. In such situations, the board needs to take responsibility for identifying an appropriate external candidate and then helping the new CEO to bridge any cultural gaps or other issues that may exist, in order to mitigate the risk of a ‘transplant rejection’. This may involve nudging the company's culture to be accepting of newcomers or coaching the CEO in the company's history and values.



Balancing Long and Short Term Value

The board's top priority is to balance short term performance and long term outlook. This can be difficult, especially when actions taken to set the course for the long term may compromise short term results.

The board therefore needs to remain aware of many factors, including trends in the wider environment, the state of its operations, and the situation on the ground. It is incumbent on board members to do sufficient scenario planning before they come to a decision, and to consult management if necessary.

The board must also be cognisant of how the company can add value. One panellist shared an example of a large multinational corporation that wished to expand a segment of its business into a new country. While the company had the competencies and resources to do so, it ultimately based its decision on whether it could add value to the new location and do better than its competitors in that market, in the long term.

In addition, the board must consider how to incorporate flexibility into business decisions, especially when doing something new. This can help to hedge the risks. Apart from some risk-taking appetite, the board must also have the courage to make difficult decisions.

“Don't go for big bets. Go for prototyping and experimentation. This creates optionality: you can scale fast, but you can also shut down fast if necessary.”

KAI S. NARGOLWALA

Leaving The Comfort Zone

To enhance their effectiveness, boards should make themselves more visible to stakeholders. This may include spending time with front line staff or customers, travelling to different geographies in which the company operates, knowing the competition and studying the competition with an open mind.

The interaction has two main benefits. Firstly, directors can become more knowledgeable about the company's operating processes through interactions with management and employees. This will help them make more informed strategic decisions. Secondly, they can help to shape the company's image in stakeholders' eyes.

One panellist shared an example of a cement company that moved its board meetings from corporate offices to work sites. Some of the board members had never visited work sites nor have been aware of the nature of the operations on the ground, hence they found the venue change an eye-opener. They were also better able to understand stakeholders' concerns about sensitive environmental issues such as noise and pollution.

“It is easy to sit in board meetings and just take notes. The board has to step out of its traditional role... have openness to the outside world and be prepared to take lessons from what they see.”

GÖRAN L. SEIFERT

The Value Of Debate

In certain circumstances, board members may need to step up and offer contrarian views, so as to stimulate discussion and avoid groupthink. If well led, the board can derive significant benefits from constructive debates, disagreements and discussions about challenges to the issues being raised. However, this can be difficult in Asian cultures. The Chairman will need to take the lead in encouraging and, if necessary, moderating such debates.

The panellists shared several examples of how debates stemming from contrarian views had worked out to the company's benefit. In one case, some newer board members disagreed with the company's move to enter an adjacent business when the opportunity presented itself – a decision which was already decided three years ago by members who have served on the board longer. The newer board members questioned the company's ability to add value to the new business. Eventually, the CEO was consulted and concluded that the company did not have either the capacity or competencies to enter the new business. The deal was therefore cancelled, potentially saving the company much risk and possible financial losses.

In another case, one company planned to enter a new and challenging market, but board members disagreed on whether the company was sufficiently prepared. The discussion led to a closer examination of the company's resources and abilities, and the board finally concluded that the company was not ready for the new market.

“I think that having contrarian views is just so important. Offering contrarian views lets the board stretch and challenge what management puts on the table and look for blind spots.”

EULEEN GOH

Keeping Communication Effective

Communication between the board and management is vital and requires the concerted efforts of both parties. The board needs succinct and relevant information from management, while management needs the support and tact of the directors.

On the board's end, the Chairman may act as a coach and support, providing the CEO with pre-meeting briefings and helping the CEO to communicate more effectively with the board. Meanwhile, the CEO and other members of management should focus on relevance and efficiency, when they prepare materials for the board. For example, reports and presentations should follow a consistent format and have well-defined content, so that directors can quickly and easily find the key points.

The board may also need to communicate sensitive issues to management on occasion. In such cases, the Chairman has the responsibility of doing so in a tactful and discreet manner. Additionally, a lead or senior independent director may take the role of a mediator to prepare both parties for the necessary conversation.

“Losing face is not just a problem in Asia, it is universal. So no one should be allowed to lose face when it can be avoided.”

GÖRAN L. SEIFERT



TMS Academy

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