BOLD 3.0

FUTURE-FLUENT BOARD LEADERSHIP IN ASIA

BOLD 3.0 : FUTURE FLUENT BOARD LEADERSHIP IN ASIA

Center for Creative Leadership

PARTNERS:

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Leadership skills on boards are critical because at the board level you're supposed to lead, irrespective of whether you have an executive or non-executive role. You often need to get things done through management without having much direct control over them.

Member of the Board of Directors,
Philippines

CONTENTS

FOREWORD

For more than a decade now, it's been my privilege to serve on the boards of three public companies and as the lead director on two of them. What have I learned from these experiences and in meetings with dozens of CEOs and other directors globally? The bad news is that too many boards overestimate their achievements, and too many board members are skeptical about the critical importance of continuing to develop their own leadership skills. The good news is that boards have a tremendous opportunity to function more effectively and accelerate their impact – if they commit to building their own leadership capacity.

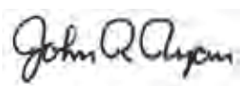
As this insightful and well-researched report reminds us, there are some dynamics unique to boards in Asia-Pacific, especially family ownership and the influence of the state. There are also several principles that CEOs and board members around the world should keep in mind at all times as they seek to add value. Among them:

- Most often, boards can be either the creators or destroyers of shareholder value.
- A board's culture determines whether creation or destruction occurs.
- Boards need a strong sense of when to partner with management, when to lead, and when to stay out of the way.
- The board's relationship with the CEO is crucial for the CEO's success.
- Boards must find the right CEO and make sure that successors are being developed.
- Boards should prioritize recruiting new members with future-fluent mindsets.

BOARDS HAVE A TREMENDOUS OPPORTUNITY TO FUNCTION MORE EFFECTIVELY AND ACCELERATE THEIR IMPACT

Leadership development is the thread that can weave these principles together, by making individual board members more self-aware and strategic, and by fostering a collective sense of teamwork and shared mission for the board as a whole. This report offers a roadmap for navigating that journey to improve board performance and alerts us that boards will need to fill a more strategic role in the next decade. It's up to you – whether you are a CEO, a current board member or aspire to be either in the future – not just to reflect on the wisdom contained in these pages but to take action now. The organizations you are privileged to serve are counting on you!

With best wishes for your leadership journey,



John Ryan

President and CEO
Center for Creative Leadership

We are delighted to present the *BOLD 3.0: Future Fluent Board Leadership in Asia* research study. The study is a culmination of over a year of research led by the Center for Creative Leadership (CCL), in partnership with the Confederation of Indian Industry (CII), Institute of Corporate Directors Malaysia (ICDM), Institute of Corporate Directors (ICD), Philippines, Singapore Institute of Directors (SID), The Sri Lanka Institute of Directors (SLID), Vietnam Institute of Directors (VIOD), and supported by pymetrics. *BOLD 3.0* presents a comprehensive point of view on the evolution of board level leadership in the region, and what leadership in Asian boardrooms may look like in the future.

Asia undoubtedly is the "new" center of the world. Economic rise in the region has accelerated growth in goods, products, and services consumption, making the region a lucrative market for global enterprises. Asia is also emerging as the biggest catchment area for talent and a hotbed for entrepreneurial activity. Analysts predict that the region could become the world's largest economy (by GDP contribution) by 2030.

Even as Asia has been on a sharp economic growth trajectory for the last few decades, the region has also witnessed several big and small corporate governance failures. Starting in the early 2000s, in response to the financial crisis, national governments across Asia led hectic efforts to strengthen corporate governance codes and regulations. Governance tightening initiatives however have not completely arrested sporadic corporate governance issues, which continue to emerge at regular intervals. This has led to a realization that Asian organizations also need to take a much closer look at the human elements of governance—the makeup of the leadership in the boardroom. This realization, coupled with disruptive markets and higher expectations from stakeholders, now more than ever, puts board leadership in Asian enterprises in the spotlight.

Leaders who spoke to us are convinced that Asian boards are increasingly expected to move beyond their traditional stewardship and trusteeship responsibilities on behalf of shareholders, to provide overall leadership to the organization. To make collective leadership happen on Asian boards, several critical elements need to fall in place. In addition to governance maturity at a company and country level, Asian boards and board leaders need to reflect upon their intent, capability, composition, mandate, and culture at play in the boardroom. The *BOLD 3.0* study delves into some of these very critical areas. It attempts to identify "active ingredients" that must be in place on Asian boards to make effective leadership happen. It also closely examines the state of leadership capability (and gaps) at the board level in public and private mid- to large-size organizations in Asia. The study further builds on the capabilities and skills that future-fluent board leaders in Asia must develop and polish, and the must-have culture in boardrooms for collective leadership to thrive and flourish.

Through this research, CCL takes yet another leap in furthering the Asian leadership development agenda. With the *BOLD 3.0* research we aim to not only help boards and board leaders in Asia to examine the current status of their collective leadership, but also enable them to look into the horizon and align their capabilities accordingly.

We take this opportunity to thank senior board leaders and C-suite executives across several countries in Asia who participated in the research and helped shape the key findings.

We sincerely hope you will find the *BOLD 3.0: Future Fluent Board Leadership in Asia* study useful as you prepare your organization, board, and board leaders to embark on the future fluency journey!

Elisa Mallis
Managing Director, APAC Center for Creative Leadership

Grace Kerrison
VP & Managing Director, Asia Pacific, Pymetrics

Chandrajit Banerjee
Director General, Confederation of Indian Industry

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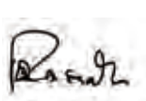
Alfredo E. Pascual
President, Institute of Corporate Directors, Philippines

Edwin Lee
Executive Director, Singapore Institute of Directors



A. R. Rasiah
Chairman, The Sri Lanka Institute of Directors

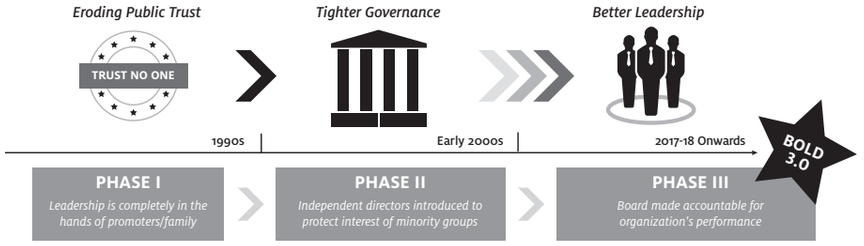
Nguyen Viet Thinh
CEO, Vietnam Institute of Directors

BOLD 3.0 EXECUTIVE SUMMARY

The Study in Six Conclusions...

I THE FOCUS IN ASIA IS SHIFTING FROM TIGHT GOVERNANCE TO COLLECTIVE LEADERSHIP ON BOARDS

- Most countries in Asia have witnessed corporate governance breakdowns over the past decade. In response, governments have led multiple efforts to strengthen regulations and governance codes. However, even that has not arrested sporadic corporate governance issues, leading to a realization that organizations need to also take a closer look at the leaders in the boardroom.
- The evolution of board leadership in Asia happened in three distinct phases. Phase one, when leadership was mainly exercised by the promoter, family, or close group of shareholders. Phase two, when governance codes were tightened, and there was a push for independent directors. And, phase three, when we are seeing a focus on collective leadership on Asian boards (BOLD 3.0).

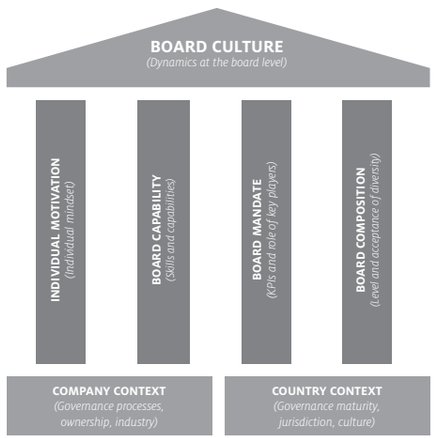


EVOLUTION OF BOARD LEADERSHIP IN ASIA

(pages 12 and 21)

II SEVERAL ELEMENTS NEED TO COME TOGETHER FOR COLLECTIVE BOARD LEADERSHIP (BOLD 3.0) TO HAPPEN

- Effective leadership on Asian boards is akin to building a "leadership house" with three distinct elements. The foundation constitutes the context in which boards operate – corporate governance processes, ownership structure, country jurisdiction, and national culture.
- Resilient pillars—individual drive and motivation of board leaders; functional, technical, and leadership expertise available; clarity of roles; and, board composition—must supplement the strong foundation.
- Finally, board culture, which may be defined as "the way things are done at the board level" is often the difference between having individual brilliance on boards and a "brilliant board."

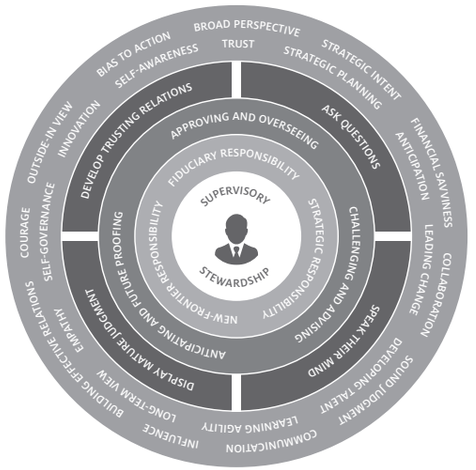


BOLD 3.0 LEADERSHIP HOUSE

(page 24)

III EFFECTIVE ASIAN BOARDS DIFFERENTIATE ON ACTIVITIES, BEHAVIORS, AND SKILLS

- Boards worldwide, must play supervisory and stewardship roles, which translate into fiduciary, strategic, and "new frontier" responsibilities.
- Four behaviors outstanding board directors in Asia often display: asking questions, speaking their mind, displaying mature judgment in evaluating decisions, and developing trusting relationships.
- The top five skills board leaders in Asia must have for sustained impact include trust and credibility, sound judgment, strategic intent, having a long-term view, and the ability to do strategic planning.



BOLD 3.0 CAPABILITY MODEL

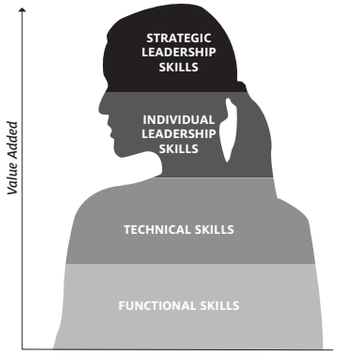
(page 35)

An enlarged version of the illustration is available on pages mentioned.

Source: CCL Research 2019

IV ASIAN BOARD LEADERS MUST FOCUS ON INDIVIDUAL AND STRATEGIC LEADERSHIP SKILLS

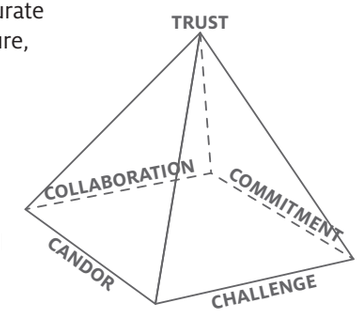
- Capabilities on Asian boards have traditionally centered around functional and technical skills—understanding of the governing law of the land, regulations, governance codes, financial savviness, etc.
- Most boards are quite content with these two streams of capabilities. They rarely look at nurturing, leveraging, or developing leadership skills and capabilities.
- As Asian board leaders prepare to take organizations forward, they will need to further develop their individual leadership skills and strategic skills.



DE-CONSTRUCTING A BOARD LEADER'S SKILL SET
(page 35)

V CULTURE IS THE KEY DIFFERENTIATOR BETWEEN AVERAGE AND GREAT ASIAN BOARDS

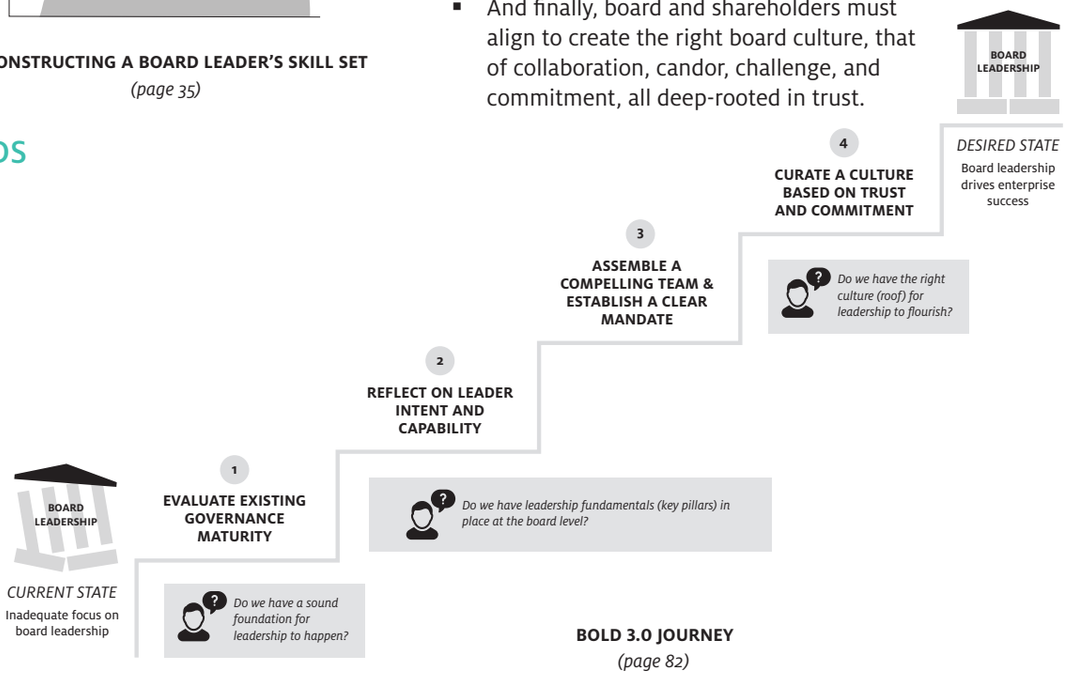
- Boards in Asia must curate the "right" board culture, comprising of five key elements.
- Board dynamics must display a culture of 4Cs: collaboration, candor, challenge, and commitment.
- In addition to the 4Cs, the level of trust among board directors, between board and management, and between board and CEO is often the most critical element of board culture.



BOARD CULTURE PYRAMID
(page 49)

VI MAKING COLLECTIVE LEADERSHIP HAPPEN ON ASIAN BOARDS IS A MULTI-STEP JOURNEY

- Organizations in Asia and their boards must undertake a multi-step journey for collective leadership to happen. They must start with evaluating the existing governance framework since that is the BOLD 3.0 foundation.
- Boards must reflect on the individual and collective intent of board members, and skills and capabilities relevant now and in the future.
- And finally, board and shareholders must align to create the right board culture, that of collaboration, candor, challenge, and commitment, all deep-rooted in trust.



BOLD 3.0 JOURNEY
(page 82)

Source: CCL Research 2019

An enlarged version of the illustration is available on pages mentioned.

SELF DIAGNOSTIC

State of Board Leadership in My Organization...

Think about your board and select the applicable option in the questions below. Plot results in the graphic on the adjoining page.

BOARD DIRECTOR INTENT	YES	NO
☐ Board directors treat their role as a serious commitment.	☐	☐
☐ Board directors dedicate enough time to fulfill key responsibilities.	☐	☐
☐ Board directors have enthusiasm towards learning new knowledge/skills to get better at their role.	☐	☐
☐ Directors are well prepared for board meetings.	☐	☐
☐ Board directors are not scared of being the "lone voice" in the room.	☐	☐
☐ Most directors do not depend on board remuneration to pay their bills.	☐	☐
☐ Most directors hold less than 5 board positions.	☐	☐
TOTAL Ys	☐	

OVERALL BOARD MANDATE	YES	NO
☐ There is common and shared understanding of board performance evaluation criteria.	☐	☐
☐ The chairperson conducts board meetings efficiently.	☐	☐
☐ The chairperson and CEO act as "sparring partners" on most matters.	☐	☐
☐ Independent directors respectfully question key management decisions for checks and balances.	☐	☐
☐ The CEO is transparent in sharing any and all information with the board.	☐	☐
☐ Board activities demonstrate the right balance between hindsight and foresight.	☐	☐
☐ The board spends almost 50% of the time in strategic discussions.	☐	☐
TOTAL Ys	☐	

BOARD DIRECTOR SKILLS AND CAPABILITIES	YES	NO
☐ Directors demonstrate functional skills such as understanding of relevant laws and governance codes.	☐	☐
☐ Board directors demonstrate technical skills such as financial savvy and risk assessment.	☐	☐
☐ My peer directors command the highest level of trust and credibility.	☐	☐
☐ My peer directors have a long-term view on business and economy.	☐	☐
☐ My peer directors demonstrate sound judgment.	☐	☐
☐ My peer directors are skilled in strategic planning.	☐	☐
☐ My peer directors display astute strategic thinking.	☐	☐
TOTAL Ys	☐	

BOARD COMPOSITION	YES	NO
☐ Board represents appropriate diversity of skills.	☐	☐
☐ Board represents good generational mix in its composition.	☐	☐
☐ I'd say there is enough gender diversity on my board.	☐	☐
☐ There is a well-documented and detailed board evaluation process.	☐	☐
☐ External board evaluation happens at least once in 2 years.	☐	☐
☐ Action steps from the evaluation exercise are discussed at the board and individual level.	☐	☐
☐ Board evaluation forms the basis of skills and capability refurbishment.	☐	☐
TOTAL Ys	☐	

SELF DIAGNOSTIC

State of Board Leadership in My Organization...

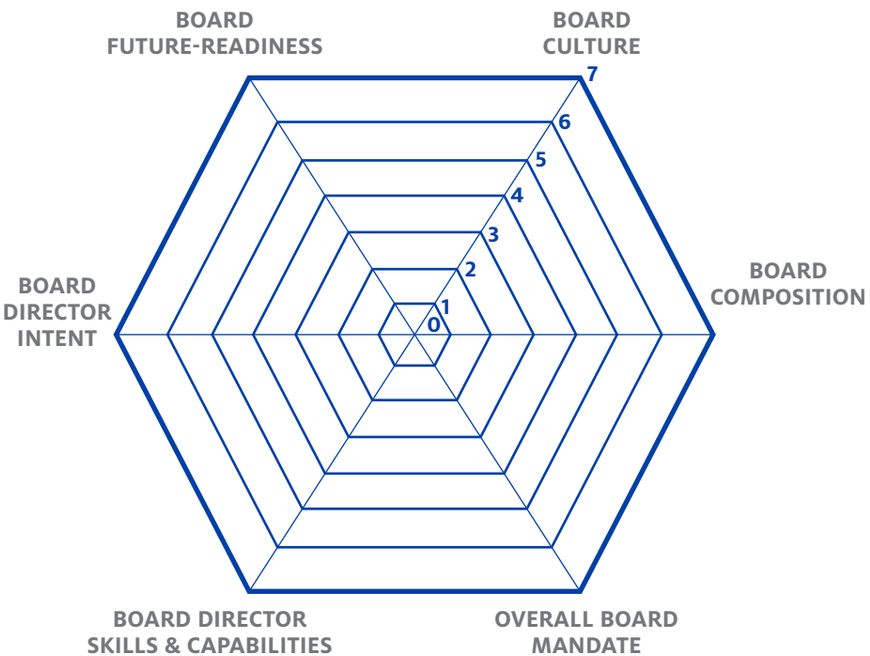
Gaps indicate areas of improvement for effective leadership to happen.

BOARD CULTURE	YES	NO
☐ There is deep respect for fellow board members and firm belief in their reliability and capability.	☐	☐
☐ Board members question and debate opinions and issues respectfully.	☐	☐
☐ Directors align efforts and create synergy to achieve shared goals.	☐	☐
☐ Board directors are open, honest, and transparent in their demeanor.	☐	☐
☐ Board directors often go above and beyond to fulfill their responsibilities.	☐	☐
☐ The chairperson is committed to creating an effective and efficient board culture.	☐	☐
☐ There is an appropriate mix of independent and executive directors.	☐	☐
TOTAL Ys	☐	

BOARD FUTURE-READINESS	YES	NO
☐ There are tangible efforts in place to create a learning environment on the board.	☐	☐
☐ There is at least one board director with a strong technology background.	☐	☐
☐ There is a tech-committee or a tech-governance-committee in place.	☐	☐
☐ There are 'frequent' conversations about ongoing and planned initiatives to achieve future readiness.	☐	☐
☐ There is an ongoing dialogue about getting talent ready for the future.	☐	☐
☐ Sustainability—both human and environmental—'often' comes up in board dialogues.	☐	☐
☐ There are proactive steps to tweak board composition to include future relevant skills.	☐	☐
TOTAL Ys	☐	

STATE OF BOARD LEADERSHIP

Plot the total score for each segment on the six axes, join the points, and compare with the dark-coloured line. Gaps indicate improvement opportunities.



RESEARCH METHODOLOGY & SAMPLE SET

STUDY OBJECTIVES

The key objectives of BOLD 3.0 research were to understand:

I. The state of leadership capability and gaps at the board level in public and private mid- to large-size organizations in Asia.

II. "Active ingredients" that must be in place on Asian boards to make effective leadership happen.

III. Good board culture and how Asian boards can make it happen.

IV. Capabilities next generation board leaders in Asia must have.

V. Future-readiness of Asian boards and board directors.

RESEARCH APPROACH

The Center for Creative Leadership (CCL) research team partnered with six organizations to collate data across several countries in Asia: Confederation of Indian Industry (CII); Institute of Corporate Directors Malaysia (ICDM); Institute of Corporate Directors (ICD), Philippines; Singapore Institute of Directors (SID), The Sri Lanka Institute of Directors (SLID); and Vietnam Institute of Directors (VIOD).

The CCL research team and partner institutes co-created a survey and rolled it out in Singapore, Malaysia, Philippines, Vietnam, Sri Lanka, and India. The survey collected data from in-seat board directors on the following themes:

I. Evolution of board level leadership in Asia.

II. Future of boards in Asia.

III. Key capabilities of next generation board directors in Asia.

IV. Proactive steps organizations can take to shape future-ready boards.

The CCL research team also interviewed board leaders, including chairpersons, lead directors, executive and non-executive directors, independent directors, etc., across several Asian countries to learn from their experiences. These were leaders of Asian origin as well as non-Asians who play a director role in Asian companies or multi-national organizations.

The research team identified best practices to develop better boards and board leaders in Asia, and noted tips and advice from experienced in-seat board directors for next generation board leaders.

SAMPLE SET

- The CCL research team collected 350 valid survey responses from six countries—India (11%), Malaysia (34%), Philippines (20%), Singapore (17%), Sri Lanka (9%), and Vietnam (8%).
- 26% of the total survey respondents were women board leaders.
- Board chairpersons accounted for 9% of the survey responses, CEO and chairpersons—3%, CEOs—12%, independent non-executive directors—46%, non-independent non-executive directors—11%, and executive directors (other than CEOs) accounted for 19%.
- 16% of survey responses were from directors in family-owned organizations, 23% from privately-held but not family-owned companies, 28% from closely held/owned public-listed companies, 23% from widely held/owned public listed companies, 4% responses from NGOs/not-for-profit organizations, and balance 6% from state-owned organizations, research institutions, etc.
- Almost 62% responses were from organizations with less than US$200 million in revenue, 17% from organizations with revenue between US$200 and US$500 million, 10% from larger organizations with revenue of US$500 million to US$1 billon, another 8% from organizations of up to US$5 billion revenue (between US$1 billion and US$5 billion), and the balance 3% from organizations with revenue in excess of US$5 billion.
- The CCL team also conducted 109 semi-structured detailed interviews with board leaders across several countries—India (15%), Malaysia (12%), Philippines (16%), Singapore (22%), Sri Lanka (13%), and Vietnam (13%). Another 9% of the interviewees were from Hong Kong, Mainland China, Indonesia, Japan, etc.
- Independent directors comprised 57% of the total interviewees, another 17% were board chairpersons, C-suite/executive directors accounted for another 19%, while the balance 7% were board advisors, board-level recruiters, general counsels, company secretaries, etc.
- 91% of interviewees were of Asian origin.

Note that percentage numbers in graphs/charts may be +/- 100% due to the rounding-off error.

I. INTRODUCTION

“The tip of the iceberg, which is only about 10% of governance issues that you can see, is taken care of by rules, regulations, processes, and practices. But there is another 90% that nobody is talking about and focusing on, and these are behavioral and leadership aspects of corporate governance. These, I would say, are the invisible, deep and swirling waters.”

Independent Board Director,
India

LEADERSHIP IN BOARDROOM UNDER SCRUTINY

BEST GOVERNANCE PRACTICES MAY NOT BE GOOD ENOUGH...

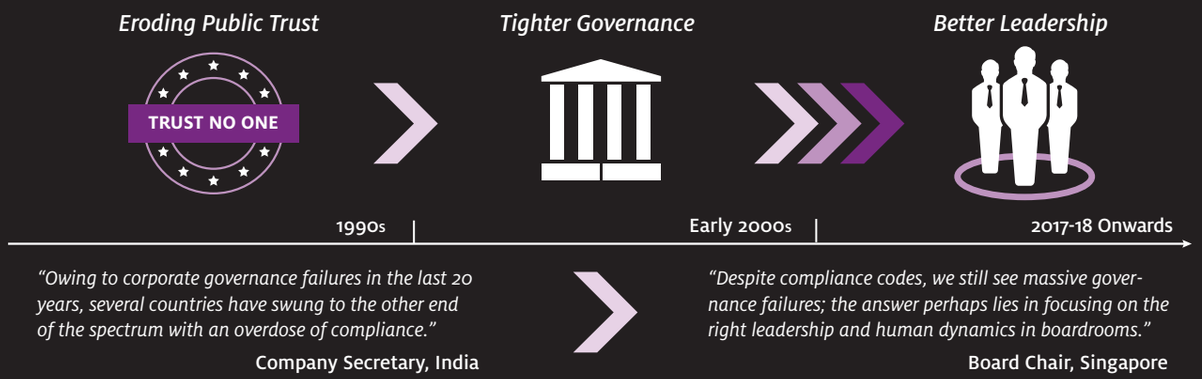
Over the last few decades as Asia has become the center of the world, corporate governance failures have also come to the fore in abundance. The attitude of shareholders has changed from that of indifference and disgust, to anger, to anxiety, and in recent times, to taking collective action. Improving corporate governance has traditionally not been a top priority for many organizations in the region. The first serious efforts towards enhancing corporate governance happened after the financial crisis of 1997, when Asian markets came under a lot of hammering.

Even after the big shakeup of the late nineties, corporate governance continued to be seen as a cost by most organizations. Since the early 2000s, in response to the financial crisis, regulators and governments have led efforts to strengthen corporate governance. Most countries introduced a series of governance codes and regulations around listing, management transparency, mandatory induction of independent directors, related-party transactions, etc. Organizations ahead of the corporate governance maturity curve realized that while checks-and-balances do not generate profit in themselves, they can save companies a lot of money directly and indirectly.

Despite the realization, at least by top corporations in Asia, while directionally right, such codes and regulations have not arrested sporadic corporate governance issues emerging across key countries. This has led to a realization that organizations need to also take a much closer look at leaders around the board table, in addition to strengthening governance processes and risk management. The dialogue is slowly but surely moving to the human element and boardroom leadership.

Talking about the paradox between tighter governance and organizational performance, a board director commented: "It is primarily due to the corporate governance failures in last 20 years that the world has swung to a lot of compliance in corporate governance and accounting fields; standards and corporate laws have tightened." "But we must not lose sight of the fact that we need to help the company move forward; while it is very good to have a safe plane, we must make sure the plane flies, because it is safest to be on the ground, but that is not a good situation to be in," he added.

TIGHTER GOVERNANCE OR BETTER LEADERSHIP...



SAMPLING OF GOVERNING REGULATIONS AND CODES IN ASIA

CHINA
- The Companies Law of the People's Republic of China (2014)
- Law of the People's Republic of China on Securities (2013)

INDIA
- The Companies Act (2013)
- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations (2015)

THAILAND
- The Securities and Exchange Act (2008)
- Listed Company Handbook (2014)

SRI LANKA
- Companies Act (2007)
- Code of Best Practice on Corporate Governance (2017)

SINGAPORE
- Companies Act (2016)
- Securities and Futures Act (2012)
- Code of Corporate Governance (2018)

JAPAN
- Japan's Stewardship Code (2014)
- Corporate Governance Code (2015)

VIETNAM
- Vietnam CG Code (2019)
- Listing Rules on Hanoi and Ho Chi Minh Stock Exchange
- Enterprise Law (2014)
- Circular 155 on Public Disclosure; Circular 95 Providing Supplementing Guidance for Implementation of Decree 71

PHILIPPINES
- The Corporate Governance Guidelines for Companies Listed on the Philippines Stock Exchange (2010)
- The Revised Code of Corporate Governance (2009)

MALAYSIA
- The Companies Act (2016)
- Malaysian Code on Corporate Governance (2017)
- Bursa Malaysia Listing Requirements

INDONESIA
- Company Law (2007)

Source: CCL Research 2019

BOARDS IN ASIA

KEY DRIVERS SHAPING BOARD EVOLUTION IN ASIA

What impacts boards in Asia? It is often the context in which the corporations operate. New legislations and corporate governance regimes that the region has witnessed in the past two decades are exerting more pressure on boards, putting onerous responsibility and liability on board members, particularly independent directors.

Organizations in Asia typically have a more concentrated shareholding structure. Up to nine in ten organizations with revenue of 1 billion USD or more in Southeast Asia are family run[1]. This squarely impacts board composition, dynamics, and independence.

The level of market pressure is pushing organizations to look at competitive advantages their boards can provide, not only opening more doors for doing business, but also bringing an incremental understanding of global business operations.

The level of board sophistication also varies by jurisdiction, and it may often show in dynamics, interactions, level of dialogue and questioning, and technical and functional expertise of board directors.

Organizations and boards in Asia are also having to come to grips with technology, and the impact, opportunities, and risks it presents, especially around cyber security.

Shareholder activism, not known in Asia until a decade ago, is increasing at a feverish pace. Proxy advisory firms are perhaps a starting point in many countries in Asia towards shareholders playing a more informed and active role. As the judicial system becomes more streamlined in developing Asia such that it facilitates quick resolution of class action lawsuits for instance, we may see more shareholders playing activists.

Ethical dilemmas, particularly around human and climate sustainability, are impacting board dialogues like never before. While it was earlier a good-to-have, it is now more pronounced in stakeholder expectations.

"I would say that the most difficult balance to achieve is between performance and conformance of compliance; while I find more directors leaning towards compliance as of now, we cannot let corporates lose their vitality and energy," summed up one board director.

1. "Business in the blood - Family firms," The Economist, Nov 2014.

OWNERSHIP

"In Asia, the ownership structure is very concentrated; the economy is dominated by family-owned and family-influenced organizations, including conglomerates with a family or tycoon at the center, and state ownership. This clearly impacts board formation, dynamics, and outlook."

Independent Director, Cambodia

TECHNOLOGY

"Boards are having to come to grips with rapidly changing technology, and challenges as well as the opportunities of what technology can do for a business. So at the board level, that is beginning to drive some change."

Non-Executive Director, India

SHAREHOLDER ACTIVISM

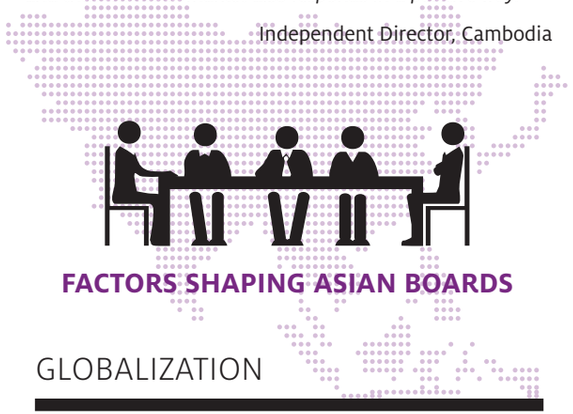
"As a consequence of property and wealth creation, more and more activism from leaders, minority shareholders, and political class is beginning to make boards take notice and be more vigilant."

Independent Director, Cambodia

COMPETITION

"Organizations have realized that leveraging boards effectively can have a huge upside in the market place, gives advantage over competitors, enhances image and reputation, and that the stock market also responds in a positive way."

Independent Director, Cambodia



FACTORS SHAPING ASIAN BOARDS

GLOBALIZATION

"Thanks to globalization, organizations have woken up to the fact that well-governed organizations have better access to global capital and financial markets. A critical need for a good reputation of the company is driving better board behaviour."

Independent Director, Philippines

JURISDICTION/GOVERNANCE

"Country jurisdiction decides the level of sophistication on boards in various countries in Asia; this is also a big differentiator between performance and capability of Asian and European boards."

Board Chair, Malaysia

REGULATION

"Previously, boards were seen as clubby clubs of men who would get together once in a while to chat. However, now with onerous penalties, there is an evolving sense of importance accorded to the roles of executive and non-executive directors, and that's a good sign."

CEO, Singapore

SUSTAINABILITY

"Slowly but surely, sustainability is beginning to shape board dialogues; future success of boards and organizations will depend on the eventual impact on society and the environment, and how well boards perform their ethical responsibilities."

Board Director, Sri Lanka

Source: CCL Research 2019

BOARDS IN ASIA

KEY FACTORS CONCERNING BOARDS

Monitoring of market and operating risks remains prominently a top-of-mind concern for board directors in Asia. Risk management is clearly no longer a business and operational responsibility of management; it is a governance issue within boards' oversight.

Boards are most worried about hits that organizations may take due to sudden changes in equity, currency, inflation, interest rates, etc., and more-than-ever-before probability of loss due to changes in demand, costs, obsolescence, prices, and other such factors.

Economic uncertainty owing to a comparatively slower economic growth in Southeast Asia and China, the impact of trade wars, and general negative sentiment around economic growth also worries board leaders.

Technology remains a key concern in most boards, especially the damage any compromise in cyber security may cause organizations, a risk of most concern to financial institutions. This fear is compounded by the fact that most boards are not conversant with technology and its implications.

"Today, the economic environment is fluid, political situations are unpredictable, and you have technology, process changes, evolving business models, and market demands to deal with. So, in order that boards can become effective, they cannot just be risk protectors and wait for things to happen, but rather they should step up, be more proactive, and almost become a channel to help facilitate value creation in the ecosystem," highlighted one board director.

WHAT KEEPS BOARD DIRECTORS UP AT NIGHT?

KEY RISKS CONCERNING BOARDS

% respondents who selected the factor concerning boards in Asia

N-350

TOP 5 RISKS

INDIA
1. Market Risks
2. Operating Risks
3. Global Competition
4. Economic Uncertainty
5. Cyber Security

MALAYSIA
1. Market Risks
2. Operating Risks
3. Economic Uncertainty
4. Trade Wars
5. Cyber Security

PHILIPPINES
1. Market Risks
2. Operating Risks
3. Cyber Security
4. Global Competition
5. Trade Wars

TOP 5 RISKS

SINGAPORE
1. Market Risks
2. Operating Risks
3. Economic Uncertainty
4. Geo-political Shifts
5. Cyber Security

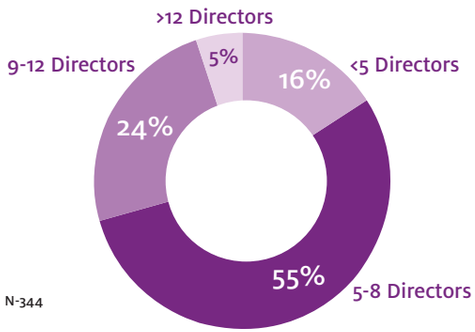
SRI LANKA
1. Market Risks
2. Operating Risks
3. Economic Uncertainty
4. Geo-political Shifts
5. Cyber Security

VIETNAM
1. Market Risks
2. Operating Risks
3. Trade Wars
4. Economic Uncertainty
5. Global Competition

Source: CCL Research 2019

BOARD SIZE

% of respondents who selected the option



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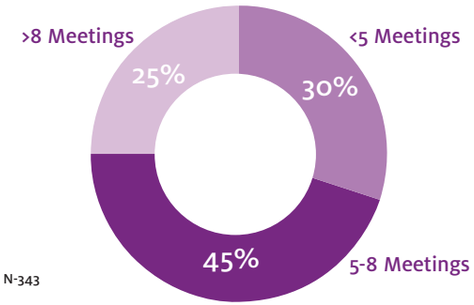
MEETING FREQUENCY

% of respondents who selected the option (meetings/year)



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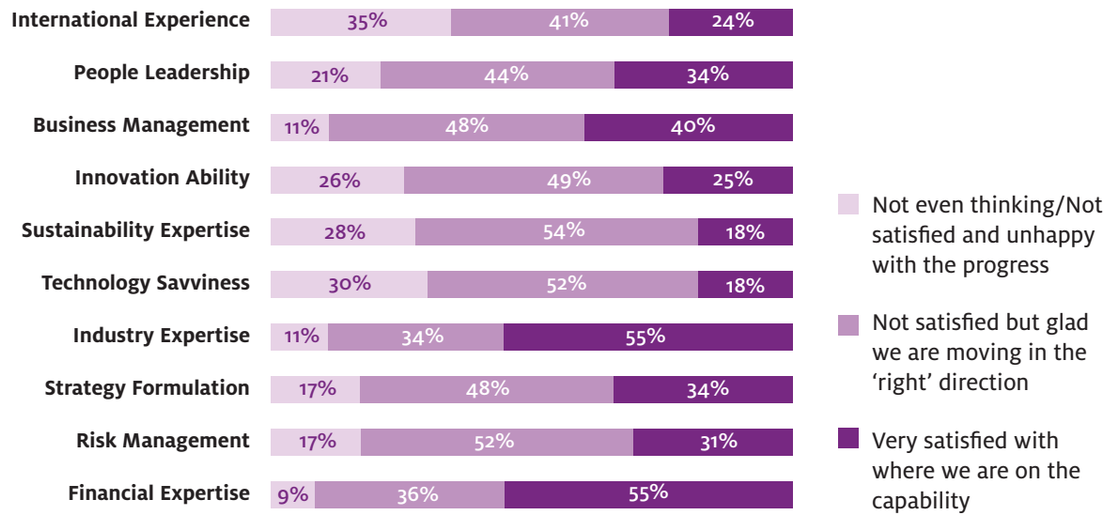
BOARD CAPABILITIES

% of respondents who selected the option



N-343

Source: CCL Research 2019

BOARD COMPOSITION

"Most listed boards focus on functional capabilities—legal, accounting, access to government relationships, etc.—since they view these as critical elements of corporate governance."

CFO & Independent Director, Singapore

WHAT DO BOARDS IN ASIA LOOK LIKE?

SIZE, CAPABILITIES, MEETING FREQUENCY, AND COMPOSITION...

Interviewees suggested that boards in Asia still somewhat look like old boys' clubs—very homogeneous, lacking diversity, and not as accountable as boards in more developed western economies. The size of a typical board in Asia is between 5 and 8 directors, and the majority of the boards typically meet between 5 to 8 times a year.

Interviewees also pointed out the fact that most boards have a very predictable composition—chartered accountants, lawyers, ex-CEOs, and in some cases retired government officials. The mix highlights the mainly compliance-driven mindset that Asian boards typically demonstrate. This also reflects skills that are most widely available on boards: business management, industry expertise, and financial expertise. On the other end of the spectrum, most Asian boards are often insufficiently skilled in technology, innovation, understanding of sustainability, and international business.

"If you think of traditional composition of boards in the region, ornamental positions were given to professionals who had done well in their respective fields. They were however not expected to contribute much to the organization; the lead manager or owner took decisions and the boards were supposed to endorse," explained one independent director.

Asian boards however are slowly but surely evolving. Market dynamics, a need to go international, pressure from stakeholders, incremental expectations from shareholders, and the need to access international funding sources, are some key reasons that are changing the fabric of Asian boards.

WHAT DOES A BOARD LEADER IN ASIA LOOK LIKE?

GENDER, PROFILE, DIRECTORSHIPS, AND OVERALL EXPERIENCE

Men dominate Asian boards. Some countries such as Vietnam and Malaysia are ahead of the curve as compared to Indonesia and Philippines. Malaysia has a prescribed 30% quota for women leaders in organizations with more than 250 employees.[1]

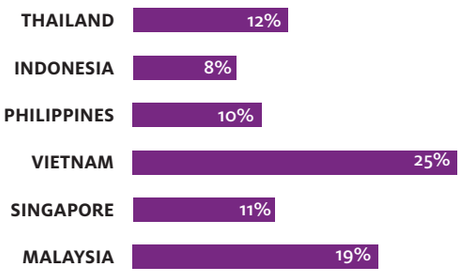
Interviewee inputs suggest that boards in Asia continue to be comprised of retired civil servants, lawyers, accountants, and ex-CEOs. Most boards are devoid of technology, branding, and digital skills and capabilities. The average age of directors continues to be in the sixties, with board leaders in their seventies and eighties certainly not a rarity.

Research data suggests that 60 percent of the board directors have more than 30 years of total professional experience, and more than two in five have been playing a board role for over ten years. About one in three board leaders sit on 4 or more boards.

While interviewees unanimously highlighted the need for more diversity on boards in Asia, one board director cautioned against increasing diversity just to make boards look good. He said: "Obviously there is a push for more diversity and more women, which I think is good, but I think you have to strike a balance; it's not just a question of getting people who have diverse backgrounds and will contribute diverse opinions, it's important to have directors with right experiences." He further added: "You can fill your board with a whole array of people, but they must also fill a knowledge gap on board."

1. Asian Development Outlook 2015 Update: Enabling Women, Energizing Asia, ADB 2015.

WOMEN ON BOARDS IN ASEAN



Source: Malaysia increases efforts to add women on boards in time for 2018, Pamela Victor, The ASEAN Post, 2017.

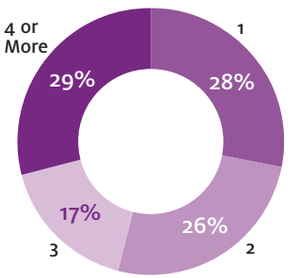
ASIAN BOARD LEADER PROFILE

"When I look at the board constitution, a lot of organizations, in either for-profit or non-profit sectors, have a typical profile—a chartered accountant, a lawyer, an ex-CEO, or a retired government official. Very rarely, we have someone who's digitally savvy or a branding expert, or a cyber security guru. We typically look for people who are 60 years and above, and very few organizations are open to younger leaders."

CFO & Independent Director, Singapore

NUMBER OF BOARD POSITIONS

% respondents



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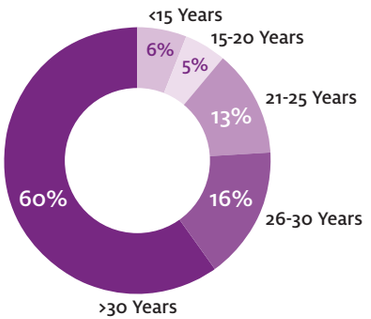
TOTAL WORK EXPERIENCE

% respondents



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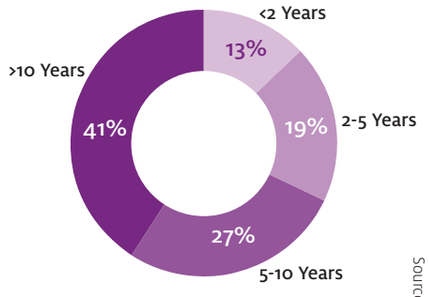
TOTAL BOARD EXPERIENCE

% respondents



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Source: CCL Research 2019

II. BOARD LEADERSHIP CHALLENGES IN ASIA

Boards in Asia are like an old boys' club; it is like who you know rather than what you know. The regulators are not helping make the situation any better—till recently, you had independent directors serving the same board for 20 years!

Independent Director,
Malaysia

BOARDS ARE LAGGING IN ASIA

KEY REASONS FOR LAG...

There are six broad factors that hinder the growth of effective leadership on Asian boards. These range from a lack of governance maturity in most of developing Asia, to concentrated shareholding, to capability and skills gaps, to regional cultural influences.

Board leaders commented that Asia is in the process of governance evolution, and while regulations and governance codes are in place in most countries, they are often not applied. Also, Asia has a rules-based governance approach rather than a principle-based governance approach; the former often lends itself to a check-the-box mentality among the Asian boards and board leaders. "The Anglo-Saxon model of governance is different from governance models in largely Asian family-owned or government-owned entities; the resulting opaqueness in Asian boards causes lack of trust," commented a board leader. She added: "Several countries lack mature institutions that can ensure transparent evaluation and reporting of company conduct."

Concentrated ownership in a majority of Asian companies does not help in making boards more independent either. "The chairperson of the board or the key shareholder is often comfortable with his or her own people, and that results in ineffective board leadership," said one leader.

LACK OF GOVERNANCE MATURITY

ASIA IS IN THE PROCESS OF BOARD EVOLUTION

"I think Asia is in the evolution process; for instance, independent directors at some point in history were the ones with knighthood; I think that hangover has led to Asia with a vengeance. In some countries in Asia, even Generals get appointed as independent directors."

Independent Director, Cambodia

APPLIED GOVERNANCE IS RARE

"How regulators apply governance is very different in Asia; in western markets there are penalties on boards, but we see less of that here. For instance, UK has a Bribery and Corruption Act; while you have countries in Asia bringing in similar regulations, regulators may not action that."

Board Advisor and Board Search Leader, Singapore

RULES-BASED APPROACH TO GOVERNANCE

"Western boards take a more principle-based approach, while boards here [in Asia] have a more rules-based approach to governance. As long as the regulator says you are good to go, you are in a good place; in the west however, there is a lot of pressure on companies to disclose, for instance, what is material."

Independent Director, Hong Kong

HIGHLY CONCENTRATED OWNERSHIP

FAMILY OWNERSHIP

"Most companies in the region are family-run and dominated. They want board members who are not dissenters, not necessarily 'yes men,' but leaders who are not independent in spirit and have their wisdom aligned with the interest of the family. Independent means 'in + dependent' in reality."

Board Chairman, India

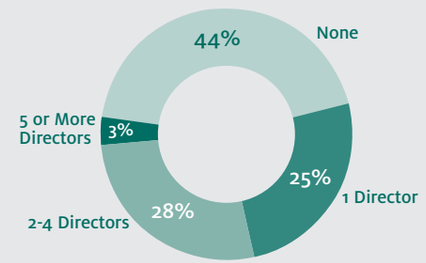
GOVERNMENT OWNERSHIP

"For the government companies (or government-linked companies), there is little clarity on who the principal agent is! Is it the government, the ministry, the parliament, or another party!"

Independent Director, Singapore

BOARD DIRECTORS THAT MUST BE REPLACED

% respondents who selected the option



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SKEWED BOARD COMPOSITION

LACK OF GENERATIONAL MIX

"Many boards are made up of people in their 60-70-80s in public companies, and they do not identify with newer trends, and rapidly changing environment. When you ask them about details of strategic plans, you often get a confused look!"

Independent Director, Cambodia

ELITE OLD BOYS' CLUB

"The old boys' network continues to thrive, so it is hard to break in to the boards if you do not belong to a group that went to Stanford, Harvard, Wharton, or have been in a senior government position; people think you have value because it is prestigious to have a former justice of the Supreme Court, or a former CEO of a large MNC to sit on their board."

Independent Director, Philippines

LACK OF CAPABILITY-BASED RECRUITING

"Companies rarely have a scientific approach to look for best board leaders; they default to a personal set of friends, and friends of friends."

Executive Search Leader, Singapore

Source: CCL Research 2019

Boards largely look homogeneous with standard profiles of executives who often play a key role in ensuring compliance and fulfilling fiduciary responsibilities, but may not add value towards future-proofing the enterprise. "There is still a desire to have famous names on the board rather than leaders who can add incremental value; you still have several elderly folks who were very good at some point, but may not be very relevant in the future," explained one leader highlighting traditional composition of boards in Asia. Capabilities such as foresight, long-term planning, innovation, technology savviness, leading change, etc., remain critical gaps.

Interviewees also highlighted that most boards continue to operate as "big boys' clubs," and because a board seat is often a social calling card, ironically the goal of being an independent director is really to retain the board seat! Lack of hard KPIs to measure and benchmark board performance also lends to the inability of boards to progress.

Finally, Asian cultural values of harmony, hierarchy, and collectivism also often result in less open and transparent conversations, and lack of sharp questioning, detailed dialogue, and deference towards older and more influential personalities on the board.

CCL research suggested that almost one in two respondents thought that one or more of their peer directors need to be replaced since they do not merit a place in the boardroom. Key reasons cited by respondents included lack of active contribution to board discussion, inadequate skill set, inability to challenge the management on key decisions, and lack of commitment to the role.

REGRESSIVE MINDSET OF INCUMBENT DIRECTORS

BOARD SEAT A TOKEN OF APPRECIATION

"Traditionally, a board of commissioner seat is more of a token of appreciation and gratitude. In most cases, they may not even come to meetings; it is just on name basis."

Independent Director, Indonesia

COMFORT IN FAMILIARITY

"The chairman is often comfortable with his or her own people, and that is what results in lack of board leadership."

Independent Director, Sri Lanka

MISPLACED PRIORITIES

"Link between vision and purpose of entity and the way governance structure is set up is often missing. The focus is on looking good in the eyes of the regulator, rather than having honest conversations."

Ex-Board Director, India

ADHOC APPOINTMENTS

"Last year, there was a rush to bring a woman into the board because of the 10% quota. Everyone looked around for wives, sisters, etc. Sadly, there was no focus on merit."

Independent Director, Sri Lanka

BOARD DIRECTOR CAPABILITY GAP

LACK OF ROLE CLARITY

"There is a tendency for board members to default to executive roles. As a parent, when your child is about 3-4 years old and when she is 25 years old, you play a different role. Similarly the role of board members and the management is different, but board leaders are rarely mature enough to realize this."

Independent Director, Malaysia

FUZZY OR NO KPIS

"Very seldom do boards have hard KPIs; more often, they are very fuzzy, and since you do not measure performance, it is almost always below-par."

Independent Director of the Board, Vietnam

LACK OF TALENT VOLUME

"In developing countries, you have a lot of hassles regarding quality of director-level talent available. In EU for instance, most directors have a similar level of understanding or background. In Asia however, the quality of talent is very varied."

Independent Director, Cambodia

ASIAN CULTURAL INFLUENCE

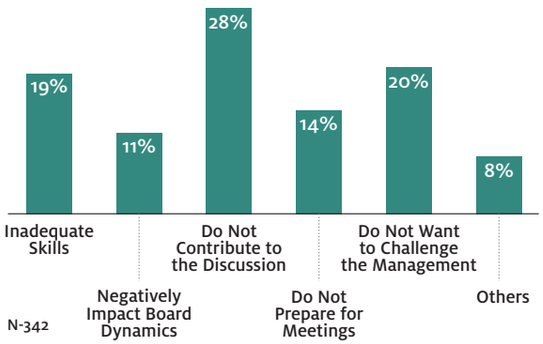
POWER DISTANCE IN BOARDS

"Power distance is still very strong for my generation. When I am in a board with a lot of senior people, I am very concisions of how I deliver certain comments. I do notice that when we have foreigners on boards, we do not have such things holding them back."

Independent Director, Malaysia

KEY REASONS FOR REPLACING BOARD DIRECTORS

% respondents who selected the option



Source: CCL Research 2019

WHAT TYPE OF BOARD ARE YOU?

JOURNEY FROM "RUBBER STAMP" TO "FUTURE FLUENT"...

Interviewee directors suggested that all boards have a "character," which depends on how the board reacts to various situations it faces. These may manifest in board's interactions with the management, the CEO, or independence of decisions. Research points at 4 such characters or flavors, and these are in a continuum of board maturity.

A "rubber stamp" board typically almost always endorses decisions proposed by the management. It may be comprised of board members who are an extension of friends and family of the promoter group. The chairperson or CEO, who may be a part of the family or closely associated with the family, takes all key decisions, and the board acts as a rubber stamp to sign off on those decisions, often without any or much dialogue.

A "watch dog" board spends maximum energy in ensuring that the organization is in full compliance with all regulations and other requirements set by the stock exchange, or other institutions of the government. Such boards are often dominated by lawyers and chartered accountants, and discussions mainly center around fulfilling all requirements to be on the "right side" of the law. Such a board may not have much appetite for risk-taking.

A "sparring partner" board is a group of directors who have a very open and honest relationship with the management in general and CEO in particular. The CEO typically puts forth all the information in front of the board, and has an open dialogue about options and implications of various decisions, with no concern of being judged. Dynamics at the board level mainly centers around trust.

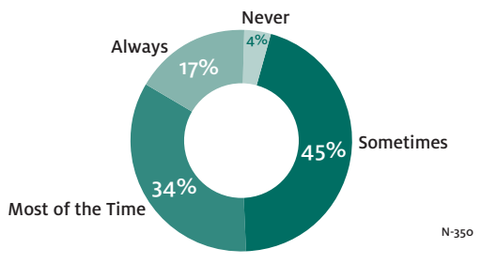
Future fluent boards spend the majority of their time discussing strategy and future-readiness of the organization.

Survey data suggested that almost one in two organizations are in a situation where relationship between the management and board can be termed as "sparring partners."

	COMPOSITION	*DYNAMICS*	*CULTURE*
RUBBER STAMP	*Promoter dominated; directors are "ceremonial"; independent directors are friends and family; CEO-chair duality*	*Unequal treatment of shareholders; no/little dialogue; politics play*	*Selective sharing; poor information flow to the board; decisions stamped without much/any dialogue; lack of perceived value from corporate governance; no board KPIs; no evaluation*
WATCH DOG	*Representation from across shareholders; independent directors mainly compliance focused; little diversity*	*Focus on fulfilling regulatory requirements; little dialogue*	*Focus on compliance; discussions mainly center around compliance requirements; corporate governance viewed as a set of "check boxes"*
SPARRING PARTNER	*Representation from across shareholders; ex-CEOs on the board; no CEO-chair duality*	*Active/constructive questioning; healthy dialogue; good CEO and chair relationship*	*Collaborative; respectful dissent; complete transparency; focus on principle-based corporate governance; clear board KPIs; active peer evaluation by external party*
FUTURE FLUENT	*Representation from across stakeholders; diverse board; no CEO-chair duality*	*Mainly strategic dialogue; discussions about company's future*	*Collaborative, respectful dissent; open; learning agility; constant board refurbishment; clear and measurable board KPIs*

ARE BOARDS AND MANAGEMENT SPARRING PARTNERS?

% respondents who selected the option



N-350

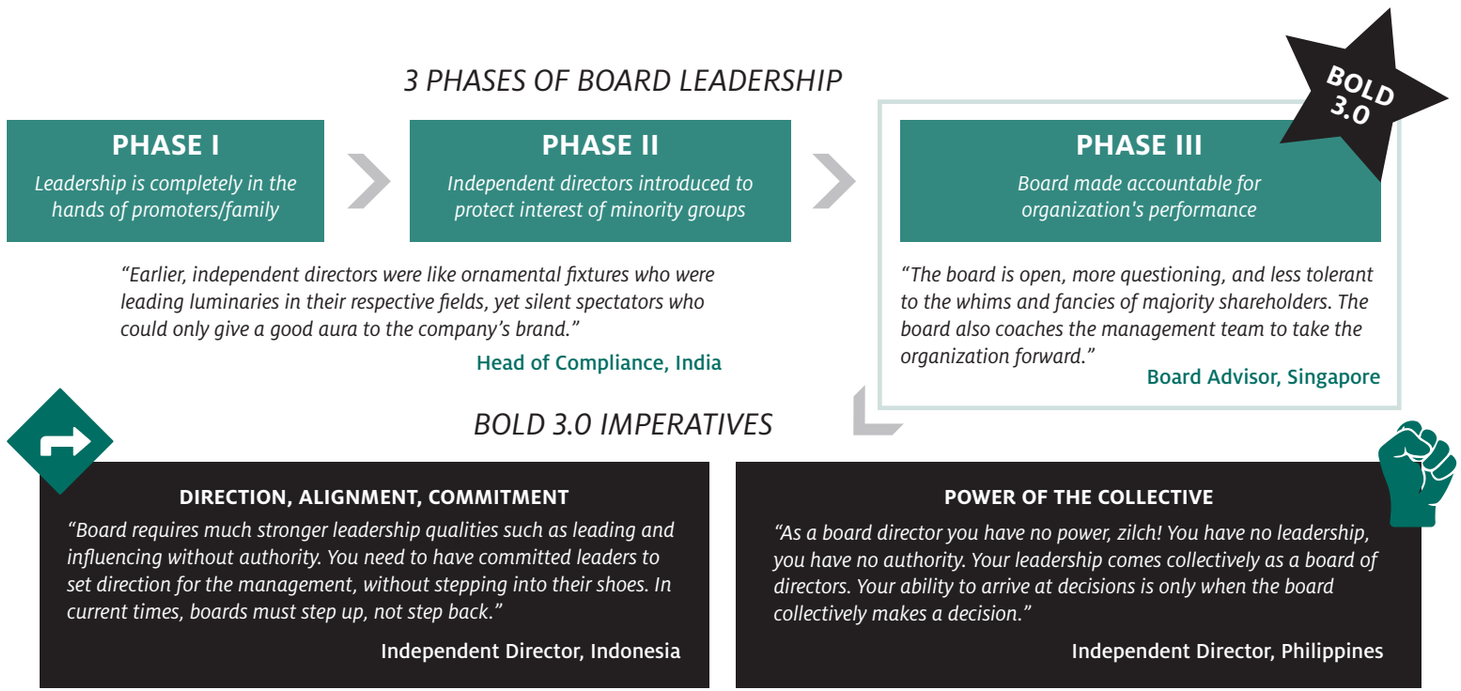
Source: CCL Research 2019

> *The role of the board is not as a rubber stamp for senior management, but a unit that makes sure the company is on the right track and that nothing untoward is brewing, that has not been reported to the board.*
>
> CEO, Singapore

> *We need sparring partners for executives, who can not only help management arrive at better decisions through a constructive dialogue, but also act as ready coaches who have been there and done that.*
>
> Board Director, Indonesia

BOARD LEADERSHIP 3.0 (BOLD 3.0)

COLLECTIVE LEADERSHIP IN ASIAN BOARDROOMS...



Source: CCL Research 2019

Board leadership evolution in Asian companies can be split in three distinct phases. Phase one was at play in the 1980s/90s or earlier, when boards were treated more like "ornaments," and leadership was only exercised by the promoter, family, or majority shareholders.

After the financial crisis in late 1990s, governance codes were tightened in most countries in Asia, new regulations came into being, induction of independent directors became a mandatory condition for listing of organiations on national stock exchanges, and there was a general push towards making boards more independent of the majority shareholder influence. This is what *Bold 3.0* study calls phase two of board leadership.

While the focus in phase two was to make better leadership happen through improved governance processes, phase three (or BOLD 3.0) focuses more on the human element at play on boards. Despite tightened governance and new regulations, the last 20 years have witnessed several governance failures in most countries in Asia. The resulting realization as articulated by interviewee board leaders is that focus on the human element is the key to good collective leadership on boards and in organizations; it matters over and above the governance process maturity.

For effective leadership to happen, the board has to function as a group; leadership is as much a social process at the board level as it is about individual brilliance. "Individual rock stars cannot make leadership happen at the board level," commented one leader. He added: "It is one for all, all for one." Another board leader said: "The board functions as a body, and that is when the company benefits; it is not about having smart individuals, the body has to work collectively as a group." The body also must agree and come together on the fundamental direction that the board and the organization needs to take, alignment that must happen in terms of working towards the desired direction, along with individual and group-level commitment.

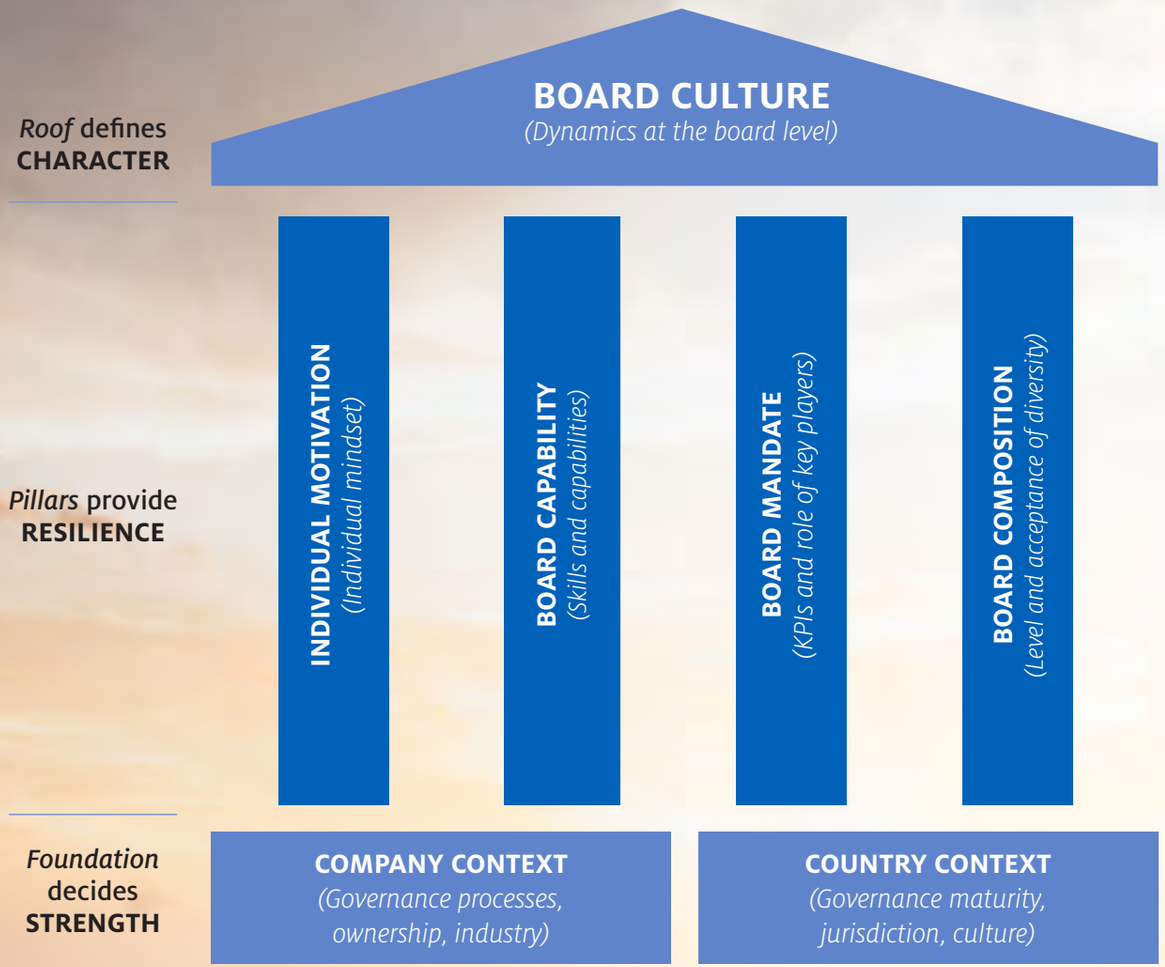
"The board role is a role of leadership, not only an advisory role," commented a board leader. He added: "It calls for us board members to be clear about the value we bring to the table through our own wisdom, expertise, maturity, voice, and by walking-the-talk."

III. BOARD LEADERSHIP SUCCESS MODEL

> **You can have 10 of the smartest people available on the board, but if they don't get aligned, interrelate well, bounce ideas, encourage each other to speak, then they will not make an effective board.**

Board Chair,
Singapore

BOARD LEADERSHIP (BOLD 3.0) SUCCESS MODEL



KEY TAKEAWAY FOR BOARD LEADER

"The strength of a board often is in more subtle aspects such as the right balance between the time given to meet fiduciary responsibilities and strategy setting, how board members get together, how they bond outside the boardroom, can they have a really intense dialogue yet walk out as friends."

Board Chair, Singapore

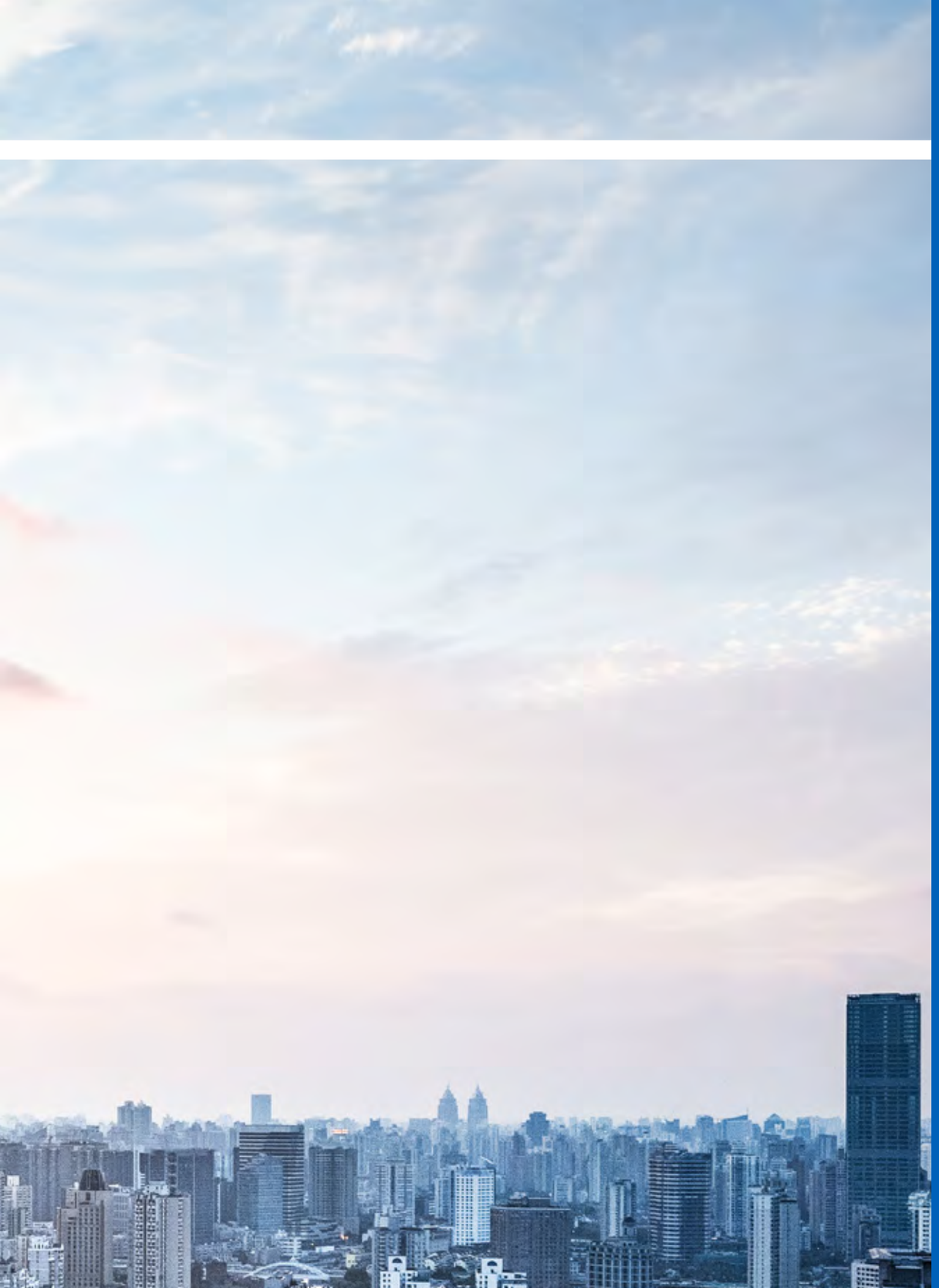
"An outstanding board director is one who wears two hats—functional expert and having a broader perspective; are you able to put yourself in the shoes of other committee chairs, other members, executives, and non-executives, and contribute to discussions in areas that you are not comfortable in, and moreover learn from those dialogues?"

Independent Director, India

"The essence of being a steward is to perform in the best interest of all stakeholders, not just for the purpose of profit. Good governance is a mindset and this mindset must be steadfast."

Independent Director, Singapore

Source: CCL Research 2019



KEY DRIVERS OF SUCCESSFUL BOARDS

BOARD LEADERSHIP SUCCESS MODEL

Effective leadership on Asian boards is akin to building a "leadership house," with three distinct elements—foundation, pillars of strength, and roof. The foundation constitutes company and country governance maturity, pillars of strength include individual will and functional/leadership skills, and the roof is the all-encompassing board culture, which enables good leadership.

The context in which a board operates is often a given, or is often hard to tweak. This includes governance processes active in the organization, ownership structure (is it concentrated or distributed), and pace and nature of the industry (growth/sunset, high-tech/traditional, etc.). Governance maturity and jurisdiction within which the company operates, and national cultural nuances are also often fixed. This sets the foundation of the board, and leaders need to operate within these pre-defined and pre-decided conditions.

A strong foundation, however, is not enough. It is also critical to have strong pillars that provide resilience to the board. Resilient pillars make individual leadership to come together synergistically to create a powerful leadership group. These pillars include individual drive and motivation in the boardroom (especially independent directors); functional, technical, and leadership expertise available; clarity of roles and commitment of individual "actors" to play those roles; and finally, diversity of genders, experiences, generations, and skills available.

A foundation and strong pillars, while necessary, are not sufficient to "protect" the house, and make leadership happen. An all-encompassing, collaborative, forward looking, and open culture is a must. Board culture, which may be defined as "the way things are done at the board level" is often the difference between individual brilliance on the board and a "brilliant board."

COUNTRY CONTEXT

COUNTRY GOVERNANCE SHAPES BOARD LEADER EXPERIENCE

SELECT COUNTRY RANKING ON GOVERNANCE CRITERIA

	CPI	PMI	GE	RQ	RL
Bangladesh	◿	◔	◿	◿	◖
Cambodia	◢	◖	◖	◖	◢
China	◖	◔	◔	◖	◖
Hong Kong	○	○	○	●	○
India	◖	○	◔	◖	◔
Indonesia	◖	◔	◔	◔	◖
Japan	○	◔	○	○	○
South Korea	◔	◔	○	○	○
Malaysia	◖	●	○	◔	◔
Myanmar	◿	◢	◢	◢	◿
Philipinnes	◖	◖	◔	◔	◖
Singapore	●	○	●	○	●
Sri Lanka	◖	◔	◖	◔	◔
Thailand	◖	◔	◔	◔	◔
Vietnam	◖	◔	◔	◖	◔

CPI – Corruption Perceptions Index; PMI – Protecting Minority Investors Score; GE – Government Effectiveness; RQ – Regulatory Quality; RL – Rule of Law.

○ Top quartile rank. ◔ 3rd Quartile rank. ◖ 2nd Quartile rank.
◿ First quartile rank. ● Top/Highest rank. ◢ Last/Lowest rank.

Source: Corruption Perceptions Index, 2018.
Retrieved from https://www.transparency.org/research/cpi/overview;
Protecting Minority Investors Score, 2018, World Bank.
Retrieved from https://www.doingbusiness.org/en/data/exploretopics/protecting-minority-investors;
Worldwide Governance Indicators, 2018, World Bank.
Retrieved from https://info.worldbank.org/governance/wgi/#home.

Key Drivers Shaping Country Context for Board Leaders in Asia

JURISDICTION

"I cut my teeth in a South African company; the regulations there are very different compared to what you have in Malaysia, Singapore, India, or anywhere in Asia, because that jurisdiction is far ahead. Fiduciary responsibility remains the same, except in different jurisdictions it manifests differently because penalties are much harsher."

Independent Director, Malaysia

GOVERNANCE MATURITY

"I have been in multiple markets in Asia and in different markets in Germany. While it is hard to generalize, I'd say the level of professionalism I have seen in the west and governance savviness is a little bit higher; the independence of board directors is a bit more pronounced."

COO & Independent Director, Sri Lanka

Quality of public institutions impact quality of corporate governance!

Where an Asian Board director stands depends on where s/he sits!

COUNTRY CULTURE

"Country culture nuances such as hierarchy and harmony play a defining role in board dynamics. I think in Singapore, the default thinking is that director is a specialist so if he thinks it's okay, we are fine, we don't need to discuss too much, we need to move on."

Independent Director, Singapore

GOVERNANCE PHILOSOPHY

"Governance in Asia is generally more rules-based as against principle-based in more developed markets. That often results in a default check-the-box mentality."

Independent Director, Hong Kong

Four key country-level and somewhat related elements influence boards in Asian organizations.

These include jurisdiction in the country, which refers to the power of a state to affect persons, property, and circumstances within its territory. While more developed countries within and outside Asia have a strong jurisdiction, most of developing Asia has a lot of room to run. The quality of governance of a country's public institutions often has a direct correlation with quality, level, and sophistication of corporate governance of firms incorporated in that jurisdiction. Corruption, bureaucracy, lack of transparency, etc., in the home jurisdiction may impact a company's governance practices. In impact terms, while fiduciary responsibilities remain the same in different countries, penalties are much harsher in some jurisdictions.

Some countries have a better maturity in terms of governance as compared to others. Secondary data comparing Asian countries on corruption perceptions; ability to protect minority investors, government effectiveness; quality of regulation and rule of the law, suggests that while Singapore, Hong Kong, and to some extent South Korea and Japan, are ahead of the curve, Cambodia, Myanmar, and Bangladesh are at serious risk in terms of governance maturity.

Pan Asia, governance philosophy leans towards rules-based, rather than principle-based. While a rules-based approach is based on the view that companies must be required by law to comply with established principles of good corporate governance, a principle-based approach is more centered on the premise that since organizations are different, most suitable corporate governance practices can differ between companies. Interviewees suggested that while the former may lead to check-the-box mentality, it is more suitable for developing Asia as it also leads to better investor confidence.

Elements of country culture that center around hierarchy, collectivism, "saving face," and conflict avoidance also squarely impact the dynamics in the boardroom.

Source: CCL Research 2019

COMPANY CONTEXT

CORPORATE GOVERNANCE PRINCIPLES SET THE FOUNDATION...

CORPORATE GOVERNANCE FRAMEWORK

THREE PILLARS

Transparency

Accountability

Security

KEY GOVERNANCE ELEMENTS

Boards:
Appointments, responsibilities, Code of Conduct, etc.

Board Committees:
Formation, composition, responsibilities, etc.

Management & Operations:
Risk management policy, whistle-blower policy, etc.

Audit & Accounts:
Auditor independence, ethical standards, etc.

Shareholder Rights:
Meetings, voting, etc.

Disclosures
Audit and accounts, independent directors, board remuneration, etc.

SAMPLE QUESTIONS LEADERS MUST ASK

- Is there a firmed-up statement or philosophy on code of governance?
- Are responsibilities of directors, CEO, and management clearly defined?
- Are there standard practices/guidelines around board composition, leadership, and committee structures?
- Are the roles/terms-of-reference of the committees clearly spelled out?
- Is there clarity about responsibilities, meeting schedule, over-boarding, agenda, compensation, capability development, and board and committee evaluation?
- Is obligation to key stakeholders such as shareholders, employees, customers, government, communities, and environment, clearly defined and understood?
- Are basic disclosure requirements met around financial statements, meeting agendas, board's oversight, etc.?

DOES REGULATION REPLACE GOVERNANCE?

POINT

"In heavily regulated industries like financial services and banks, regulatory requirements remove a lot of ambiguity around decision-making of the board. A lot of board dealings are around compliance, so there is less complex decision-making by board leaders."

Independent Director, Sri Lanka

COUNTER POINT

"Regulated industries are often also the most disrupted by technology and market developments. While decision-making is hard due to heavy checks and compliance requirements, it also means that board leaders have a much more fulfilling and creative role."

CEO, Singapore

"What is good governance? It is about how you operate the organization. How you reflect performance on the balance sheet? How you are functioning?"

Regional Compliance Head, India

Good corporate governance provides tools/guidance to board leaders to achieve company goals, control risks and ensure compliance.

"Governance is doing what is morally right and business-wise profitable. The board needs to balance short-term goals with long-term benefits through good governance."

Independent Director, Philippines

Source: CCL Research 2019

"Governance is doing what is right," said one board leader, explaining the critical need for good governance. Another director commented: "Governance ensures preservation, to guard companies against risk that are unforeseen; it is about processes, and checks-and-balances to ensure preservation."

Interviewees pointed out that the three key pillars of governance are transparency, accountability and security. Key areas that a good governance system may address are board appointments, formation of board committees, risk management, auditor independence, board remuneration, etc. For a new independent director joining the board, he/she must ask questions around practices and guidelines in place, clear definition of responsibilities of CEO and board directors, committee terms-of-reference, meeting disclosure requirements, etc.

Interviewees were split in their opinion on regulation versus governance. While some were of the opinion that in heavily regulated industries, a lot of governance grey areas are defined clearly by the regulator, hence leaving fewer such decisions to the board, others thought that regulated industries had incremental complexities around most of the governance items, making the role of board directors much more complex. "Regulation often replaces governance—you can take comfort that transparency and supervision is taken care of in regulated industries," said one board leader. She added, "We can lean on the regulator for some agendas we may want to push at the board level; in Malaysia for instance, financial institutions must appoint at least one board person with IT background, so there is no need to make a business case to do so, and there is no dragging feet on diversity of skills at least."

COMPANY CONTEXT

OWNERSHIP INFLUENCES BOARD EXPERIENCE...

FAMILY-OWNED/INFLUENCED

- Presence of founding family members on the board.
- Family member may play one or more of the CEO, chairperson roles.
- Board independence can be a key concern.

"In practice, if family members sit on the board, the culture is significantly aligned to family's interests; since the family has equity and board members have no stake, they may give inputs, but family opinions will prevail."
Board Chair, India

PRIVATE EQUITY (PE)-FUNDED FIRMS

- Concentrated company ownership with a high private equity stake.
- Board may be dominated by representatives of the PE firm.
- Lack of long-term view may be one of the risks the board may have to guard against.

"If you have a company that has a very high private equity stake, private equity held, that is analogous to a family-owned company since the ownership is concentrated. PE representative directors will define key decisions on the board."
Board Chair, Singapore

COMPLEX BUSINESS GROUPS

- Affiliated or linked companies with complex and often cross-holding ownership.
- Could be family-owned or conglomerates with or without family influence.
- Related-party transaction maybe a key concern of the board.

"Look at the largest businesses in Asia; they are mainly conglomerate-listed companies influenced by a family, with cross-ownership and complex linkages. Boards have a complex role in such firms."
Independent Director, Philippines

COMPANY MATURITY

"In a fast growth, early stage company, board is very active and may meet once or even twice a week. You're very much hands-on, and work very closely with management, and your inputs need to happen on an almost ongoing basis. For more mature companies that run on clockwork, you meet once per quarter and you may have meetings to discuss issues that are more macro."
Independent Director, Philippines

INDUSTRY TYPE

"I sit on 4 boards, and I can tell you that I enjoy being on the bank and the technology company board much more than others. Banking business is being completely transformed, and there are always a lot of strategic issues to discuss. The tech company has a much younger board and the nature of discussions is always about how the future will be different."
Board Chair, India

Source: CCL Research 2019

Company ownership defines board experience. Concentrated shareholding often may lead to comparatively lesser autonomy at board level.

Family-owned or family-influenced organizations, or those owned by PE firms, often have more concentrated shareholding patterns. This may lead to a compromise in independence of boards. PE firms may lack a long-term view on the organization since they traditionally actively look for short-term gains.

GOVERNMENT-CONTROLLED

- State controls a major stake and deeply influences key decisions.
- Boards may operate under direct/ indirect political influence.
- Lack of accountability and efficiency may be key concerns of the board.

"In a government-owned or linked company, often appointments are politically motivated, and the role of the board is marginalized. Since there are too many stakeholders, the board may be dysfunctional in most cases."

Independent Director, Malaysia

MNC SUBSIDIARIES

- MNC-listed subsidiaries may function more like a division.
- Boards typically have majority non-independent directors, from within the corporate structure.
- The board simply may just implement HQ decisions.

"I think very often MNC boards are there to fulfill a local requirement to have a board. Depending on management structure, the board is usually non-independent by design because it often comprises of maybe the country head, the region head, etc., so it is often from within the management structure."

Board Chair, Singapore

INSTITUTIONAL FIRMS

- Large companies with diversified shareholding.
- The board generally may be more independent, less dominated by controlling shareholders, if any.

"In large companies that are more institutional in nature, where shareholding is more diversified, less in the hands of a controlling shareholder, the board plays a much more active and fulfilling role. Management is also more open, and often much more keen to extract value from the board."

Independent Director, Singapore

"In my case [an NGO], board leaders serve pro-bono, so you inevitably get a small number of willing 'horses' who are prepared to sit on boards and even turn up and do their bit, but you get many other 'passengers.' There is a certain social or professional cache by being invited to sit on an NGO board. But once they get on the board, they are sort of just there physically, but not really in any real meaningful way. The question I have for 'passengers' is: Why are you really here? Because, if you're not prepared to do something, why don't you go off and do something you're interested in?"

CEO, Singapore

Source: CCL Research 2019

Several companies in Asia may be owned by complex business groups; these could be family-owned or conglomerates without family influence. Since there are associated businesses in the group, often across the value chain, related-party transaction is a key risk in such organizations.

Government-controlled organizations are complex too, since there is often a lack of clarity and accountability. Also, there are too many stakeholders involved.

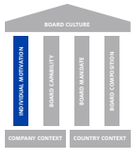
In multi-national companies (MNCs) decisions are often made in the headquarters, and local boards generally comprise non-independent directors, often executive leaders in different subsidiaries and the head office.

Institution-owned organizations generally have a more dispersed shareholding, and have a good mix of independent professionals and non-independent directors. "In a diverse shareholding company, there is usually a good governance environment because there are a lot of eyes looking at the business," highlighted one director.

INDIVIDUAL MOTIVATION

10 MINDSET SHIFTS LEADERS MUST MAKE...

The intent of independent board directors often decides the quality of leadership at an individual level on the board. Why have directors taken up a board responsibility? What is their key motivation? What do they want out of board appointment? How bought-in are they to the values, mission, and vision of the organization? How deeply independent directors reflect and feel accountable towards their role? These questions often decide the level of individual leadership in boardrooms.



Interviewees pointed at several mind-shifts independent directors must make as they reflect upon their board role.

One, they must feel personally accountable towards their responsibilities on the board. Is the key driver a social calling card, or is it post-retirement remuneration, or is it a genuine burning desire to challenge self in solving complex business problems, or coach and mentor senior executives, and make a difference to the stakeholder community? "A board position is not a walk in the park that it used to be; it is no longer a retirement job with remuneration," commented one board leader.

FROM DIRECTORSHIP AS AN AVOCATION TO A SERIOUS PROFESSION

"Board directorship is a profession; just like a doctor or a lawyer needs to update herself all the time, a board director also needs to learn along the way."

Board Chair, Singapore

FROM OWNERS' PUPPET TO CUSTODIAN OF STAKEHOLDER RIGHTS

"One of the most obvious problem is they [board directors] protect the interest of owners that they represent; they seldom protect the interest of all shareholders."

Independent Director, Vietnam

FROM "COUNTRY CLUB MEMBER" TO AN ACCOUNTABLE LEADER

"The board is not an old boys' club, it is not like a country club membership—you come in, joke with your mates, have a good time, with no sense of responsibility. Being a listed-company board director is not a joke. The sense of responsibility is real. The personal liability element is very high, and it will only get higher in future due to shareholder activism."

Board Director, China

FROM QUANTITY TO QUALITY OF BOARD POSITIONS

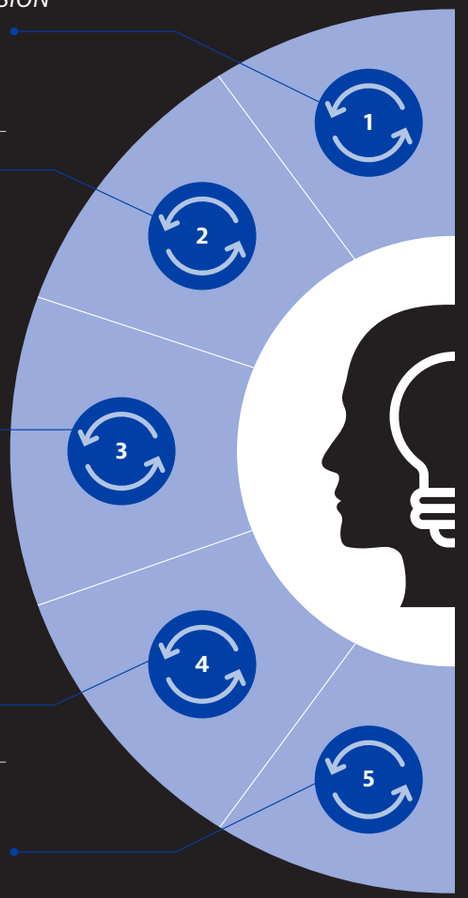
"Gone are the days when you would retire from a full-paid job and then aspire to sit on, say, 6 to 10 boards, collect director's fees and have a jolly nice time. It is actually very onerous now to be a board director, because they are responsible for the outcomes that companies produce—the good and the bad. Fewer board director positions and higher involvement is the key."

CEO, Singapore

FROM KNOW-IT-ALL TO EAGER LEARNER

"Board directors, even if they are in their 60s and 70s, need to keep learning. If you stop learning, you are old even at the age of 30."

Company Secretary, India



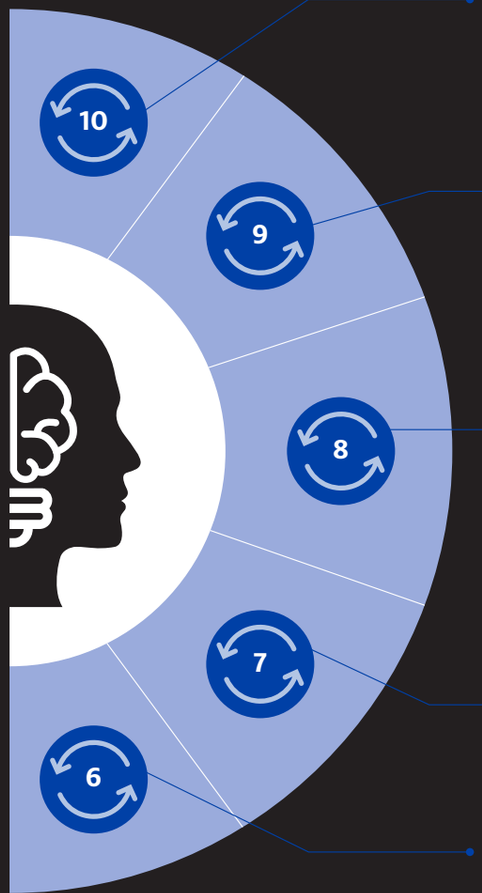
Source: CCL Research 2019

Interviewee chairpersons suggested that one quick way to evaluate commitment and intent of independent directors is to simply track the number of independent board roles they have at any one time. Interviewees shared that anything more than 4 or 5 board positions may indicate lack of appropriate intent on the part of board leaders. They shared that it is not physically possible to devote serious effort with adequate commitment to more than 4 or 5 boards.

Independent directors must devote adequate time to research, read, update, and come up-to-speed on company operations. They need to be eager, hungry learners, and must have their "head on the swivel," aware of what is happening around them, key trends on technology, sustainability, business, economy, geopolitics, trade, etc.

Interviewees also highlighted a mindset of courage and respectful challenge. Leaders pointed that there is a certain level of "dignity" that a board leader must demonstrate in his or her demeanor. One leader commented: "How do you manage maturity, friendliness, and firmness, all at the same time? It is a tightrope walk; problems arise when board directors become too friendly, too relaxed, too withdrawn, or too serious."

Finally, board leaders must treat directorship as a profession, and that too with a lot of respect. "If you accept appointment on the board with an understanding that it is a post-career retirement option, you will be disappointed," mentioned one leader. She added, "You have to consider it as a profession, and as a professional, you are here to add value to the institution and the shareholders; while it is not a full-time job, it is a full-time responsibility."



FROM PERMANENT FIXTURE TO A HARBINGER OF CHANGE

"As a board director, we must know when to step aside. A lot of senior executives don't know when to step away for new blood to come in. We must have the courage to say that 'my time is up' so that the next generation can come in."

Board Chair, Malaysia

FROM PASSIVE SUPPORTER TO A CONSISTENT LONE VOICE

"When you are the only one raising a certain issue—say, issue of future readiness, or ethics of decisions, or looking at certain aspects of decision-making, etc.—then you need to be consistent about it for your peers to take notice and respect your perspective."

Independent Director, Singapore

FROM SAGE-ON-STAGE TO GUIDE-ON-THE-SIDE

"You have to remind yourself that while you need to be a powerful champion of the right thing, your job is to help management succeed, and not to do their job. So, the fine line I always find hard to deal with is to give management an idea rather than to sit back and say "why not this?" To ask questions rather than give ideas."

Independent Director, Singapore

FROM QUIET AND TIMID TO CURIOUS AND "THICK-SKINNED"

"Be curious and be a little thick-skinned, willing to ask questions that you might even consider stupid; never mind and ask, because that simple question may provide volumes of information. You cannot just sit pretty in your seat, not ask any questions, and hope that nothing untoward happens."

Independent Director, Singapore

FROM ME TO WE!

"Don't bring your ego along when you come for [board] meetings; you are on that board to make the collective leadership happen. If you are not comfortable with that, move on."

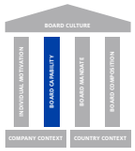
Independent director, Sri Lanka

Source: CCL Research 2019

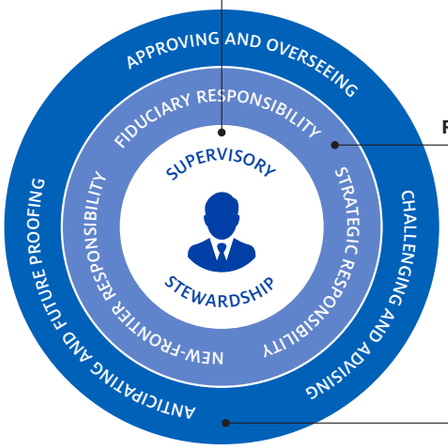
DO YOU HAVE THE RIGHT INTENT?

QUESTIONS SERVING BOARD DIRECTORS MUST REFLECT UPON...

1. *What is my motivation to take up the board director position (as an independent director)?*
2. *Am I willing to treat the board role as a serious commitment?*
3. *Will I be able to carve time out of my busy schedule to fulfill all my board commitments?*
4. *Do I have the eagerness and enthusiasm to learn more and get better at my role (as a board director)?*
5. *Am I able to respectfully disagree?*
6. *Can I elevate myself from operational issues to guide the management team?*
7. *Am I scared of being the lone voice in the room?*



BOLD 3.0: ROLES, RESPONSIBILITIES, ACTIVITIES



ROLES

"The board's role is providing supervision, overseeing strategy formulation and implementation, stewardship, and trusteeship on behalf of stakeholders."

Independent Director, Malaysia

RESPONSIBILITIES

"In addition to fiduciary responsibilities, the board must focus more on the long-term, because in any case, the management and operating team looks at the short term. The board must also demonstrate ownership of strategy, direction setting, defining objectives of the organization, and that's where there should be more focus."

Group Company Secretary, India

ACTIVITIES

"In dynamic times such as these, boards have gone from 'hindsight' to 'insight' and now to 'foresight.' Hindsight is accountability of transactions, audit, etc., while insight is using that information for future direction, and foresight is looking far out ahead and guiding the organization to be future ready."

Board Chair, India

"Board should not manage businesses but manage management, and, drive the team to drive results. Let boards concentrate on vision, policy, strategy, monitor governance, and motivate the team to perform."

Regional Compliance Head, India

Source: CCL Research 2019

ROLES AND RESPONSIBILITIES

BOLD 3.0 CAPABILITY MODEL

KEY BOARD ACTIVITIES

- ✓ Long-term policies, plans and strategy
- ✓ Short-term policies, plans and strategy
- ✓ Risk management and internal controls
- ✓ Innovation strategy
- ✓ Technology proofing
- ✓ Sustainability agenda
- ✓ Code of conduct/ethics
- ✓ Stakeholder engagement
- ✓ Resources/budgets
- ✓ External audit plans
- ✓ Internal audit plans
- ✓ Compliance to laws and regulations
- ✓ Business performance
- ✓ Investment decisions
- ✓ Branding related decisions
- ✓ CEO appointment and performance management
- ✓ Key management position appointments
- ✓ Compensation policy
- ✓ Talent and people issues
- ✓ Capability development of the board
- ✓ Board refreshment/succession planning
- ✓ Culture shaping
- ✓ Corporate reporting
- ✓ Delivering long-term value to the society
- ✓ Anti-bribery/corruption policies

The key purpose of a board is to ensure a company's success by directing its affairs, and fulfilling supervisory and stewardship roles. While on the one hand, boards oversee or supervise risk and compliance, executive performance, strategy, etc., they also act as stewards of resources on behalf of shareholders, advising areas of investment, and driving innovation and talent development.

Supervisory and stewardship roles that boards play translate into broadly three categories of responsibilities —fiduciary responsibilities or duty of care while making future decisions, putting the interest of the organization as supreme, and fulfilling duties in good faith; strategic responsibilities or making sure the organization is planning ahead, providing inputs to the enterprise strategy, approving strategy and strategic plans, etc.; and "new-frontier" responsibilities such as collective foresight, driving innovation, technology direction, etc.

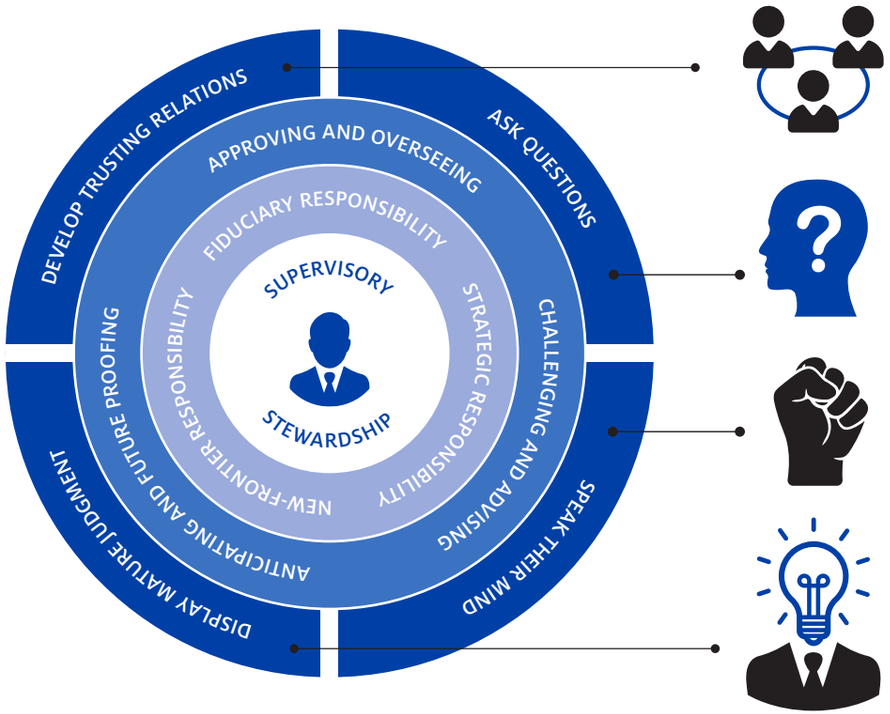
Key activities to fulfill these responsibilities typically include approving and overseeing management decisions, challenging the CEO and practicing respectful questioning with an intent of making better business and strategic decisions, and anticipating the future, almost taking the current-day decisions wearing a future "hat."

"In my experience, both from an executive standpoint as well as a non-executive independent director standpoint, there's a lot of emphasis on numbers and financials," explained a board director, reflecting on her role. She added, "I think it is a very important part of any company, but finance and numbers are all lag indicators; what we need to do is to be able to find out things that can be lead indicators."

MUST-HAVE BEHAVIORS

BOLD 3.0 CAPABILITY MODEL

BOLD 3.0: FOUR BEHAVIORS SUCCESSFUL BOARD LEADERS DEMONSTRATE – LEADER REFLECTIONS



"The success of a [board] leader depends on being comfortable with management and shareholders, and developing a meaningful relationship with fellow board directors and the board chair."

Chairperson, Singapore

"Board members who contribute a lot are just like journalists—inherently curious, learning agile, and adept at asking questions."

Independent Director, India

"Directors need to slow down and have the courage to ask for as much time as needed to understand what they are looking at; we need to have the courage to ask tough questions of the CFO or the CEO."

Board Leader, Singapore

"A board leader must have intellectual capabilities, street-smart, and an astute mind to question and not just be a yes-man for the majority shareholder. Their job is not to be myopic, but to look at the bigger picture and to bring an outside-in perspective."

Independent Director, Philippines

Source: CCL Research 2019

What are the behaviors that separate a board director who adds a lot of value, from a director who is an "also-ran?" Interviewees pointed at four key behaviors that differentiate great directors from good and average.

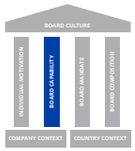
One, great directors speak their mind. Their focus is on organization good, not being loyal to a particular shareholder or group of shareholders. They do not hold back their inputs or comments, albeit deliver their inputs in a respectful way.

Two, great directors display mature judgment in decisions they take, dialogues they lead, questions they ask, potential solutions they evaluate, and human or people issues they handle. They are able to think simultaneously on different planes, are aware of different world views, and can manage multiple paradoxes and dilemmas.

Three, great directors are not "lone stars," they are able to collaborate with peers, are seen as sparring partners by management and the CEO due to the strength of relationship, have a wide network across organizations which can help open doors for incremental business, are respected even by regulators, and have relationship of mutual respect even with vendors and suppliers.

Four, great directors ask questions. They do that not out of arrogance or to display their brilliance, but to take the discussion to a higher plane. Their line of questioning displays authentic intent and is done in a respectful way. While they are not shy of asking questions, they are rarely seen as "disrupters."

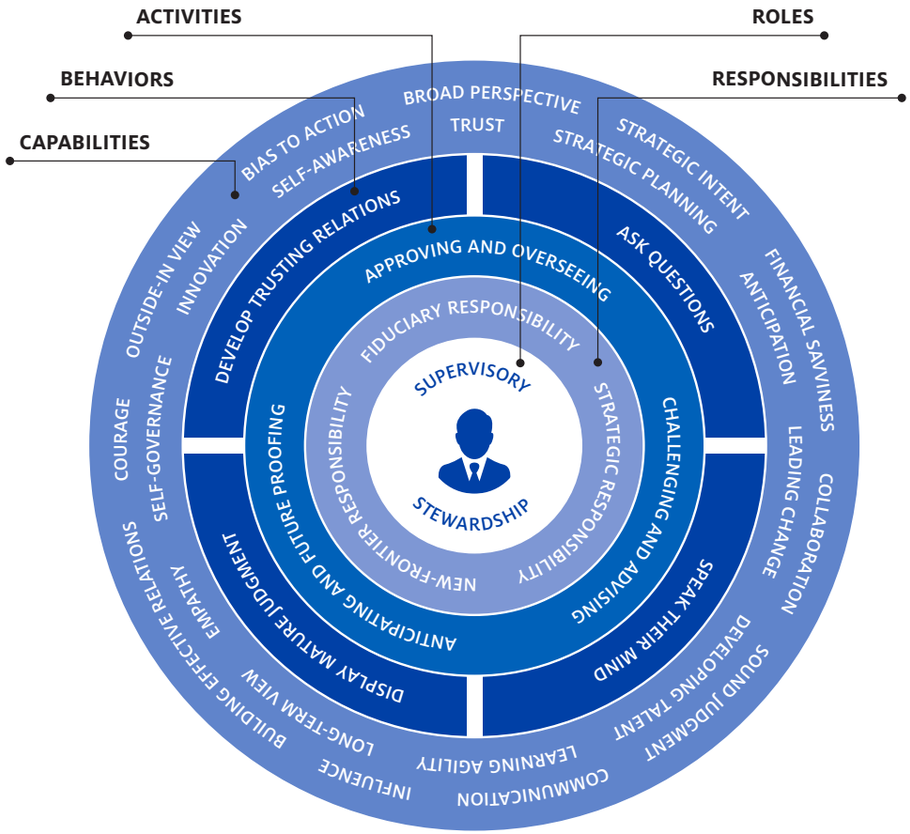
The four behaviours—speaking their mind, asking questions, developing trusting relationships, and displaying mature judgment—are the areas that interviewees across Asia highlighted as key differentiators.



KEY SKILLS AND CAPABILITIES

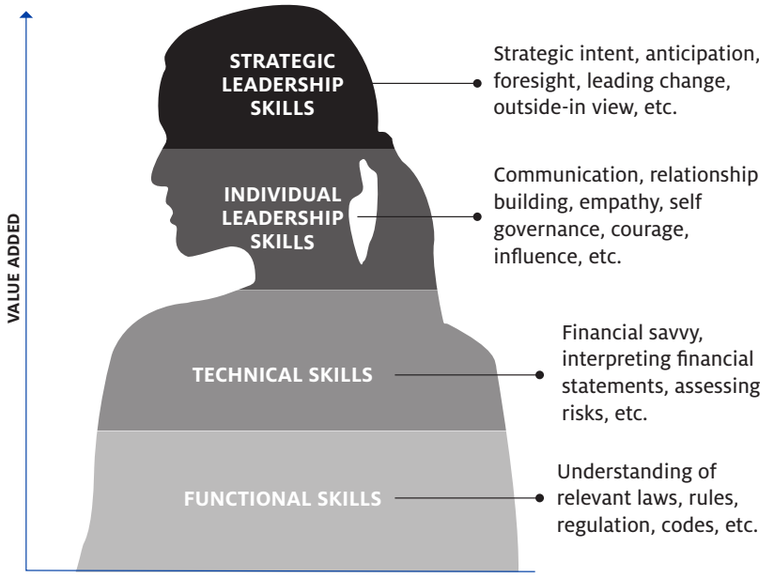
BOLD 3.0 CAPABILITY MODEL

BOLD 3.0: KEY CAPABILITIES BOARD LEADERS MUST POSSESS



Source: CCL Research 2019

DECONSTRUCTING A 'ROCK STAR' BOARD LEADER (ILLUSTRATIVE)



Board directors have a complex role; while they need to worry about the here and now issues such as market conditions, competition, compliance, and succession, they also need to keep an eye out into the future and reflect on future business scenarios, changing geopolitics, technology, innovation, etc. Traditionally, board directors in Asia have focused more on hindsight than foresight!

Capabilities have therefore centered on functional skills—understanding of governing law of land, regulations, governance codes, etc., and technical skills—financial savvy, risk assessment, etc. Most boards are adequately equipped with functional and technical abilities.

Interviewees however pointed that most boards in Asia are quite content with these two streams of capabilities. They rarely look at nurturing, leveraging, or developing individual leadership skills and strategic leadership skills. "The expectation is that if someone with decades of experience is joining the board, he or she is an effective leader already," explained one board leader. She however cautioned: "Being a board director is very different from running a business unit operationally; leaders must have top-notch self leadership and strategic thinking skills."

Research highlights the need for anticipation, change management, communication, relationship building, empathy, influencing skills, etc. that leaders must possess to play an effective role in the boardroom.

> *"Rock star board directors are subject-matter experts, have great communication skills, courage to be the lone voice, and intellect to not only understand the here and now, but also the foresight to look into the future and tweak current-day decisions accordingly."*
>
> Independent Director, Philippines

KEY SKILLS AND CAPABILITIES

CRITICAL SKILLS BOARD DIRECTORS IN ASIA MUST HAVE

Research highlights the importance of leadership skills to make an effective board director. The top five skills across different countries in Asia are trust and credibility, sound judgment, strategic intent, having a long-term view, and ability to do strategic planning. However, since the survey asked respondents to mark each skill on a four point scale—"not important at all" to "very important"—a majority of respondents selected either "important" or "very important" options on most skills. This trend strongly underlines the need for leadership skills.

According to respondents, trust, judgment, and strategic intent clearly outscored anticipation, learning agility, innovation, etc., thereby highlighting the focus on "fundamentals" for most leaders at the board level.

Most participating countries mapped the collective data set on the importance of key capabilities, with trust/credibility topping the top-5 chart, except for Vietnam, that interestingly had the trust/credibility piece missing from the top-5 capabilities list.

There seems to be a clear business case for boards and board leaders to invest in leadership capabilities, to improve the level of overall collective leadership in organizations.

TOP 5 SKILLS

INDIA
1. Trust/Credibility
2. Strategic Intent
3. Sound Judgment
4. Anticipation
5. Self-governance

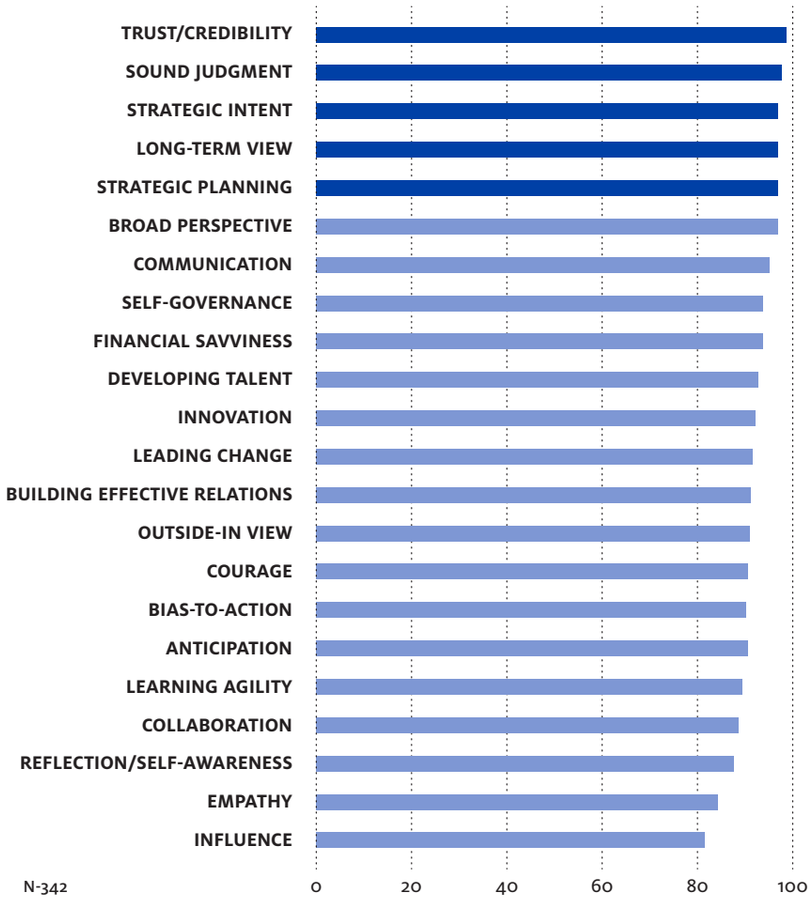
MALAYSIA
1. Trust/Credibility
2. Sound Judgment
3. Long-term View
4. Broad Perspective
5. Strategic Intent

PHILIPPINES
1. Trust/Credibility
2. Sound Judgment
3. Strategic Planning
4. Broad Perspective
5. Strategic Intent

BOLD 3.0 SKILLS

IMPORTANCE OF KEY SKILLS

% respondents who selected the skill as "Important" or "Very Important"



TOP 5 SKILLS

SINGAPORE
1. Trust/Credibility
2. Strategic Planning
3. Strategic Intent
4. Sound Judgment
5. Long-term View

SRI LANKA
1. Trust/Credibility
2. Broad Perspective
3. Sound Judgment
4. Strategic Planning
5. Communication

VIETNAM
1. Broad Perspective
2. Strategic Intent
3. Building Effective Relations
4. Outside-in View
5. Anticipation

Source: CCL Research 2019

KEY SKILLS AND CAPABILITIES

MUST-HAVE SKILLS DEFINED

- ✓ **TRUST/CREDIBILITY:** *Being trusting and trust-worthy based on authenticity, reliability and capability.*
- ✓ **SOUND JUDGMENT:** *Ability to dispassionately consider the consequences of one's decisions in a variety of situations.*
- ✓ **STRATEGIC INTENT:** *Mindset that helps focus on creating new capabilities to exploit future opportunities.*
- ✓ **LONG-TERM VIEW:** *Ability to take a long-term perspective of company operations and its impact on key stakeholders.*
- ✓ **STRATEGIC PLANNING:** *Ability to set a vision for a company and then plan to realize that vision through small, achievable goals.*
- ✓ **BROAD PERSPECTIVE:** *Step back and defocus from the current situation to look at the larger picture.*
- ✓ **COMMUNICATION:** *Ability to convey or share ideas and feelings effectively, clearly and succinctly.*
- ✓ **SELF-GOVERNANCE:** *Power or control over oneself without external interference to do the "right" thing.*
- ✓ **FINANCIAL SAVVINESS:** *Shrewdness and practical knowledge in matters related to finance and commerce.*
- ✓ **DEVELOPING TALENT:** *Helping create opportunities for talent to develop necessary skills and capabilities.*
- ✓ **INNOVATION:** *Develop and exploit new ideas for the purpose of gaining social or economic value*
- ✓ **LEADING CHANGE:** *Helping individuals, teams, and organizations transition to a desired state to implement vision and strategy.*
- ✓ **BUILDING EFFECTIVE RELATIONS:** *Ability to develop mutually beneficial social and professional connections.*
- ✓ **OUTSIDE-IN VIEW:** *Ability to have an external, customer, or stakeholder view while solving internal challenges.*
- ✓ **COURAGE:** *Ability to express one's opinion freely without fear.*
- ✓ **BIAS-TO-ACTION:** *Choosing quick, yet well thought-out actions and fail-fast-approaches over inaction, whenever there is a choice.*
- ✓ **ANTICIPATION:** *Ability to look ahead into the future and take current-day decisions with that perspective.*
- ✓ **LEARNING AGILITY:** *Willingness and ability to constantly learn and then apply that learning in new situations.*
- ✓ **COLLABORATION:** *Engage with others productively and efficiently.*
- ✓ **REFLECTION/SELF-AWARENESS:** *Knowing your strengths and weaknesses, and the impact that your behavior has on others.*
- ✓ **EMPATHY:** *Understand others' situation, perceptions, and feelings from their point-of view.*
- ✓ **INFLUENCE:** *Power and ability to personally affect key stakeholders' actions, opinions, and decisions.*

> ***For me there are 3 things a board director should have—integrity, definitely the most relevant quality; insight; and foresight, meaning you are looking at the horizon.***
>
> Independent Director, Philippines

CRITICAL CAPABILITY GAPS

SKILLS BOARD LEADERS MUST FINE TUNE

Data suggests that while trust/credibility, sound judgment, strategic intent, long-term view and strategic planning are the top-five capabilities board leaders in Asia must possess, they are not the biggest gap areas.

The top five skills board directors in Asia currently possess include trust/credibility, sound judgment, financial savviness, collaboration, and self-governance.

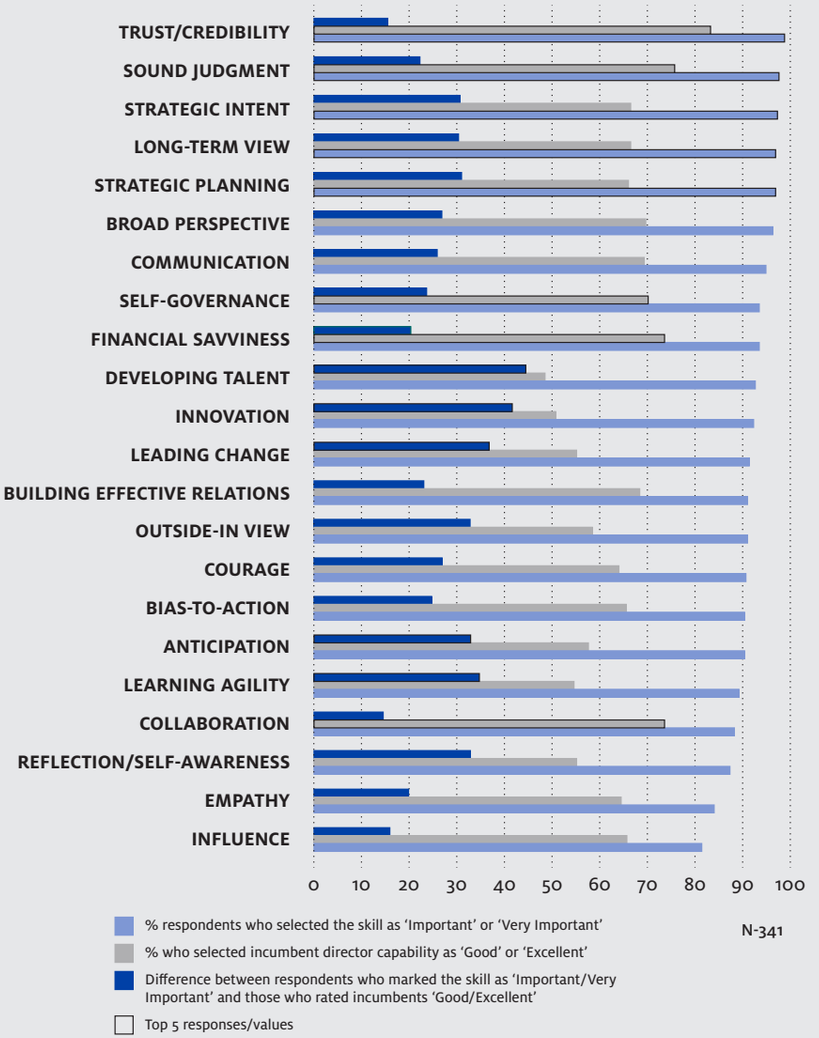
The biggest gap areas for board directors in Asia include developing talent, innovation, leading change, learning agility and ability to anticipate. Most of the gap areas are around fulfilling "new frontier responsibilities," activities that boards in Asia must engage in to make organizations future-ready.

While gap capabilities are not currently considered the most important basis survey data, their demand is slowly and surely increasing.

"Board members in Asia are mostly great workers, but they are still trapped in 'worker' mentality; they are yet to jump on to the leadership bandwagon," said one board director. He added, "Being a board member, the director needs to have a bigger vision and set higher goals for the company."

BOLD 3.0 CAPABILITY GAPS

PERFORMANCE OF INCUMBENT DIRECTORS AND KEY CAPABILITY GAPS



TOP 5 GAPS

INDIA
1. Innovation
2. Anticipation
3. Outside-in View
4. Developing Talent, Self-governance
5. Strategic Intent

MALAYSIA
1. Innovation
2. Developing Talent
3. Learning Agility
4. Leading Change
5. Strategic Intent

PHILIPPINES
1. Developing Talent
2. Innovation
3. Leading Change, Learning Agility
4. Strategic Planning
5. Long-term View

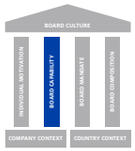
TOP 5 GAPS

SINGAPORE
1. Developing Talent
2. Reflection/ Self-awareness
3. Innovation
4. Leading Change
5. Courage, Communication, Outside-in View, Learning Agility

SRI LANKA
1. Anticipation
2. Leading Change
3. Innovation
4. Reflection/Self-awareness
5. Learning Agility

VIETNAM
1. Developing Talent
2. Bias-to-action
3. Broad Perspective
4. Anticipation
5. Leading Change

Source: CCL Research 2019



CAPABILITY DEVELOPMENT

WHY, WHAT, HOW AND WHO OF IT...

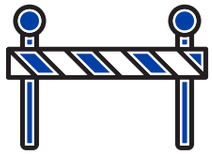
BOARD LEADER CAPABILITY DEVELOPMENT

WHY is it Required More than Ever Before?

- "Rapidly changing environment"
- "Market pressure"
- "New ways of doing things"
- "Incremental regulatory requirements"
- "Increased competition for board positions"
- "Generational gap between boards and consumers"

"I feel board training and re-training is a must since new board directors may not know what board responsibility is all about, or older members may need to learn new skills to lead effectively, thanks to the rapidly changing context."

CEO, Philippines



WHAT Stops Incumbent Directors from Developing?

- "Organizations expect board leaders to come with key capabilities"
- "Ego; closed mind towards capability development"
- "Lack of time availability due to too many board responsibilities"
- "May not be seen as socially acceptable to go-to-school"

"It is a little awkward to bring it up—hey I want to be trained! It has to be a collective discussion since there is always a need to re-discover ourselves and re-discover the world around us."

Board Director, Sri Lanka

HOW Can Organizations Help Develop Capability?

- "Half- to one-day modules on key capabilities—functional, technical, and leadership"
- "Inviting speakers and thought leaders to board meetings"
- "Nominating leaders to attend relevant conferences"
- "Sending board leaders on advanced management programs"

"We must have a PG diploma in board leadership; perhaps a 3-4 day program sponsored by the company; we must bring some discipline into board leadership."

Board Chair, India

WHO Is Accountable for Capability Development?

- "Director himself or herself"
- "Nominating Committee"
- "Board Chair"
- "Shareholders"

"The board does not report to a figure that manages them and evaluates them periodically on their performance; they are answerable to shareholders, who also do not have direct influence over them, hence there is no burning conversation around building capability."

CFO, Singapore

Source: CCL Research 2019

Despite most interviewees agreeing that boards need to improve their leadership skills, and that they need to focus on their own capability development as well, most also conveyed that there is rarely a dialogue about board leaders' self development.

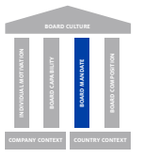
A rapidly changing world, incremental market pressure, new ways of doing things, and a typical generational profile of board directors in Asia mandates the critical need for capability development. Despite clear needs, there are rare efforts towards fulfilling this objective.

Reasons for ignoring board development are plenty—company expectations that board directors are experts at "everything," lack of time availability, and lack of growth mindset in in-seat directors.

Progressive companies always look for ways to enhance board capability. These could be initiatives to educate and develop boards by inviting thought leaders in-house, or nominating directors to attend external conferences, or enrolling them for advanced management programs. "I would really design workshops on how board members can ask very pointed questions; strategic questions that can help management on the discovery path and also give clarity where potential vulnerability exists," explained a board leader on developing a much-needed behavioral trait through development interventions.

Finally, who is responsible for board development? Interviewees were unanimous that the board director himself/herself, board chairperson, nominating committee, and shareholders are key to driving capability development.

BOARD MANDATE



ROLE OF MANAGEMENT, SHAREHOLDERS, AND THE BOARD...

WHAT IS YOUR ROLE?

MANAGEMENT

- Make operational decisions
- Make operational policies
- Keep board educated and informed
- Bring well-documented information and recommendations to the board
- Hold board accountable

MANAGEMENT MUST SUPPORT BOARD

"Management should always be open with board directors, and build a good working relationship. Directors have to behave in a way that encourages management to be open with them, and not hide information."

Board Chair, Thailand

SHAREHOLDERS

- Aspire for good governance
- Consider interest of broader stakeholders
- Induct high quality directors
- Anticipate future and build required board skill sets
- Vote actively on key decisions

SHAREHOLDERS MUST ENGAGE MORE

"Shareholders must be more active and challenging in general meetings, engage in voting, and take ownership of their company. My experience is that shareholders love to complain when something happens, but they never show up."

CEO, Singapore

BOARD

- Select the CEO and executive team
- Approve key policies
- Make key decisions
- Oversee performance
- Serve as external advocate
- Evaluate top team performance
- Comply with all laws affecting the business
- Monitor and review employee relations
- Create checks and balances for the management

BOARDS MUST HAVE KPIS...

"I think boards should have their own KPIs just like the executive staff, and their performance must be evaluated accordingly, to clearly understand and demonstrate effectiveness of the senior-most group of leaders in the organization."

Independent Director, Sri Lanka

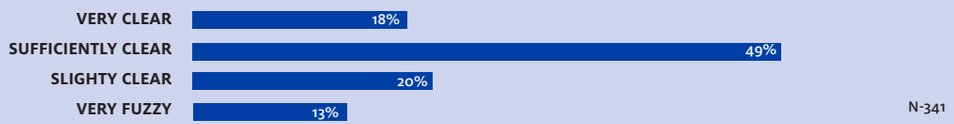
...THAT CAN BE GRADED!

"Boards must have KPIs that are visible and easy to measure —share price, strategy execution per schedule, performance of the CEO, level of compliance, etc.—very visible, just like a school report card; you get A, B, or C so that one can't say that the board has failed if the company has exceeded their numbers whether it's P&L, or share price."

Independent Director, Sri Lanka

CURRENT LEVEL OF CLARITY AROUND BOARD KPIS

% respondents who selected the option



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Source: CCL Research 2019

Key stakeholders—shareholders, board, and management—all have roles, responsibility, and accountability; the clearer the accountability, the better functioning the board. Data suggests that while board directors spend up to 300 hours a year on a single company board commitment, it is much less than the up to 3,000 hours each member of the management team puts in.[1] The mandate of key "actors" therefore needs to be appropriately apportioned.

The CEO and management team's role is to provide leadership, make operational and business decisions, keep the board informed and educated, and hold the board accountable. CFOs play a key role in the management team since they can unlock the potential of the board: as they know the numbers, understand business, but do not own the business; CFOs can be great thought partners for the board.

The board, on its part, must play a fiduciary and stewardship role on behalf of shareholder(s). It must oversee company performance, evaluate top team performance, work on succession, and provide a check-and-balance system.

Shareholders are also not devoid of responsibility. Even though they "own" the company, they must curate a good board, aspire for "good" governance, update the board skill set at regular intervals, and vote actively for key decisions.

Reflecting on her board tenure, one board director commented: "A good question to ask is what do you need from the board? What do you want? And how we can help you make the company grow bigger or solve the challenge?" "The management must realize that the board is where we can tap for help, not just a group to be fearful of," she added.

1. Simon CY Wong, The Board Perspective: Boards – When Best Practice Isn't Enough, Mckinsey Quarterly, June 2011.

BOARD MANDATE

ROLE OF KEY ACTORS ON THE BOARD

CHAIRPERSON LEADS THE BOARD

"I think the most important thing is to have a chairperson who is open but firm. The chair needs to be a person who is able to lead the board in a very inclusive and collaborative fashion. He or she needs to be the kind of individual who will be able to stimulate discussions, manage the board, direct its work, oversee its work, delegate responsibilities for audit, for nomination, for remuneration, and other board committees that exist, and make sure that he or she can get the best out of the team that sits on that board."

Independent Director, Sri Lanka

CEO PARTNERS ACTIVELY WITH THE BOARD

"CEO must be transparent with the board and consider it as a true partner, feeding them all the information required, and seeking their wise counsel in long-term and short-term decisions."

Independent Director, Sri Lanka

EDS, NEDS INFLUENCE OPERATIONS

"Executive Directors (EDs) in the company are responsible for executive decisions, strategy, and day-to-day functioning, and independent directors (IDs) or non-executive directors (NEDs) provide checks and balances to ensure decisions that are made are sensible, sound, and in compliance with local regulations. IDs are also responsible for bringing in the much required outside-in perspective to the board."

Independent Director, Sri Lanka

BOARD CHAIR AND CEO RELATIONSHIP

SUPER BOSS

"When the chairman becomes a super CEO, that's when the board becomes dysfunctional. If there is a chairman who wants to get very hands-on even with things like marketing campaigns or with the budgeting exercise or whatever, that is when trouble brews. The CEO feels that his or her authority is being diluted."

Independent Director, India

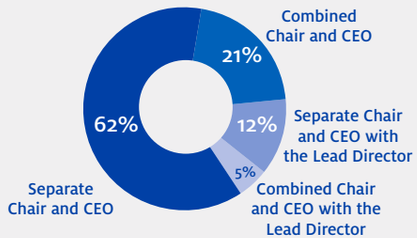
...OR CEO MENTOR

"The chairman needs to be a person who mentors the CEO because most often the chairman would be someone older than the CEO by 10 to 15 years, and often with much broader experience."

Executive Director, Vietnam

BOARD LEADERSHIP STRUCTURE

% respondents who selected the option



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Source: CCL Research 2019

Within the board, what is the role of chairperson, CEO, and executive directors? Interviewees explained that they all must "dance" together for perfect dynamics. "Dancing together does not mean they follow each other; they must challenge each other as well, but with the intent that the dance must look more beautiful," explained one director.

Interviewees were unanimous that the chairperson of the board has the most critical role. While on one hand, the chairperson must pull the entire board into key dialogues, on the other, he or she is on the point for critical decisions to happen. While the chairperson must challenge the CEO (assuming they are not the same person), he or she must also play a mentor and a coach to the chief executive.

The CEO, on his/her part, must trust the board as a true and authentic partner. The CEO should consider the chairperson as a sparring partner (assuming the roles are separate), keeping in close regular contact with the chair on key decisions.

The executive and non-executive directors, on their part, also play an important role in ongoing operations of the board, making key decisions happen, overseeing implementation closely, or providing a check-and-balance system to ensure complete adherence to compliance, regulation, and governance code.

While most countries in Asia are slowly but surely moving towards separation of the chairperson and CEO role, and regulators are coming up with suitable governance codes and listing requirements to make that happen, it will take a few years for the duality (of chair and CEO role) to end. The last few years have seen the needle move considerably. Only about one in four surveyed companies reported a combined chair and CEO role. More than three in five organizations reported the end of duality of roles.

BOARD MANDATE

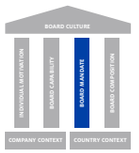
ARE BOARDS SPENDING TIME ON THE MOST VALUE-ADDING ACTIVITIES?

Where do boards spend time? CCL research highlighted that boards in Asia spend maximum time on business performance; risk management; formulating and driving long-term policies, plans and strategy; investment decisions; and short-term policies and plans. New-frontier activities such as driving sustainability agenda, technology proofing the organization, culture shaping, and innovation strategy continue to be on the fringes. Furthermore, boards rarely spend time on capability development.

There is however a realization that activity-time investment equation of Asian boards needs to undergo transformation. Survey respondents highlighted that boards need to considerably increase time spent on long-term policies and formulation, talent and people issues, innovation, sustainability agenda, technology proofing, driving long-term value to the society, culture shaping, board refreshment, and evaluating and enforcing codes of conduct.

Survey data further confirms that boards must spend less time on short-term policy, plans, and strategy; resourcing/budgeting, audit planning, and even on business performance and risk management. Data also suggests that board leaders feel the need for more time spent on capability development.

Clearly, Asian boards need to spend less time on traditional board activities, and comparatively more time on new-frontier activities. "Boards need to graduate from spending maximum time evaluating historical data, to looking at the future; the shift is from hindsight to foresight," commented one leader.



BOARD ACTIVITIES

% respondents who selected (top-5) activities where boards currently spend maximum time, and must ideally spend more time

Source: CCL Research 2019

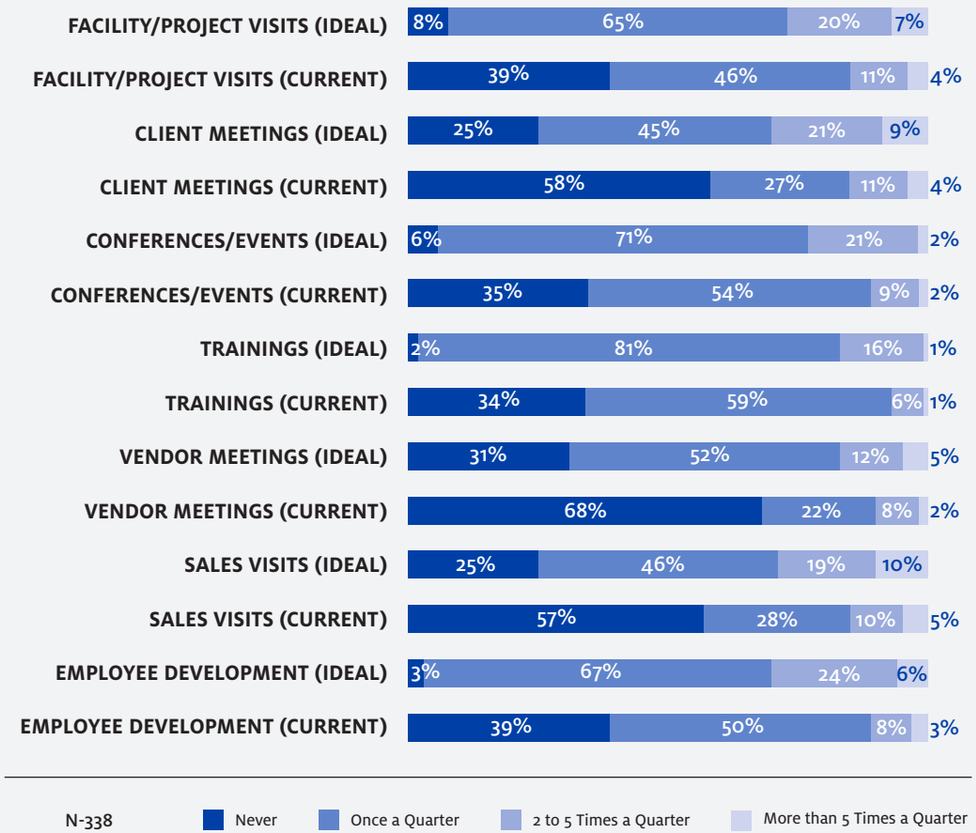
> *We should have quantifiable goals for the boards; for instance, how do they perform vis-à-vis the mission, vision of the organization. Just like the CEO is accountable for delivering business goals, we should work on the accountability of boards in delivering on the mission, and the vision of the organization.*
>
> CFO, Singapore

Source: CCL Research 2019

EXTERNAL-FACING BOARD ACTIVITIES

OUTSIDE-IN PERSPECTIVE OF BOARD MEMBERS

% respondents selecting options—current and ideal frequency of key board activities



> *When you are in executive management you are constantly in touch with employees, customers, vendors, professional community, but as an independent director, you hardly interact with customers, you hardly interact with employees. So to make up for it, one has to go out and get a feel of what is happening in the market.*
>
> Independent Director, India

BOARD MANDATE

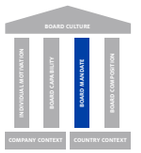
ARE BOARDS IN ASIA TOO INWARD LOOKING?

Asian board leaders suggested that in order to be effective, directors, especially independent directors, must spend more time understanding the organization ecosystem. This includes spending time with clients, vendors, suppliers, doing sales visits (in partnership with management team), networking at conferences, talent development, etc.

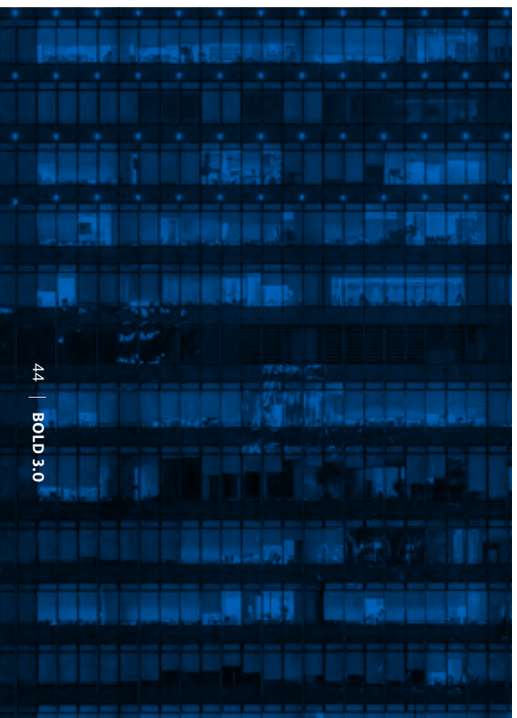
Asian board leaders therefore need to spend more time on external activities in order to further the interests of the organizations.

BOARD MANDATE

BOARD AND TALENT INTERPLAY



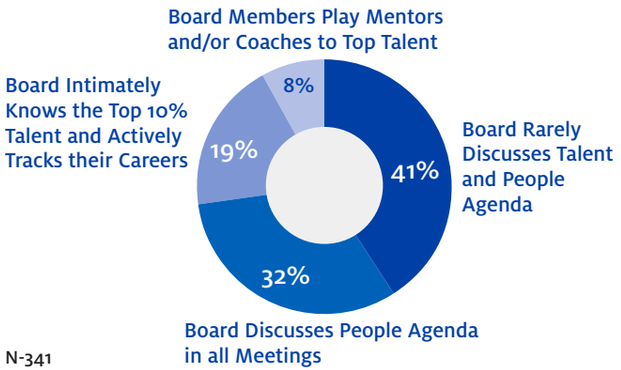
Most interviewees mentioned that one of the key emerging leadership roles of Asian boards is to help develop top-notch talent in the organization, not only ensuring CEO succession, but also ensuring adequate focus on talent development across the enterprise. "People discussions are finding more and more space in the board agenda," said one leader.



BOARD'S ROLE IN PEOPLE DEVELOPMENT

BOARD'S ROLE IN TALENT DEVELOPMENT

% respondents who selected the option



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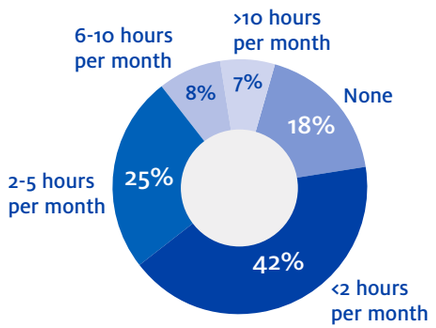
BOARD'S TIME SPENT WITH TOP TALENT

% respondents who selected the option



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Source: CCL Research 2019

BOARDS AND PEOPLE AGENDA

"Boards are now taking a much closer view of human resources; they're not leaving it to the c-suite, which of course they should never have done but they certainly used to. They're now really looking at developing people, retaining talent, and asking tough questions of the executives – 'okay, you've got these people, but, what gaps are there in capabilities and competencies, and what are you doing to plug those gaps?' This is a refreshing change."

Executive Director, Hong Kong

"Boards are deeply entrenched in people issues of the business, starting with management and the CEO. Understanding succession, and making sure there is a plan, being involved in talent review with the top people in the organization, and understanding what are their potential and development opportunities. Staff engagement and compensation are other aspects boards are often involved in."

CEO, Singapore

BOARD COMPOSITION

NURTURING DIVERSITY ON ASIAN BOARDS

EXPERIENCE

"Most board members are either CEOs, ex-CEOs, or investment bankers, finance people, lawyers, etc. Very few have a true blue marketing or technology experience. Getting leaders with diverse experience will provide a big lift to the board capability."

Independent Director, Singapore

BOARD TENURE

"While conventional wisdom is that good board directors have long board tenures, I think there is value in bringing in first-time directors as they may often come with a stronger outside-in thinking, and may not be set in traditional board ways."

Independent Director, Philippines

NATIONALITIES

"When markets are integrating, you have to be equally conversant with other markets in the region—what they do, how will they impact you, etc. So, you'll have to bring in people from different nationalities and with global exposure."

CEO, Philippines

GENERATIONS

"Younger leaders are definitely more technology oriented; while they may lack broad-based experience, they are more connected to the realities of customers' world."

Independent Director, India

GENDER

"Being a women leader I can tell you that women often have a sixth sense of what's happening behind the scenes, and are more empathetic, hence better in leading people or talent agendas."

Independent Director, Sri Lanka

SKILLS

"You certainly need legal, financial, risk management skills around the table; care however must be taken to avoid duplication of skills unless there is a business need to develop redundancy."

Board Chair, Malaysia

Source: CCL Research 2019

Boards in Asia lack diversity on multiple fronts—gender, skills, generations, and board tenure.

Since Asian boards' focus traditionally has centered around compliance and regulation, boards comprise mainly leaders with legal and finance background. There is a paucity of directors with diverse skills such as technology, branding, sustainability, etc. "You mostly see one or two lawyers on boards and everybody else is an accountant. We need to have people from different disciplines on boards," commented one director.

Interviewees highlighted that most board directors in Asian companies are in their sixties and seventies. They therefore may not be conversant with new age challenges, opportunities, and talent expectations.

Gender imbalance on boards in Asia is rampant. Except for some countries that have a quota requirement for women board directors, most Asian nations do not have enough women board directors.

As Asian organizations go global, boards increasingly need directors who understand nuances of doing business across nations.

Finally, diversity of board tenures is also valuable but not adequate. "There is value in having diversity in board tenure, and including leaders who are not set in traditional board ways," said another leader.

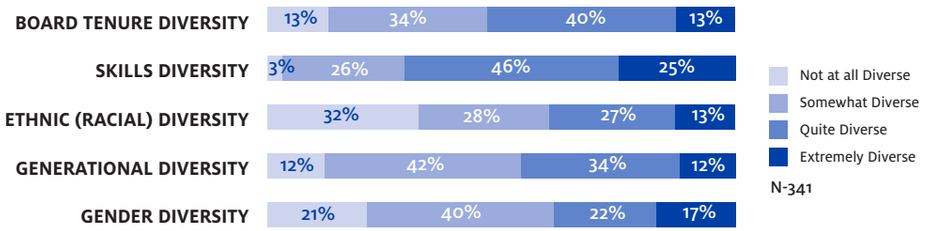
"We should not only be talking about diversity in terms of age and gender, but of knowledge and experience of the board as well," summed up a board director.

BOARD DIVERSITY

STATUS AND CHALLENGES

DIVERSITY STATUS ON ASIAN BOARDS

% respondents who selected the option



CHALLENGES IN ACHIEVING BOARD DIVERSITY

LACK OF INCENTIVE

"There is no incentive for young people to join boards; most positions are at low remuneration and the only reason retired people do this is to get a social calling card. But if you want to attract young successful tech superstars, you have to pay for their opportunity cost."

Independent Director, India

CLOSED NETWORK

"Most new directors are friends or friends-of-friends; organizations want directors who they know and are comfortable with, hence in most cases you will find more of the same!"

Executive Search Leader, Singapore

INCUMBENT LEADER SKEPTICISM

"Personally, I'm always skeptical of board members who are 'young kids,' come out of a private equity shop, have never run a business, don't understand leading teams and leading a diverse workforce; in my view, it's important to have leaders who have done actual leadership, which encompasses not only the financial aspect, but the business and people part as well."

Independent Director, Singapore

LIMITED TALENT POOL

"As I think about getting gender diversity on our board, I realize there are not enough 'fish' in the pond to go out and fish for; there clearly aren't enough out there."

Executive Director, Hong Kong

Source: CCL Research 2019

CCL research suggested that while boards in Asia seem to be sufficiently diverse on skills availability, they do have room to run in other areas.

Gender diversity, which has been in the spotlight for a few years now, shows an encouraging scenario. While one in five respondents noted that boards in their organizations are "not diverse at all," the balance of responses ranged from "somewhat diverse" to "extremely diverse."

For generational diversity, which is critical for boards in Asia to get future ready, about half of the respondents claimed that their boards were "quite diverse" or "extremely diverse." Interviewees pointed that boards in new age organizations, especially technology organizations, were doing quite well in terms of a mix of younger and older board directors. Board tenure diversity showed a similar trend, with one in two leaders claiming "no"/"somewhat" diverse, while the balance were happy with the level of diversity.

Ethnic or racial diversity is an area with maximum gap, with one in three survey respondents claiming complete lack of diversity, and only two in five respondents happy with diversity performance. Organizations that are going regional or global, or have aspirations to go global, must bring understanding of international dynamics to their boards, and one way of doing that is making boards multi-national or multi-ethnic.

Challenges that organizations face in making their boards diverse are manifold. One, there is lack of incentive for young leaders to join boards, both in terms of gainful employment and adequate remuneration. Two, boards typically recruit from a closed network, friends of the founder/chairperson/family, or friends of friends. Three, some interviewees were quite skeptical about including younger directors or women directors on boards. And four, there are not enough independent directors with diverse backgrounds, skills, or nationalities, available for board recruitment.

BOARD EVALUATION

REFRESHMENT/ REFURBISHMENT

Interviewees pointed that board evaluation is perhaps the most critical aspect of making effective and accountable leadership happen, but it is also the most ignored. "Very few companies go through the process; after their term, independent directors are usually replaced, or if they are doing well—and doing well means they have done nothing to the dislike of principal or majority stockholders—then they are re-elected," explained one director. Another director added, "Best practice code talks about external facilitation of evaluation, but even for boards that do that every year, it is an online survey at best, and I am not sure that it is terribly useful."

The three-step board evaluation process most interviewees talked about was: Thinking through the evaluation process—who, what, how of evaluation; having clarity on areas to evaluate—structure, risk mitigation, CEO and chair performance, etc.; and completing the follow-through steps of rolling out the results of evaluation—one-on-one discussions, influencing the refurbishment process, etc.

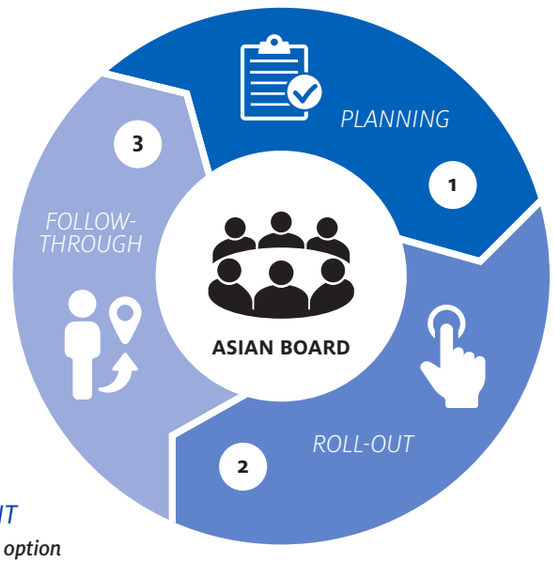
Fourteen in a hundred respondents to the survey highlighted that their organizations had a strong focus on performance-based evaluation, while one in three respondents pointed that there is reluctance to change directors in their organization.

Source: CCL Research 2019

ACTION STEPS

1. Inputs given to the nomination committee to think through board skills
2. Chair to de-brief the board on key takeaways
3. Chair to have individual conversations
4. Key takeaways to inform developmental needs of incumbent directors
5. Inputs to influence board refurbishment

BOARD EVALUATION PROCESS



THEMES TO THINK THROUGH PRE-ROLLOUT...

- WHAT are the objectives?
- WHO will be evaluated?
- WHAT aspects will be evaluated?
- WHAT will be the data collection process?
- HOW will the evaluation process work?
- WHO will fill the survey?
- WHAT will we do with the findings?
- WHEN will the survey be rolled out?

Etc.

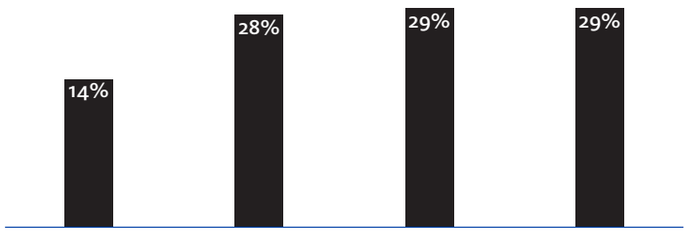
EVALUATION AREAS...

- ✓ WHAT is the purpose of the board?
- ✓ WHAT expertise does the board need?
- ✓ WHAT should be the organization structure?
- ✓ HOW will it help mitigate risks?
- ✓ HOW collaborative is the board?
- ✓ HOW is the relationship between CEO & chair?
- ✓ HOW is the performance of directors, chair?
- ✓ HOW does the board improve its effectiveness?
- ✓ HOW well are board committees functioning?
- ✓ WHAT does the board skills mix look like?

Etc.

BOARD REFRESHMENT

% respondents who selected the option



N-341

"When you look at competency gaps for directors, it doesn't mean that every director needs to be good at everything; I think what's more important is that the board collectively covers all possible bases. When you say someone has a gap, and how that could be filled, you know sometimes you just don't need to, because someone else in the team has that capability."

Board Chair, Singapore

BOARD EVALUATION

DIFFERENT APPROACHES

Interviewees shared that annual board evaluations are generally either internally managed—managed by the board chair or a relevant committee of the board; or externally facilitated—an external consultant manages the process.

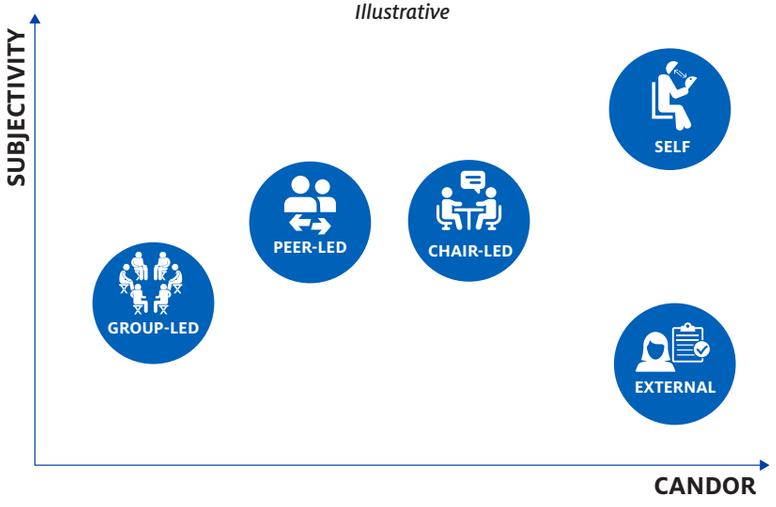
Some boards conduct an internal evaluation, with an external facilitator coming in every two to three years. "I think an external assessment is better since it is objective, is not biased, and can be done professionally; internal process is more a tick-list, and very subjective around what you think of the other director," shared one director. The director added, "Since you do not want to upset other people, everybody often gets a good rating."

Board leaders shared that evaluation methods are generally based on one or both of the following approaches: interview-based or survey-based. Whether it is interview-based, survey-based, or a combination, a comprehensive process must also involve a discussion with the chairperson and an open dialogue in a full-board meeting.

Data suggests that one in four organizations have no evaluation process in place; with just only about three in a hundred employing external consultants.

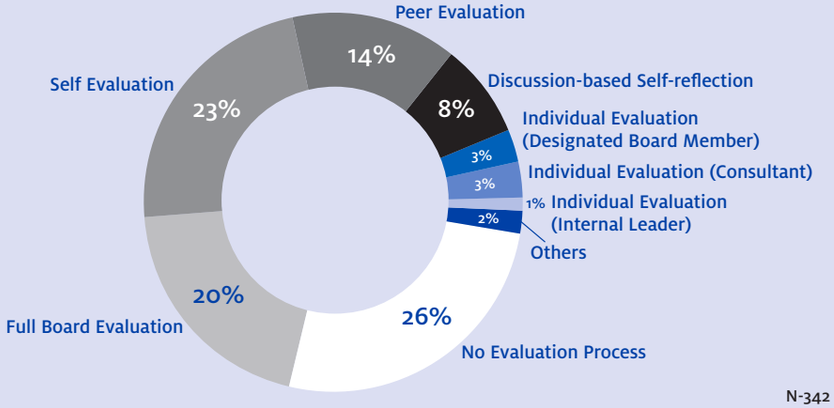
COMPARING BOARD EVALUATION APPROACHES

Illustrative



BOARD EVALUATION APPROACHES

% respondents who selected the option



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BOARD EVALUATION STALL POINTS

LACKS INDEPENDENCE

"Board leaders just tick, tick, tick, tick, and fill in each others' evaluation, and because it's rather incestuous, nobody wants to be the person to stand up and say 'I don't think we have courageous discussions,' etc."

Independent Director, Singapore

LACKS OBJECTIVITY

"The whole evaluation is a once-a-year thing and it is like evaluating brothers and sisters, so it is never going to be objective at least on the basis of what I have seen so far; it is really to fulfill regulatory requirements. To give it a brush of authenticity and independence, you may get one of the big four to do it, but not sure about the spirit of evaluation."

Executive Director, India

FUZZY DEFINITION OF SUCCESS

"The board needs to understand what is the definition of success? Do you hire clever people, do you hire diverse people? Or do you hire people who are more compassionate? The board needs to define its own success factors, and decide how to measure success."

Independent Director, Singapore

Source: CCL Research 2019

BOARD CULTURE

CULTURE DEFINES BOARD CHARACTER

Boards in Asia can get all the active ingredients such as individual intent, skills, mandate and composition in place, and yet fail! Therefore, there is a need of having the right board culture. Culture can be defined as the way things are done at the board level, and some combination of beliefs, norms, and assumptions.

Just like a square-pyramid with five distinct corners, board culture pivots around five key elements:

- *How collaborative the board is in its dealings, among board directors, with management, with the CEO, etc.?*
- *How committed the board directors are to their role? Do they take their role seriously? Do they make adequate effort to understand the organization, spend time with management, visit plants and project sites, etc.?*
- *Do board leaders respectfully challenge each other, or management, or the CEO, with an objective of arriving at better decisions?*
- *Is there a transparent, candid, open environment? An environment of sharing, respect, honesty, etc.*
- *Is there a level of trust among board directors, between board and management, between board and the CEO, etc.*

Interviewees pointed that trust forms the key connecting tissue among the other elements—candor, commitment, collaboration and challenge. "Trust or lack of it, is one element that can alone define the culture of a board," reflected one leader.

BOARD CULTURE PYRAMID

BOARD CULTURE IS...

- ✓ "Unwritten rules that define interactions between board members"
- ✓ "Values, beliefs, norms, mindsets, assumptions that dictate functioning of a board"
- ✓ "The way things are done at board level"
- ✓ "The way board leaders interact and feel about each other"

THE GOOD, THE BAD, AND THE UGLY...

"The right balance between shareholders and independent directors; willingness to delegate responsibility to sub-committees and run tight processes; CEO bringing up key issues to the board in a transparent manner; constructive participation by independent directors; top-notch quality of reporting and information; respect for diverse opinions; challenging the status quo; directors fully prepared for meetings."

Independent Director, Sri Lanka

"No diversity of views and tendency to self-justify; decisions being made without discussion, often leading to group think; personal agendas shadowing wider stakeholder good; friends of promoters on the board, or compliant and submissive independent directors who show up mainly to collect their fee; deferential and non-confrontational posture of leaders; boards micro-managing operational issues; lack of respect for management."

Independent Director, India

"Fractured, heavily political boards where you have four people in one faction and three people in another; constant attempt to protect one side from the other, making sure that one faction does not say something that can be used by the other side, irrespective of the interest of stakeholders. Complete lack of trust resulting in management hiding information from the board."

Non-Executive Director, Malaysia

Source: CCL Research 2019

BOARD CULTURE

DRIVERS SHAPING THE CULTURE PYRAMID

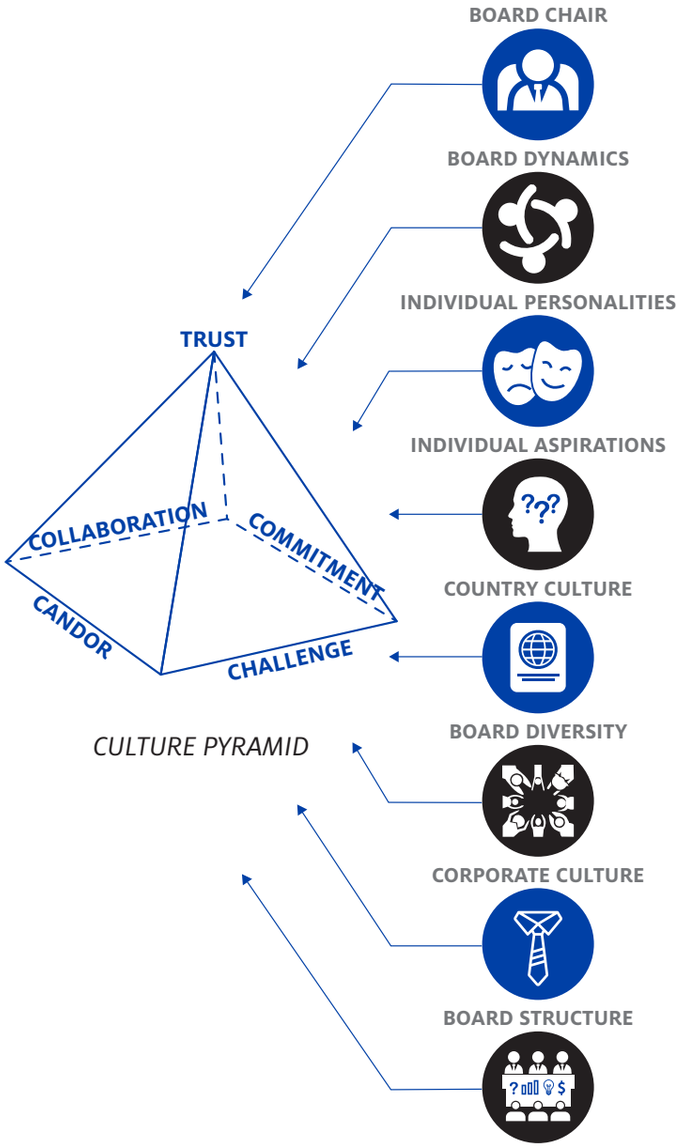
What shapes board culture? There are several factors, and it is often a complex combination of factors at play. Interviewees agreed that if there is one most critical factor that shapes board culture, it is the board chairperson—how open the chairperson is to inviting multiple points of view, creating a positive dialogue-based environment, curating an outcome-based approach, etc.

Other factors such as dynamics on the board; individual personalities, drive, and intent; and board diversity also drive board culture.

Company culture is critical too; interviewees indicated that shareholders tend to pick directors who they feel will align with the corporate culture.

National culture or regional culture is a more subtle but a certain driver. The Asian culture of respect for hierarchy, collectivism, and harmony, is often exhibited in board-level dialogues and dynamics, thereby shaping the culture of Asian boards.

Finally, composition of the board—mix of independent and non-independent directors—also impacts the level of candor and open dialogues that happen in board meetings.



CULTURE PYRAMID

KEY DRIVERS SHAPING BOARD CULTURE

"Board culture is determined by how the chairperson steers its members. Having a motivated chairperson is often the most critical element of the board. She/he must drive the dialogue, yet give enough space to all board members to voice their views."
Head of Governance, India

"Relations between the CEO and the chair drive the dynamics of the board, which shapes the culture. If that relationship is laissez-faire then the board will be laissez-faire."
Independent Director, Philippines

"Board culture depends on personalities of board members as well; if people are headstrong, not willing to appreciate others' viewpoints and getting things done, then it becomes a problem."
Advisory Board Director, Vietnam

"Board directors' motivation will dictate the culture. Are they there to collect their sitting fee and earn a neat sum post retirement, or are they there to add value?"
Independent Director, Hong Kong

"The power distance in Asia is huge, and if the chairman happens to be a very senior executive or a public figure, then younger members of the board will be very hesitant to open up, and will mostly keep quiet."
Independent Director, Malaysia

"It is an old boys' club, with most directors retired and in their late sixties. Complete lack of national, ethnic, gender, generational diversity often leads to groupthink."
Independent Director, Sri Lanka

"Corporate culture drives board culture, because the CEO and executive directors will often look for board peers that reflect their own organization culture in a way."
Independent Director, Philippines

"Independent versus not independent, executive versus non-executive director ratio will decide the dynamics in the boardroom."
Independent Director, Vietnam

Source: CCL Research 2019

TRUST

NEW AGE BOARD CURRENCY

Interviewees defined trust, which is often the key ingredient of board culture, as respect for fellow board members and firm belief in their authenticity, reliability, and capability. "If the CEO waits till the night before to send a 300-page board pack to members, then I smell a clear lack of trust," shared a board leader as an example of lack of trust. He explained, "Perhaps in there is information that the CEO does not really want the board to notice."

A high level of trust is indicated by directors getting along with each other, transparent discussions, candid opinions being expressed, respectful debate, etc. And, lack of trust looks like politics at play, disrespectful comments, superficial dialogue, and a hostile chairperson-CEO relationship.

Interviewees shared that trust and credibility are the magic key to enable positive board culture; they enable transparency, build confidence, and help facilitate change in an organization.

"You must be good at what you do, and be on top of the knowledge piece for other people to trust you; once your colleagues and the management realize that you are credible, capable, and have no hidden agenda, trust will slowly but surely happen," explained one director.

TRUST

Respect for fellow board members and firm belief in their authenticity, reliability, and capability.

WHAT DOES GOOD AND BAD LOOK LIKE...

- ✓ "Directors get along with each other"
- ✓ "Alignment among board members"
- ✓ "Transparent discussions"
- ✓ "Openness about failures"
- ✓ "Candid and firm opinions"
- ✓ "Extensive information sharing by management"
- ✓ "Constructive opposition to ideas"
- ✓ "Respectful debate"
- ✓ "Board pack reaches well in advance of the meeting"
- ✓ "Minutes (of the meeting) reflect a true picture"

- × "Directors treat each other at arm's length"
- × "Politics at play"
- × "Insecure management and board"
- × "Disrespectful comments"
- × "CEOs only sharing good news"
- × "Fractured operations"
- × "Superficial dialogues"
- × "Inadequate information sharing by management"
- × "Hostile chair-CEO relationship"
- × "Board spending too much time on operational issues"
- × "Directors creating back-channels to the management"

Source: CCL Research 2019

BOARD LEADERS' REFLECTIONS ON 'TRUST'

CREDIBILITY IS A PREREQUISITE...

"The CEO needs to be trusted, but at the same time she needs to earn that trust through credibility, through giving the bad news in time, and perhaps sometimes by down-playing the good news!"

Independent Director, India

ENABLES TRANSPARENCY...

"You want to be able to gain the trust of major shareholders so that even if you give them an opposing view, they know that you're doing it not because you just want to displease them, but for the benefit of the company."

President & Director, Philippines

BUILDS CONFIDENCE...

"Trusting relations between the board and management enables the CEO to appreciate that we [board members] are not out to get him, or we don't have an agenda to put him down."

Independent Director, Sri Lanka

NEW-AGE CURRENCY...

"Trust and respect forms the currency in the new age. Trust is knowledge that you're going to do the right thing at the right time; and, respect is competence to deliver results at the end of the day."

Vice Chair, Philippines

FACILITATES CHANGE...

"In order to advocate for change, you must be credible and trusted, so that it is clear that you are not advocating change for self-interest."

Board Director, Philippines

CHALLENGE

RESPECTFUL DISSENT

The level of respectful questioning and challenging creates an environment where the best decisions can be arrived at via an open and transparent dialogue.

Almost one in three survey respondents shared that their boards were either not effective or only somewhat effective in challenging management; furthermore, one in three respondents highlighted that their boards play a "rubber stamp" to the management and CEO decisions, always or most of the time.

Interviewees also pointed that "challenge" may take a different connotation within Asian context, wherein "saving face" is very important in any kind of people dealings. One director explained, that sometimes if there is a disagreement, it may be less disrupting and more efficient to take the peer or executive aside and have a one-on-one conversation, rather than creating discomfort in the boardroom due to open and vocal disagreement in public.

CHALLENGE

Questioning opinions respectfully and debating issues to arrive at the most optimal solution.

"CHALLENGING" POSTURE IS...

RESPECTFUL DISSENT

"I've been in situations where the chairman and CEO have different views, but they respectfully disagree and actually talk it out. That is the picture of a healthy relationship."

Board Advisor, Malaysia

EXPRESSING DIVERSE VIEWS

"Board members can come forth with different and often challenging points of view, but must accept each other's arguments and go by the merit of the arguments."

Independent Director, India

"CHALLENGING" POSTURE IS NOT...

BEING HOSTILE

"We need to challenge the management, but certain board members want to play an antagonistic role, often creating hostility during board proceedings."

Independent Director, Philippines

TALKING OVER PEOPLE

"Challenging is also about time spent listening at the board level; often directors may feel that their value is in talking over management rather than listening to them."

Independent Director, Malaysia

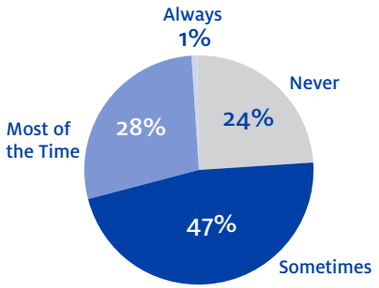
CHALLENGING... THE ASIA WAY!

"If you differ in your opinion, you take that offline; you ask for a meeting with the appropriate board committee, you talk to the chairman offline and have a frank discussion on the issue. In Philippines, Malaysia, Singapore, and India, tough dialogues may happen in a more informal, more private set-up, so that the chairman or the committee head will not be embarrassed, or in an awkward position."

Independent Director, Philippines

BOARDS PLAY A "RUBBER STAMP" ROLE FOR THE MANAGEMENT

% respondents who selected the option



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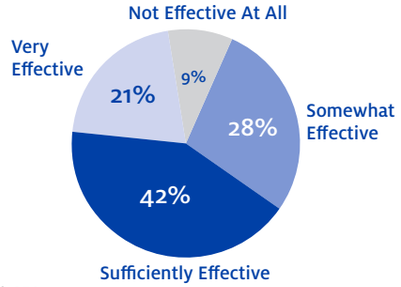
EFFECTIVENESS OF BOARD IN CHALLENGING THE CEO/MANAGEMENT TEAM

% respondents who selected the option



N=350

Source: CCL Research 2019

CANDOR

OPEN, TRANSPARENT, AUTHENTIC POSTURE

CANDOR

Being open, honest, frank, and transparent about own feelings and opinions, peer feedback, participating in discussions and dialogues, and board dynamics.

SPIRIT OF CANDOR...

"I think a lot of it is lip service, nobody really wants to say so and so is not contributing. I know some board members who have not spoken for a few years; that is the level of lack of candor."

Independent Director, India

PEERS

"The board must honestly take inventory of its own skills and capability, and replace outdated skills with what will be relevant in the future. That dialogue sadly rarely ever happens."

Independent Director, Sri Lanka

BOARD

A TRUE SPIRIT OF CANDOR MUST BE VISIBLE AT MULTIPLE LEVELS...

SELF

"It is critical we share what we [board directors] want to say without any fear of antagonizing the shareholders."

Independent Director, Vietnam

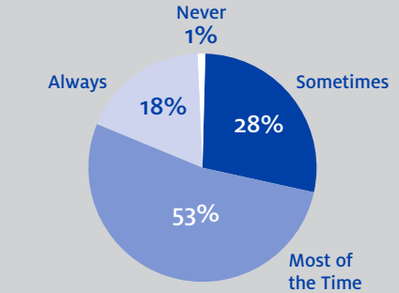
"The board appreciates that they [management] do not have perfect information. It is a case of the collective; when the management and directors function as a team and openly bounce-off ideas with each other, you get a lot more out of each other"

Independent Director, Singapore

MANAGEMENT

BOARDS PLAY A "BALANCED ADVISOR" ROLE

% respondents who selected the option



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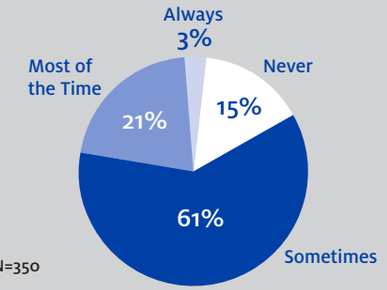
CEOS ARE USUALLY "GUARDED" WHEN DISCUSSING MATTERS WITH THE BOARD

% respondents who selected the option



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Are board leaders open or "closed" in their dialogues? Is there an open sharing by management with the board? Are there hidden agendas at play or is all the information on the table?

Candor needs to be at play at multiple levels. One, members must be true to self on why perhaps they are there in the board director role. Two, they must be open and transparent to their peers. The board as a whole must take an honest and objective view of its capabilities and areas of development, or gaps that must be plugged. And four, there needs to be honesty and candor in dealing with the management.

It is encouraging to note from data that about one half of respondents shared that their boards play a balanced advisor role "most of the time." Further, more than three-quarters of respondents said that CEOs in their organizations are only sometimes or never guarded when discussing matters with the board.

Source: CCL Research 2019

COLLABORATION

WIN-WIN MINDSET

Collaboration at the board level is a culture of working together to fulfill shared goals. In practice, collaboration needs to happen at six levels.

- *Board members must be able to work together to provide collective leadership and to have a shared direction, alignment, and commitment.*
- *The chairperson and CEO must collaborate effectively (if they are two separate leaders); in fact, this is the most critical collaboration that defines board culture.*
- *Executive and non-executive directors must collaborate without any hidden agenda. While executive directors must wear a more operational hat, non-executives must play advisors.*
- *Overall, the board and management must support each other and must play sparring partners.*
- *Interviewees shared instances where board operations were completely fractured because the board did not see eye-to-eye with the majority shareholder(s).*
- *Finally, sub-committees must strengthen board agenda, rather than going on their own path. Communication between committees and the full board is often the most critical element that needs to be in place to make collaboration happen at a full-board level.*

COLLABORATION

Working together, aligning efforts and creating synergy to achieve shared goals or a bigger purpose.

SIX COLLABORATION HOTSPOTS TO FOCUS ON...

AMONG BOARD MEMBERS

"The board must operate as an ecosystem and work as one body, not withstanding different and diverse backgrounds that the members represent. We have our own expertise, but we need to connect and make music together."

Independent Director, Philippines

CHAIRPERSON AND CEO

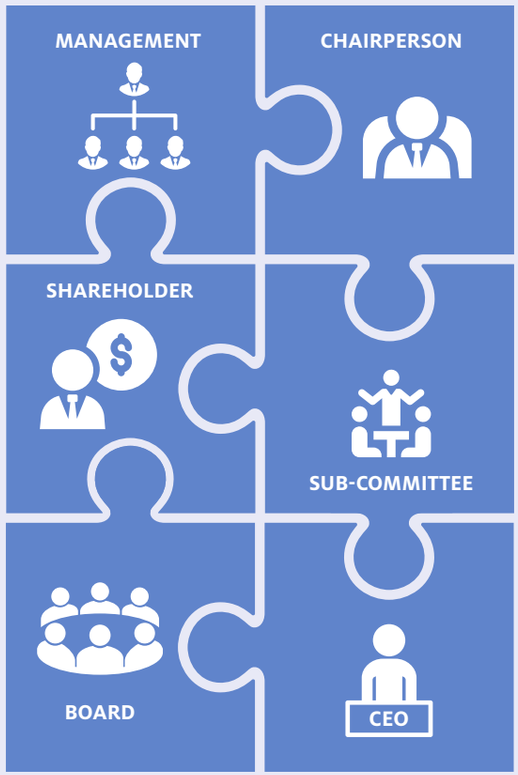
"The chairman needs to be a guide-on-the-side, not a super-CEO; If the chairman wants to get operational and be directive that's when the trouble starts."

Board Director, India

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

"There is a fine line of collaboration between executive and non-executive directors; tension among them is designed into the board process for a good reason."

Independent Director, Malaysia



BOARD AND MANAGEMENT

"The board wants to be supportive of management for the most part, but must also recognize that it is duty-bound to maintain a check-and-balance system, and that it should check and balance constructively and push back on management recommendations."

Board Chair, Singapore

BOARD AND MAJORITY SHAREHOLDER

"Board directors are on a very slippery slope in a founder-controlled/managed company. They need to play on the same side and collaborate constructively yet maintain the board's sanctity of being independent."

Independent Director, Singapore

SUB-COMMITTEES AND FULL-BOARD

"Chairs of boards and sub-committees must be well aligned. Sub-committees have their own charters, and sometimes due to poor communication they may be viewed as operating too independently of the full board."

Independent Director, India

Source: CCL Research 2019

COMMITMENT

DEDICATION TOWARDS THE PURPOSE OF THE ORGANIZATION...

Commitment is the dedication towards the purpose of the organization, and fulfilling responsibilities of the board role, expectations of all stakeholders, and the need for self development.

Commitment of board directors is exhibited at multiple levels – to self, being an agile learner; to profession, working with regulators and mentoring young directors; to the role, giving it their best; to the organization, keeping in mind the interest of the company; and to the stakeholders, focusing on majority and minority shareholders.

"Commitment is all about shared values; it is about integrity, discipline, being creative and following through, ability to execute whatever we have decided upon, etc.," said one director. He added, "Lack of commitment often shows in low level of meeting preparedness of directors, lack of growth mindset, and pursuing personal agendas."

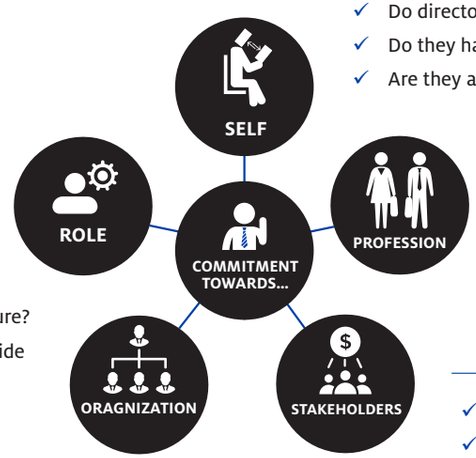
COMMITMENT

Dedication towards the purpose of the organization, and fulfilling the responsibilities of the role, expectations of all stakeholders, and need for self development.

IS YOUR BOARD COMMITTED?

- ✓ Do directors prepare in advance of the board meeting?
- ✓ Do they have the courage to voice their opinions?
- ✓ Are they open and transparent about their feedback to the shareholders, management, and peer directors?

- ✓ Do directors constantly strive to develop their own capabilities?
- ✓ Do they have their 'head on the swivel'?
- ✓ Are they agile learners?



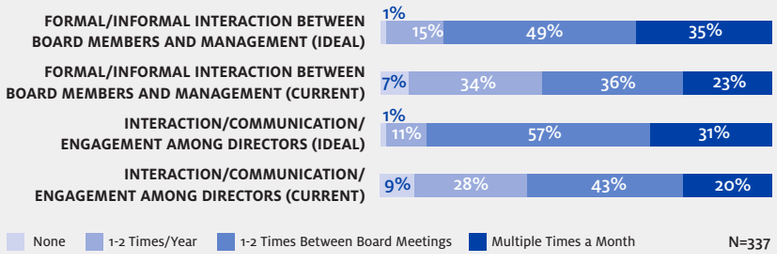
- ✓ Do directors' posture reflect the interest of the organization?
- ✓ Do they try and understand the organization culture?
- ✓ Do they interact with the management team outside of board meetings?
- ✓ Do they express interest to visit offices/factories/client sites?
- ✓ Do they offer to mentor key executives?

- ✓ Are board leaders active members of the Institute of Directors (or equivalent body)?
- ✓ Are they interested in mentoring/guiding new directors?
- ✓ Do they keep abreast of the latest regulatory/governance policy changes?
- ✓ Do they proactively engage with the regulators?

- ✓ Do directors focus on the interest of "all" stakeholders?
- ✓ Are there regular dialogues about impact on community, environment, sustainability, etc.?

BOARD ENGAGEMENT

% respondents who selected the option



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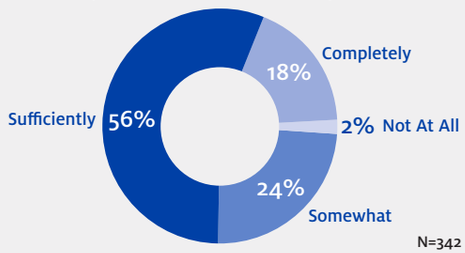
DOES THE BOARD UNDERSTAND THE COMPANY CULTURE?

% respondents who selected the option



N=342

"Lack of commitment shows if board members just clock the hours and collect their fee, the dialogue and questions are superficial, and that they [board members] are least interested and even lack capability."

Independent Director, Malaysia

Source: CCL Research 2019

IV. FUTURE READINESS OF BOARDS IN ASIA

> **The next-generation board director should avoid being just a 'jaguh kampung'—a local hero. They need to know what is happening globally instead of just focusing on local issues and opportunities. They need to have bigger vision and ambitions to penetrate the global scene.**
>
> Board Director, Malaysia

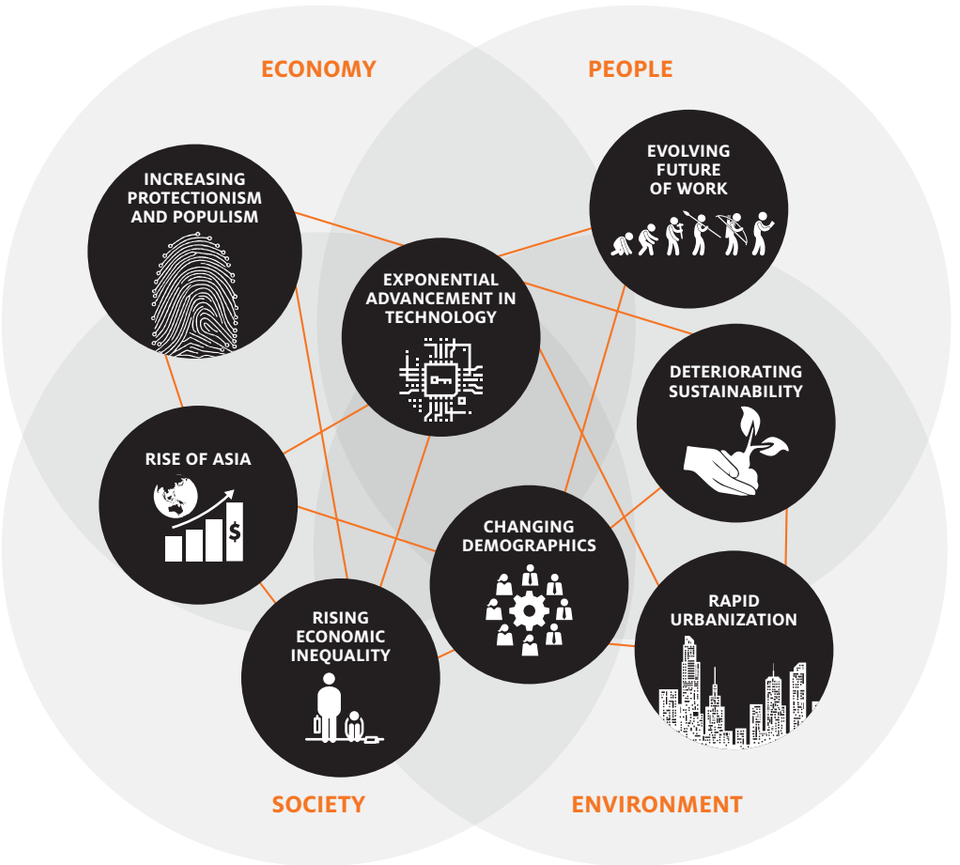
BOARD MUST BE AWARE OF MEGATRENDS

IMAGINING ASIA 2030

Boards in Asia must be aware of eight trends that will impact Asia over the next two decades. While these are distinct megatrends, they are connected with each other in many and often complex ways. The eight megatrends are:

- *Exponential Advancement in Technology: Technology will touch Asia in multiple ways; while on one side, it may directly and adversely impact front-line workers, it will also enable Asia to leapfrog in domains such as healthcare, education, banking, etc.*
- *Rise of Asia: It is beyond doubt that Asia will be critical to the top line of most organizations. Thanks to the huge population in the region, Asia will not only be a lucrative market, but also a catchment area for talent.*
- *Changing Demographics: While a few countries in Asia are "greying" rapidly, Asia also will have highest population of working-age people in the world. This changing demographics will have multiple (and complex) ramifications in the region.*
- *Rapid Urbanization: Asia will witness a spike in the number of megacities. While these centers of development will not only become fulcrums for economic development, they will also create societal and environmental issues.*
- *Deteriorating Sustainability: Since majority of the continent is still developing, sustainability—both on human development and environment fronts—will be a challenge in the future. Climate change, waste management, food security, and water scarcity issues will come to the fore.*
- *Rising Economic Inequality: With more mouths to feed, poverty, and the risk of power being restricted to a few, the region may have a big challenge of a rising divide between "haves" and "have-nots."*
- *Evolving Future of Work: Owing to technology enhancements, changing employee-employer contracts, different aspirations of next generation workers, etc., organizations, teams, and workforce of the future will look very different.*
- *Increasing Protectionism and Populism: Limited resources and opportunities in individual countries will result in an increasing narrative around "constructing higher walls" around national borders.*

MEGATRENDS IMPACTING ASIA



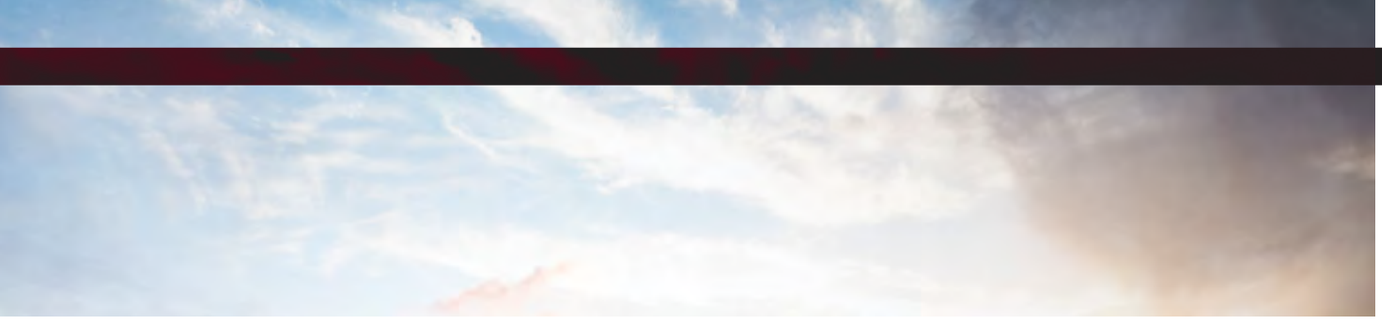
Source: CCL Research 2019; Imagining Asia 2030: Future Fluent Asian Leader, CCL, 2018.

> *"The CSR, environment, and sustainability agenda is normally not a part of the board material, but as events occur, if they impact the country, they impact our clients, hence our profitability. We address these issues via business continuity plans; it is easier to 'smuggle' the issue of environment when talking about business continuity, otherwise it is viewed as a potential cost. The important thing however is that leadership and the board have their head on the swivel; if they don't see it, it's not going to happen."*
>
> Independent Director, Philippines

LEADERS in Asia will need to build new capabilities and mindsets to overcome new challenges.

ORGANIZATIONS in Asia will need to plan ahead to exploit opportunities and manage threats.

SOCIETIES in Asia will need resilience to navigate vulnerabilities and manage constraints.



BOARDS AND TECHNOLOGY

THE BIG-T CHALLENGE

Most interviewees agreed that technology is bringing about a paradigm change in the way their businesses are done, who competitors are, how consumers use products, etc. Therefore it is critical for boards to smarten up on their understanding of technology and digitalization.

"If you look at the world, technology is playing a big part in everybody's lives and companies are making big investments, but do boards really understand technology?" asked one board director. He added, "The investments that a company is making are not quite insignificant; does the board have the capability to understand whether it's the right technology or platform, does it have the knowledge to make a call on that? Does it understand enough about cyber security, for instance? Does it understand about protecting data, hacking threats, automation, and digitalization?"

While most interviewees agreed that they needed to be more aware of technology changes, they warned that the pace of technology advancement is unprecedented and things are happening much faster, and therefore so is the incremental complexity board leaders need to deal with.

Despite the technology threat, boards in Asia have a traditional composition, with finance, legal, and domain experts forming the core of the board. Only progressive boards are looking at supplementing core capabilities with technology skills.

Interviewees highlighted that the problem is not with technology, but the pace at which boards in Asia are coming to terms with technology changes and embracing digitalization. One board director explained, "First you need to recognize you have a problem, and then understand how technology can solve that; even if they don't know block-chain, they could ask executives what their plans for blockchain were, so at the very least they are alerting the executives."

TECHNOLOGY & BOARDS IN ASIA

KEY TECHNOLOGY CHALLENGES

Boards Must Engage in Technology Discussions because...

I. Technology can create vulnerability. E.g., cyber security risk

II. Technology can create huge opportunities. E.g., using automation to improve productivity

III. Companies are increasingly investing in technology. E.g., digital transformation initiatives

"I was invited to a board trying to implement digital financial strategy, and I was introducing the potential solution. There were 10 board members, all above 65-70 years of age, and none of them had a smart phone with them! I wondered how can we even make them understand the digital strategy, so as a start, we got them 10 smart devices by the afternoon, and encouraged board leaders to play with them, in a hope that it will give us at least a fair chance to have a meaningful dialogue."

Board Director, Sri Lanka

QUESTIONS BOARDS MUST ASK

Boards Must Reflect Upon the Following...

I. How vulnerable is the organization to technology shifts?

II. Can the organization get competitive advantage using existing or new technology?

III. Is technology currently an enabler or a hurdle at the workplace?

IV. Are tech and related investments providing the promised ROI?

V. Do we have the right technology talent?

"We are already beginning to ask questions like what benefits will AI bring to us? What must we put in place to ensure that we are able to respond to any threats that may be imposed by AI? So, it's new for many companies, we haven't really seen the impact of AI on our businesses yet, but we have to start to think about it, ask the right questions, get experts to talk to us, etc."

Independent Director, Singapore

Source: CCL Research 2019

BOARDS AND TECHNOLOGY

BOARDS MUST ACT NOW!

Progressive boards take several steps to upgrade their technology capability.

These range from upgrading the level of awareness, often done by inviting technology thought leaders to address boards, or simply by scanning the internet, to getting tech advisors on boards, to tech trainings, to inviting independent directors with a strong technology or digital background and experience. "Tech board briefings are usually done by the CIO, head of the IT department, or CTO. The CEO is a participant in such discussions as much as other board directors," shared one director about upgrading tech knowledge on one of the boards he represents.

Organizations ahead of the curve, especially the ones with a strong potential tech disruption likelihood, often set up tech governance committees. One of the board directors elaborated, "More corporations have technology governance committees than ever before. On the basis of what I have seen in a couple of organizations, while there are rarely what I'd call techies in such committees, at least technology gets due attention at the board level."

SIX TACTICS TO DEAL WITH THE BIG-T CHALLENGE

INCREASE TECH AWARENESS

"To deal with technology, people need to scan the Internet and be more aware, engage with technology-oriented thought leaders, attend conferences, talk to tech vendors, and not undermine the value of reading about latest developments, etc."

CEO, Singapore

IMPROVING TECH-SAVVY QUOTIENT

"We need board directors to train in technology, rather than a tech person trained to sit on the board, because there are not too many in that variety."

Independent Director, Japan

TECHNOLOGIST ON BOARD

"On our board there is a young director, a PhD in technology from a top-notch institute, and his inputs on technology and digital themes are very valuable, especially compared to inputs from some of the other directors who are in their fifties and sixties."

Independent Director, Sri Lanka

GO-TO TECH ADVISOR

"We are considering whether we need an advisor, a special consultant for a year who the board can call on, because we are not sure whether we are making the right investments, or if the CIO is just signing up for projects to expand his own knowledge portfolio."

Independent Director, Sri Lanka

TECHNOLOGY COMMITTEES

"We have a dedicated board-level committee comprising board members, outside consultants, and tech-savvy leaders from group companies. Anything related to technology must pass through this committee."

Board Chair, Sri Lanka

TECH START-UP EXPERIENCE AT BOARD LEVEL

"We brought in someone who is leading a tech-startup to sit in on the board, and it triggered a loop of learning at the board level."

Executive Director, Hong Kong

Source: CCL Research 2019

FIRST YOU NEED TO RECOGNIZE YOU HAVE A PROBLEM, AND THEN UNDERSTAND HOW TECHNOLOGY CAN SOLVE THAT

CRYSTAL BALL GAZING

WHAT WILL BOARDS LOOK LIKE IN THE FUTURE?

MORE INDEPENDENCE

"The percentage of independent directors may generally go up owing to market pressures and increasing regulatory requirements."

Board Chair, Sri Lanka

MEETINGS TO GO VIRTUAL

"I feel we will have virtual board meetings through Skype or other technology platforms, so decisions will become quicker."

General Counsel, India

DIVERSITY OF NATIONALITIES

"Owing to the globalization of businesses, boards will have global directors who will bring in exposure to doing business across cultures."

Non-Executive Director, Cambodia

INCREASED FOCUS ON STRATEGY

"Today boards spend 20% time on strategy, but in the future this will be almost 80%."

CFO, India

MORE DEMANDING SHAREHOLDERS

"Stress doubled every 10 years in my time, but now it will every 3 years; as things will change faster, shareholders will demand even more."

Independent Director, Sri Lanka

SMALLER BOARDS

"The days of very large boards are now really an anachronism simply because they're not productive, and you get too many passengers—people who do nothing. It also makes sense because it reduces the remuneration bill."

Independent Director, Indonesia

MORE GENDER DIVERSITY

"We will see more women on boards in years to come; gender balance will be more out of choice than governance directive."

Independent Director, Thailand

HIGHER SHAREHOLDER ACTIVISM

"Recently, shareholders did not approve increased board director fees in Malaysia. This is ground-breaking stuff, unheard of till about 18 months ago. I think deployment of proxy voting advisors is another version of activism that we are witnessing."

CEO, Hong Kong

INCREMENTAL REGULATION

"More regulation and even more onerous responsibilities would fall on the shoulders of board members, and therefore they will be much more accountable towards their responsibilities."

CEO, Hong Kong

TECH TO TAKE MORE MINDSHARE

"Clearly focusing on the whole state of technology and digital will increase, almost coming up in all meetings in the future."

Board Chair, Singapore

Source: CCL Research 2019

When the CCL research team asked interviewees to "crystal ball gaze" and identify how boards and board leaders will be different in a decade from now, we heard the following perspectives or predictions around key context, composition, dynamics, and focus changes:

- *On context, interviewees highlighted that the future will see more activism and related efforts by shareholders, even more regulations, higher technology mindshare, and more demanding posture of shareholders.*
- *On composition, interviewees predicted that boards of the future will be younger, more gender and ethnically diverse. Board directors will also have shorter tenures.*
- *Regarding dynamics, the key future changes will be around fewer directors, and more frequent meetings leveraging technology and virtual platforms.*
- *Boards' focus will also change a little, with higher energy spent on strategy, foresight, and talent discussions; boards will also be more independent.*

MORE FREQUENT MEETINGS

"As the economic cycle has reduced from 7 years to 2-3 years, boards have not responded; in the future, they will meet more frequently."

CEO, Singapore

YOUNGER BOARDS

"In future, I will not have anyone on the board more than 70 years of age. I will fill half the board with 45-60 year olds. We desperately need some younger people on the board as well."

Board Chair, Singapore

SHORTER BOARD TENURES

"Days of staying on the board for years and years, I mean 20 years or more, are over. Shorter durations, usually in line with the local governance code guidelines, are more acceptable."

Independent Director, Malaysia

TALENT TO TAKE CENTER-STAGE

"Do we have the right people, and if we don't, where are they going to come from, and can we upskill our existing teams? I think these discussions will happen more and more at board level and less and less at the C-suite level."

CEO, Singapore

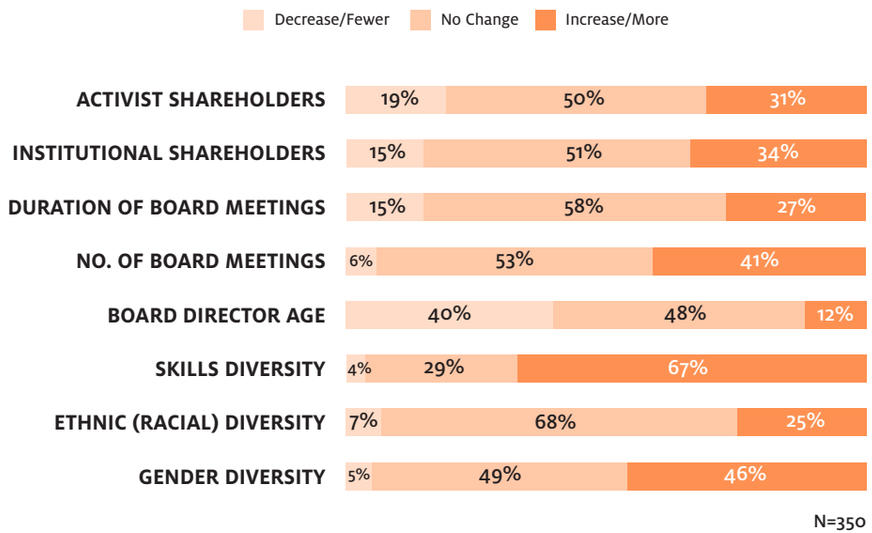
FROM HINDSIGHT TO FORESIGHT

"The conversations are changing from hindsight, to foresight and being more forward looking. Boards will take current-day decisions with a future mindset."

Board Chair, India

BOARDS OF THE FUTURE

% respondents who selected the option



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Source: CCL Research 2019

ADVICE ON GETTING BOARDS FUTURE READY

IMMEDIATE ACTIONS REQUIRED...

Considering that they will look different in a decade from now, what are organizations doing to get their board and board leaders ready? Interviewees shared six key tactics.

One, ensuring boards reflect the changing times in terms of newer skills and experiences required in the boardroom.

Two, curating a learning culture in the board, both individually and as a collective.

Three, developing or readying board directors to be comfortable with discomfort. This could be through newer experiences, and changes in mindset of individual directors.

Four, ensuring diversity in terms of gender, skills, nationalities, etc.

Five, taking steps to become more digitally savvy. These may include inducting tech-savvy directors, inviting digital consultants to spend time with the board, or setting up tech governance committees.

Finally, ensuring better board dynamics to improve alignment between board and management, and among different board members, or key stakeholders.

"Since the goal post is constantly moving and we don't know what we don't know, there is no such thing as being 100% future ready. It is a continuum, and we should be happy if we feel we are 70% there," advised one board director.

SIX INITIATIVES TOWARDS FUTURE READINESS

1

TWEAKING BOARD COMPOSITION

"I think there's a focus on the composition of the board, specifically how that needs to change in order to be future ready, and to reflect new contextual realities."

Board Chair, Singapore

2

CURATING A LEARNING BOARD

"There is a realization that there are some things that you have to constantly update yourself on. And if you don't do that you may be irrelevant as there is no point sitting on the board and not adding any value."

Independent Director, Sri Lanka

3

BEING COMFORTABLE WITH DISCOMFORT

"Board leadership must be ready for evolving contexts and the allowance for discomfort to happen, even failure to happen; we must be willing to live with that."

Independent Director, Philippines

4

PROMOTING DIVERSITY

"We have recently onboarded two board members who are not Malaysians, and we see that having a diverse board brings in new and fresh perspectives."

Independent Director, Malaysia

5

BECOMING TECH-FRIENDLY

"We regularly bring consultants in to educate the board on technology and how it may disrupt our organization in the future."

Independent Director, Japan

6

INCREASING ALIGNMENT

"Our board is trying to up the game on alignment to get ready for the future. What sort of employees are required, and what regulatory risks need to be mitigated, etc. Board committees are also having a lot more intense discussions."

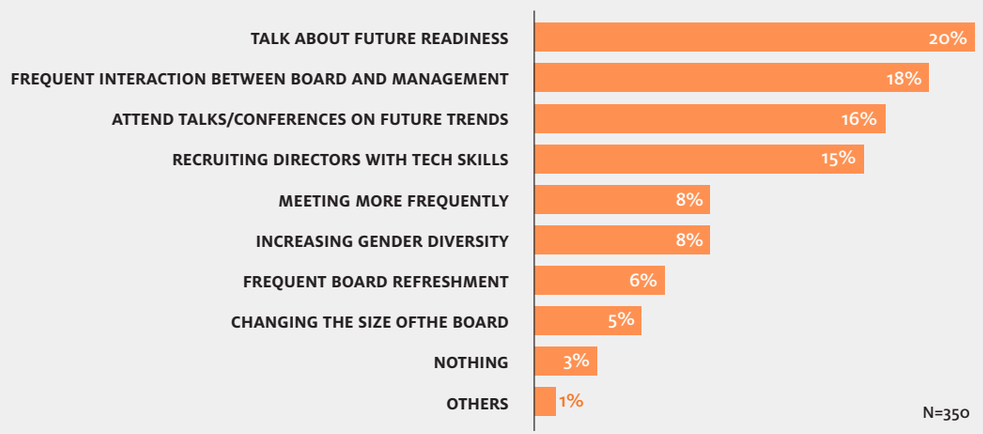
CFO, India

"The management team is invited to run a 45-minute session every month with the full board on topics like technology, block chain, innovations, etc."

Independent Director, Sri Lanka

ACTIONS BOARDS ARE TAKING TO BE FUTURE READY

% respondents who selected the option



Source: CCL Research 2019

V. BOARD LEADER SUCCESS – KEY PRACTICES

> **For any board to be successful, you need to have a minimum of three qualities—its composition has to be right, it should be a cohesive board, and it should have variety.**
>
> Group Company Secretary, India

CASE STUDY

BOARD ONBOARDING

SETTING INDEPENDENT DIRECTORS UP FOR SUCCESS

COMPANY Global Financial Institution

CHALLENGE Ensure a smooth and comprehensive onboarding process for new independent board directors.

PRACTICE A detailed six-step process starting from ensuring a comprehensive board pack, to detailed briefings by key members of the management team, to factory and premises visits, and finally to a one-on-one detailed meeting with the board chairperson.

SIX STEPS ONBOARDING PROCESS

RELATED INFORMATION SHARING

1

Board pack detailing businesses, competition, last five years' annual reports, past two years' analyst reports, etc.

COFFEE-WITH-BOARD MEMBERS

2

Informal catch-ups to start building board relationships, to know challenges in the past, any thread of earlier discussions.

DETALIED BRIEFING BY CEO OR CFO

3

A full morning session to walk through finance, operations, challenges, and also to answer any queries the director may have from the board pack.

4

ORIENTATION BY THE GROUP EXECUTIVE COUNCIL

Management perspectives from leaders who are mitigating risks, running operations, managing finance, dealing with security, etc.

5

FACTORY/OFFICE VISIT(S)

Site/plant/office visits to get a feel of the ground-level operations, interact with the frontlines, and understand their challenges.

6

ONE-ON-ONE WITH THE BOARD CHAIR

2-3 hour meeting with the chairperson to share early impressions, and to understand ongoing board challenges and discussions.

> *"When you [board director] sit in air-conditioned offices you may be completely disconnected with ground-level realities. The rubber hits the road when board leaders go and visit plants, site offices, meet with vendors, suppliers, and customers."*
>
> Independent Director, India

Source: CCL Research 2019

COMPANY Asian Conglomerate

CHALLENGE Refreshing the board continuously with future-ready skills.

PRACTICE Looking systematically at skills available at the board level, establishing key capability gaps, mapping these with company needs, identifying potential director pools, engaging with prospects, performing a multi-step evaluation process, and ending with a formal invitation to director(s) to join the company board.

RECRUITING

CREATING A WINNING BOARD TEAM

CASE STUDY

CREATING A FUTURE-READY BOARD

REFLECT on the future

- Board reviews annual performance survey data
- Board reviews the future strategy of the organization
- Board continuously evaluates industry trends and direction

IDENTIFY company needs

- Nominations committee (NC) reviews structure, size, and composition of the board and makes recommendations
- NC reviews leadership needs of the board on the basis of future strategy and skill gaps
- NC reviews diversity policy

DEFINE catchment areas

- NC prepares a written description of the role with skills, capability, experience and diversity needs, and selection criteria
- Board evaluates sources of talent
- NC socializes potential profiles with all board members

REACH OUT to the prospects

- Engage executive search firm, if required
- Use board referrals
- Target and reach out directly, or via friends of the board
- Engage with Institute of Directors to identify candidates

ENGAGE potential pool

- Informal/formal conversations with prospects
- Explain company, role, answer questions, stay connected
- NC to update the board

EVALUATE top candidates

- Multiple interviews with potential board prospects
- NC to evaluate other commitments of the prospects to ensure they will have sufficient time
- Reference checks

INVITE to join the Board

- NC/Board makes the selection decision and conveys to the candidate
- Company secretary to formally write to the appointed director regarding the induction plan

"There is a more active search, even from the majority [stake]holders to bring in quality directors, unlike the past when we could bring in friends and family. We want to bring in quality directors who can add value, and since they are the ones who chair key committees, a quality selection process gives investors additional comfort of how things are run."

Independent Director, Philippines

Source: CCL Research 2019

CASE STUDY

STRATEGY SETTING

FROM BINARY TO ITERATIVE PROCESS

COMPANY Asian Bank

CHALLENGE Ensuring right level of collaboration between the board and management team on organizational strategy setting process.

PRACTICE A four-step process—inform-align-discuss-recommend—to ensure seamless integration and collaboration between the board and management team, especially the CEO. The key objective of the detailed process was to get board input and reaction multiple times during the strategy-setting exercise.

COLLABORATIVE STRATEGY SETTING PROCESS

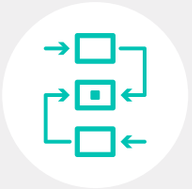
BOARD SETS THE STRATEGY AND CEO EXECUTES!

COLLABORATIVE PROCESS

CEO SETS THE STRATEGY AND INFORMS BOARD!

> *"If the Board, which meets for 30 days a year, can craft the enterprise strategy then perhaps they don't need a CEO. And the CEO must not craft the strategy and take a baked recommendation to the board."*
>
> Independent Director, India

I. INFORM



- CEO collaborates with the chairman/directors and lays out the strategy agenda for the board
- CEO walks the board through the strategic planning process, the "how" and the "why"
- Management team gets guidance from experts on the board in one-on-one meetings

II. ALIGN

- CEO, chairman drive the dialogue and align on the critical challenges the strategy must address
- CEO ensures all angles—markets, customers, resources, geopolitics, etc.—are covered
- Management team seeks individual guidance from board members on challenges and potential strategic options

III. DISCUSS

- CEO shares the array of strategic options; seeks advice from the board on tweaks, blind spots, potential concerns, etc.
- Management team works on the board feedback to evolve the recommended strategy
- CEO socializes the strategy with individual board members

IV. RECOMMEND

- CEO shares the recommended strategy with the board
- CEO lays out the execution plan
- CEO also highlights the incremental resources required

Source: CCL Research 2019

COMPANY Asian Infrastructure Company

CHALLENGE Ensuring the right people development remains top-of-mind for the board at all times.

PRACTICE In order to ensure talent discussions get adequate attention and guidance from the board, the company set up a three-pronged strategy—executive briefing (on talent) to the board, engaging in developmental planning discussions about top talent, and curating informal board leader-key talent check-ins.

TALENT IDENTIFICATION AND DEVELOPMENT

ROLLING UP SLEEVES TO CURATE A WINNING MANAGEMENT TEAM

CASE STUDY

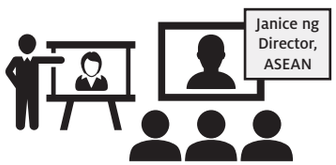
DEVELOPING THE NEXT-GENERATION TALENT

- ✓ Annual review of top 50 leaders in the organization
- ✓ Objective is to identify key executive position successors

"One of the key expectations from the board in our organization is to help develop next-in-line executive talent. In fact, that is one of the areas our board is collectively evaluated on."

Executive Director, Singapore

EXECUTIVE BRIEFING



- 3-5 top talent presentations by each executive director on the board
- Board gets a pack of 50 profiles, including their tenure, experience, educational background and 5-year performance
- Sharing includes the talents' leadership ability, team skills, crucible roles, learning skills, etc.

DEVELOPMENT PLANNING

- Board spends 30 minutes discussing talents' potential, development needs, and career trajectory
- Board highlights potential developmental opportunities, postings, international rotations, coaching requirements, etc.

INFORMAL BOARD LEADER CHECK-IN

- Opportunities are curated for key talent to spend time with board leaders one-on-one in an informal environment
- Helps board leaders assess overall personality, potential, and fit
- Check-ins done on the back of office/ site/factory visits, client gatherings, conferences, trade shows, etc.

Source: CCL Research 2019

FAMILY GOVERNANCE

CREATING FAMILY COUNCILS

COMPANY Asian FMCG Company

CHALLENGE Creating a compelling family governance process and framework so that the organization moves at a rapid pace.

PRACTICE In order to overcome business-related friction among extended family, the company set-up a multi-faceted family governance approach involving family assembly, family constitution, family council, and even a family office.

CASE STUDY

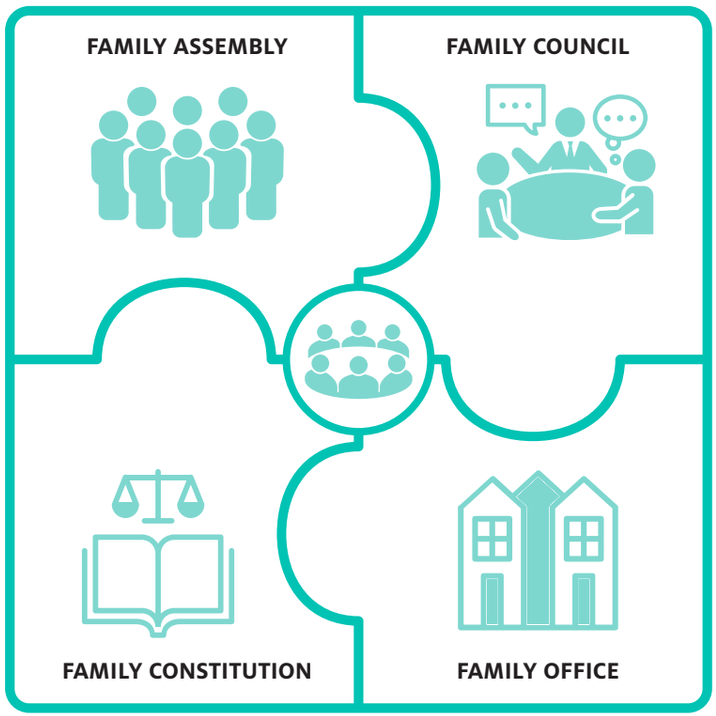
CREATING A ROBUST FAMILY BUSINESS GOVERNANCE FRAMEWORK

All-family six-monthly formal meetings to discuss various family matters such as own ventures, within and outside of the family business.

The family constitution articulates its vision, values, guidelines, and policies for maintaining discipline and code of conduct. These include:

- Succession
- Retirement
- Dividend pay-outs
- Compensation
- Employment for next generation

Etc.



The family council is the governing body of the family, the equivalent of what the board is to the business.

- Elected by the family assembly
- Comprises 12 male members older than 25 years
- Meets 4 times a year, usually after board meetings
- Has a chairperson and a secretary. The chair drives the agenda, while the secretary supports the chair in administrative matters
- Three-year term of service
- Includes education and philanthropy committees

A local address/administrative set-up that houses offices and work areas, usually for all working family members, and family advisors.

"When the organization underwent stress and disruption due to some family members thinking differently, the founder realized the need to develop a robust governance system and a platform for open communication, in order to avoid future crises."

Retired Independent Director, India

Source: CCL Research 2019

COMPANY Asian Hi-Tech Company

CHALLENGE Keeping up with technology changes and disruptions.

PRACTICE The organization set up a technology committee comprised of key executives, with a clear mandate to assist the board with tech-related decisions.

TECHNOLOGY COMMITTEE

TAKING ON THE TECHNOLOGY CHALLENGE

CASE STUDY

SETTING UP A TECHNOLOGY COMMITTEE

Technology readiness will make or break most organizations in the future, and boards in general are not ready for the technology onslaught!"

Board Advisor, Singapore

TECHNOLOGY COMMITTEE

WHY

"Technology scanning and decision-making was traditionally a part of the risk committee, but increasingly the organization realized that technology issues were too many and too complex, and deserved focus from a special dedicated group."

Board Advisor, Singapore

WHO

Technology Committee comprised 3 members:

- CFO
- Two independent directors
- At least one independent director with technology background (committee chair)

WHAT

Mandate:

"To assist the board of directors in fulfilling responsibilities regarding execution of business strategy including, but not limited to, key technology investment, technology strategy, tech project performance and digital trends that may affect the enterprise."

HOW

- Meet 4 times a year.
- Agenda:

  Review technology strategy integration, market disruptions, key technology investments, cyber security updates and action steps.
- Links the board with CIO, CISO, chief digital officer, etc.

Source: CCL Research 2019

BOARD LEADER FIELD TRIPS

BRINGING THE OUTSIDE IN PERSPECTIVE

COMPANY ASEAN-based Conglomerate

CHALLENGE Director development through global exposure and cross-company learning.

PRACTICE The company organized a back-pack tour for the board of directors and the management team to learn from partner organizations; the visit culminated in an offsite meeting to reflect and internalize the learnings from the tour.

CASE STUDY

BACKPACKING BOARD FIELD VISIT

JULY 2019

SUN	MON	TUE	WED	THU	FRI	SAT
Travel: BKK to Seoul 1		Visit the R&D team at Sampun* and learn about 5G 2	Meet with the CEO and Board Chair at Sampun* 3	Visit the Learning Academy 4	Travel: Seoul to the US 5	6
7	Lunch with Thai-US Business Association 8	Visit TechStar* Campus to see their culture 9	Spend the day at TechStar* University 10	Visit Research Facility and product design center 11	12	13
Travel to BKK 14	15	16	17	18	19	20
21	22	23	24	Offsite with Management Team in BKK 25	26	27
28	29	30	31			

*Pseudonym

FIELD TRIP FOR THE BOARD

Duration:

- 2 week visit to South Korea and U.S.
- Entire board accompanied by key leaders from the C-suite

Objective:

- Visit partner organizations
- Learn about latest technology
- See work culture in campuses, learning facilities, research and development labs
- Meet with senior leaders to understand technology outlook
- Learn about new product offerings
- Board leaders to interact with management in an informal set-up

Next Steps:

- Discuss learnings with the management team at a 2-day offsite after the field trip
- Discuss plans to get new technologies, practices, initiatives to Thailand

"In a bid to educate ourselves and understand how the telecom sector is evolving, we curated a field trip to visit more (technologically) advanced organizations, to understand how they run business and what we can learn from them."

Board Chair, Thailand

Source: CCL Research 2019

COMPANY Global Technology Company

CHALLENGE Creating a learning culture at the board level.

PRACTICE The organization used six tactics to create a more-informed board. These included getting thought leaders to spend time with the board, board-level exchange sessions, executive briefings, scanning analyst reports, and even inviting young leaders (who are the key consumers of company products) to board meetings.

CREATING A LEARNING-AGILE BOARD

HEADS ON A SWIVEL

CASE STUDY

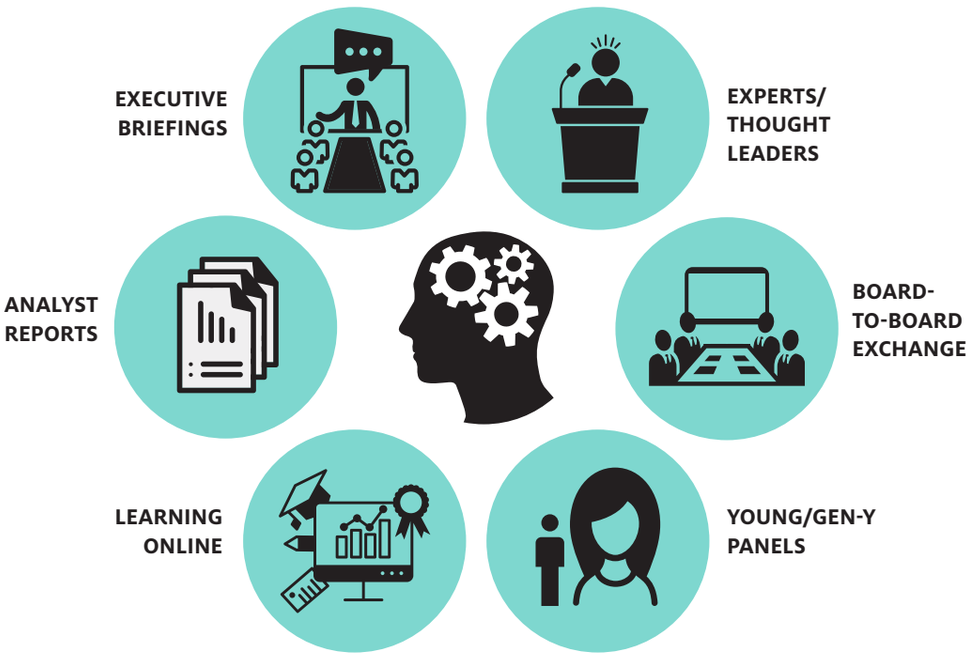
"We routinely listen to global briefings, especially around political changes or megatrends together as a group and then we debate their impact on the organization."

"When you are on a board, one way of getting the feel of business is to look at the analyst reports of the company and its competitors. So, if you look at three or four of them, you get a broad sense of what industry is thinking."

"Thanks to the proliferation of the Internet, it is very easy to see how consumers are reacting to our products; being social media savvy is a big plus for our board."

Independent Director, Philippines

CREATING A WELL-ROUNDED AND INFORMED BOARD



"We had no idea about block-chain and the management team was talking about considerable investment in that area; so, we brought an expert in to spend half a day with the board to educate us on the latest."

"Board-to-board interactions across countries, and doing joint board retreats is a great idea to learn, without perhaps sharing any confidential information."

"Since we are in an industry where our end consumer is much younger than all of us on the board by several decades, once in a while we try and bring youngsters into our board meetings to understand their thought process."

Independent Director, Philippines

Source: CCL Research 2019

SUCCESSION PLANNING

CAPABILITY DEVELOPMENT OF NEXT GEN BOARD LEADERS

COMPANY Asian Trading Company

CHALLENGE Charting out "career paths" for independent board directors.

PRACTICE In a bid to ensure that the organization charts a structured plan for top-value-adding independent directors, the board split the director career into three distinct phases—earning phase, stretch assignment phase, and succession planning phase.

CASE STUDY

CREATING EXPERIENTIAL LEARNING FOR INDEPENDENT DIRECTORS

TERM 1

LEARNING PHASE

- Understand the industry drivers and challenges
- Get exposed to the business model and operations
- Understand the board and organization dynamics
- Visit multiple sites/factories/offices
- Connect with the management team
- Attend focused programs on governance, chairpersonship and leadership
- Get regular developmental feedback from the chairperson

Objective—Develop credibility with peers and the management

TERM 2

STRETCH ASSIGNMENTS/ CHAIRPERSON ROLE

- Take on a chairperson role in a committee
- Take on a challenging director role/chairperson role in a subsidiary listed or unlisted company or divisional board
- Get exposed to multiple jurisdictions
- Take on an independent directorship role in another country
- Rotating to one of the other group company boards
- Partner with management on a challenging project

Objective—To prepare and take on a bigger, more impactful role on the board (board chairperson, lead director, key committee chair person, etc.)

TERM 3

PREPARING SUCCESSOR

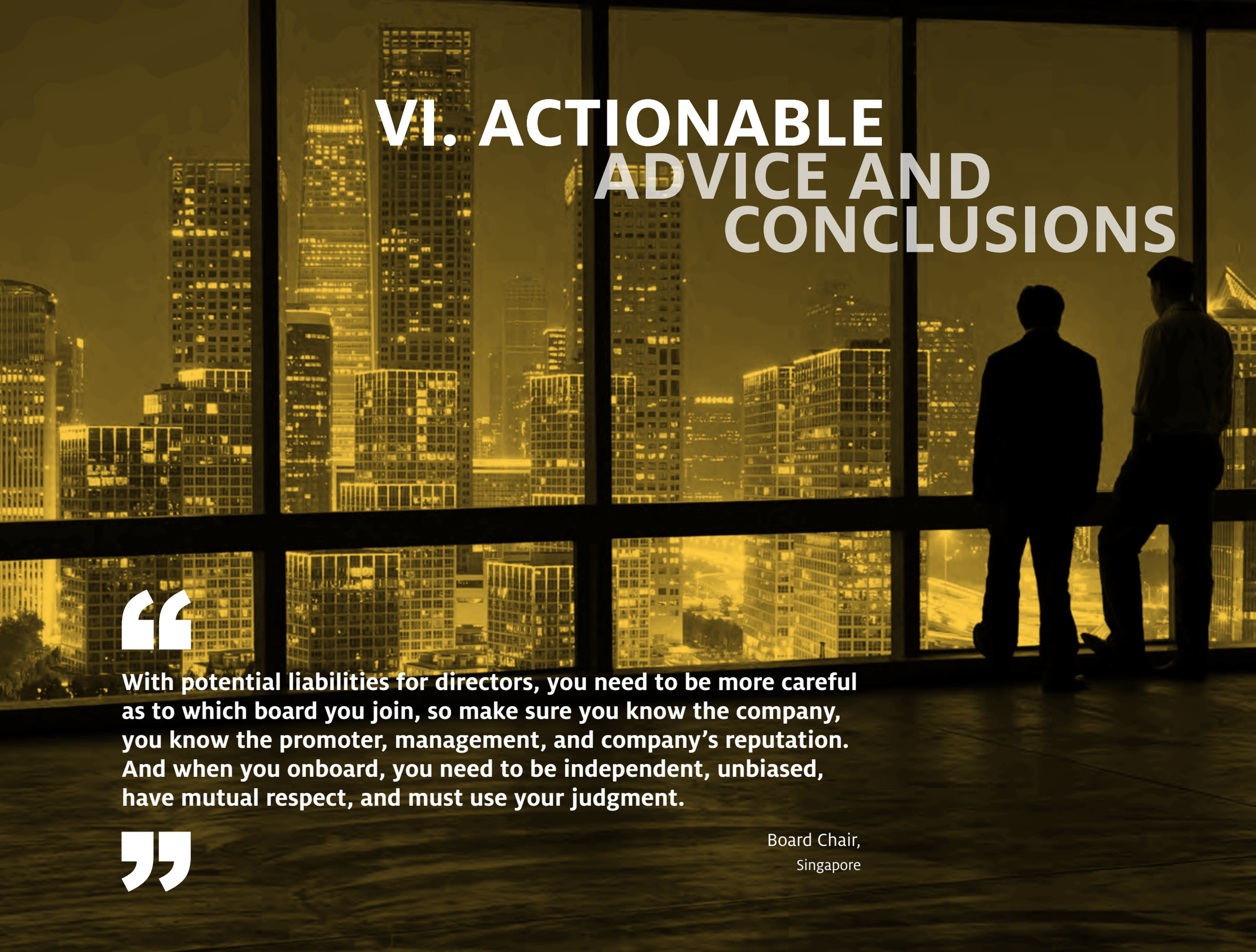
- Mentor one of the "newer" directors for their development and taking over key roles

Objective—To play a tenured board leader role and pass along wisdom and learning to the next generation of independent directors

"I was fortunate to work with a very evolved and well-respected chairperson. He mentored me into who I am today, and also created a developmental rotation opportunity for me to play the chairperson role in a subsidiary in another more mature jurisdiction."

Independent Director, Malaysia

Source: CCL Research 2019

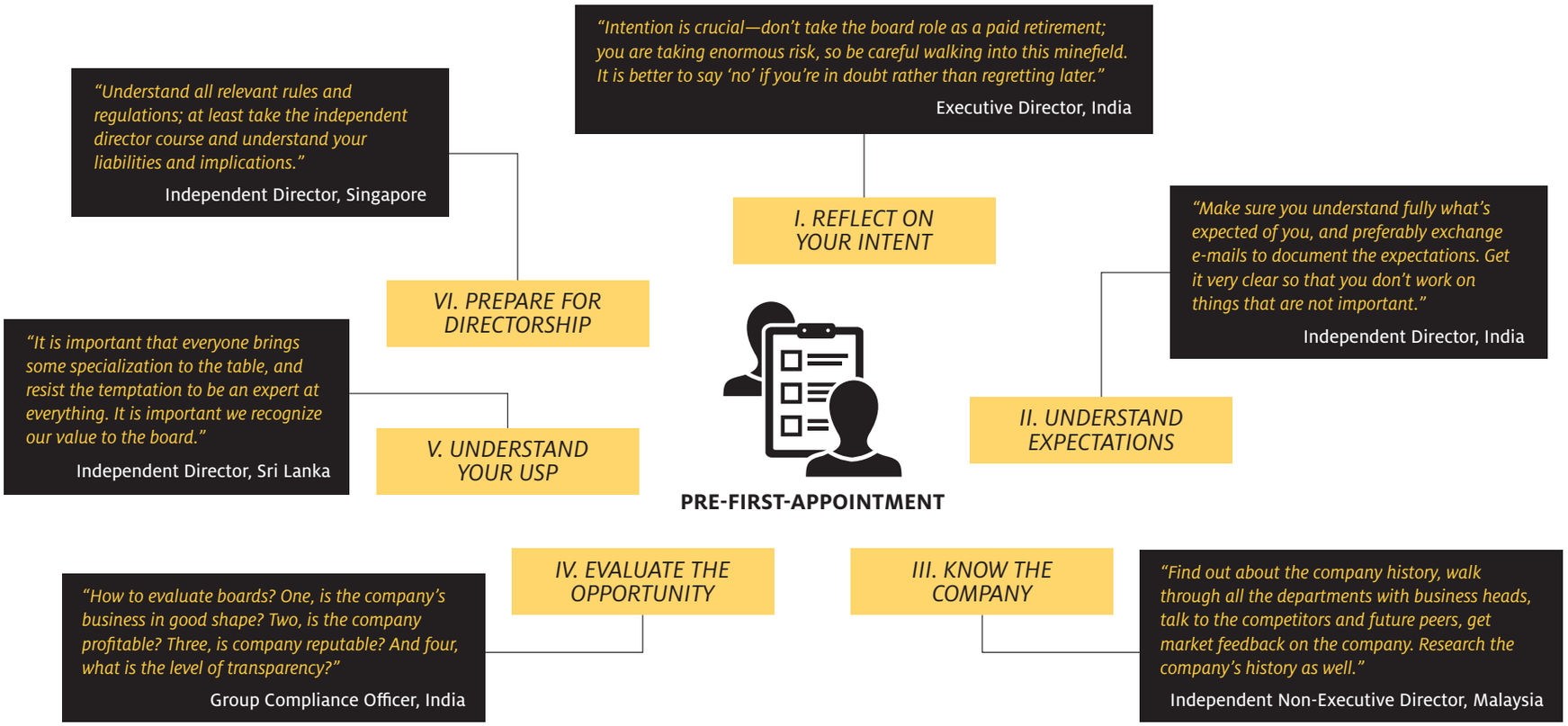


VI. ACTIONABLE ADVICE AND CONCLUSIONS

“With potential liabilities for directors, you need to be more careful as to which board you join, so make sure you know the company, you know the promoter, management, and company’s reputation. And when you onboard, you need to be independent, unbiased, have mutual respect, and must use your judgment.”

Board Chair,
Singapore

GUIDANCE TO NEW OR ASPIRING BOARD DIRECTORS



Source: CCL Research 2019

BOARD COMPENSATION...

IS IT TOO LITTLE?

"Remuneration has not kept pace with the amount of liability that independent directors carry. The kind of remuneration companies offer is often not worth taking risks, especially in heavily regulated industries."

Independent Director, India

DOES IT COMPROMISE INDEPENDENCE?

"The more you get paid by a particular entity, the more likely you are to lose your independence; the moment you get paid handsomely, you become wholly dependent on that one entity. So, board remuneration should not be benchmarked with executive compensation."

Independent Director, Singapore

OR, IS IT SIMPLY A TRADE-OFF?

"If a second tier financial services company wants to attract people like me, I come at a very expensive price tag. If it was a tier-one company, I would accept a lower fee. So, the better the company, the lower the risk. The more established the company, the lower the rent, because you are attached to the prestige of being on the board. "

Independent Director, Malaysia

ACTION STEPS BOLD 3.0 LEADERS MUST CONSIDER

PRE-JOINING...

Interviewee board directors underlined the need for a high level of commitment and accountability to fulfill the role of a board director. They had six pieces of advice for first-time, or new independent directors, and for the executives who aspired to be independent directors.

One, new directors must understand that a board position is "serious business." "It is not a walk in the park, so make sure you understand the responsibilities and liabilities before you go down that route," advised one director.

Two, directors must spend time upfront to understand what the shareholder/chairperson expects of them. Are they bringing a new skill to the board, for instance, or are they bringing deeper understanding of an already existing skill? This will help them align their efforts with expectations upfront.

Three, do adequate research, talk to other directors, read analyst reports, spend time with the chairperson, get briefings from the management, etc., to know the company in detail.

Four, have a criteria to evaluate the opportunity or invitation to be on the board. "Know what you are stepping into, to make sure it is not a minefield," warned an experienced board director.

IT IS NOT A WALK IN THE PARK, SO MAKE SURE YOU UNDERSTAND THE RESPONSIBILITIES AND LIABILITIES BEFORE YOU GO DOWN THAT ROUTE

Five, a new director must be clear about what skill he or she brings to the table. "No director can have all the skills, so don't worry if you are not an expert at everything; just know your USP," advised a company CEO.

And six, prepare well for the role, make time to take independent director courses, get familiar with the industry, regulations, governance codes, etc.

ACTION STEPS BOLD 3.0 LEADERS MUST CONSIDER

ADVICE TO INCUMBENT BOARD DIRECTORS...

Interviewee directors also had some suggested action steps for incumbent board directors, especially non-executive directors, as they progress in their tenure in the organization.

During the onboarding period for instance, board directors must make an extra effort to understand the organization and board culture, develop meaningful relationships with peer directors, try and find a mentor or a go-to-person on the board, and practice the art of "active listening."

The first year is a period when new directors must invest extra time to ramp up, engage in firm matters, and speak up in meetings, but in a respectful manner.

KNOW THE CULTURE

"Take the time to understand how things work at the board level, what is appreciated and what is not, what are the ways of doing things, what do good practices look like. Tune your behavior accordingly without compromising on your ethics."

CEO, Hong Kong

INVEST IN RELATIONSHIPS

"Take time to build meaningful relationships with fellow board members and the executive management; you will not do that just by attending board meetings; meet them socially, at company dinners, etc."

Ex-Board Director, India

TAKE THE ROLE VERY SERIOUSLY

"Board directorship is an onerous task; with personal liabilities involved, you could end up in a jail if you take the role lightly."

CEO, Philippines

BUDGET FOR ADEQUATE TIME

"If you think it is one day a month, you can be sure it will be three days a month! Budget for a little extra time and then get involved in some of the extra projects. Without which, board directorship would not be as fulfilling."

Independent Director, India

PREPARE FOR MEETINGS

"You may be running a business, you may have other priorities, but board responsibility is a significant one, with significant penalties for not fulfilling fiduciary responsibilities; you need to prepare, study the board pack, analyze issues before the meeting."

Independent Director, India

ONBOARDING

YEAR 1

USE EARS MORE THAN MOUTH!

"The first couple of meetings, I would expect the board director to be extra attentive, observe more, and understand the dynamics in the room."

Board Chair, Singapore

KNOW KEY PLAYER TEMPERAMENT

"Be careful to read the dynamics between the board chairperson and the CEO of the organization. The role of board directors will be hugely influenced by that dynamic."

Independent Director, Cambodia

FIND A MENTOR

"Pick somebody on the board whom you can relate to, and reach out to him/her if you think you need further clarifications, develop relations, meet up with him/her, so that you are not lost in your first few meetings."

Independent Director, Malaysia

SPEAK UP

"Always, always speak up; never feel you have to hold back because someone else has a stronger view or has a louder voice."

CEO, Singapore

Source: CCL Research 2019

ADVICE TO INCUMBENT BOARD DIRECTORS...

Years 2 and 3 are periods of consolidation, learning more, adding more value, taking up incremental special projects, and most critically, being more open to feedback.

In the second inning, if the board tenure extends to the second term, or in the longer term, directors need to do the heavy lifting in committee operations, mentor new board joinees, limit the number of new directorships he or she wants to sign up for depending on time available, and continue to expand the sphere of influence within and outside of the organization through networking.

The CCL research team also picked up some general tips all board directors must adhere to, irrespective of their tenure—they must continuously upgrade their capabilities to be future-ready, bring in lateral experience if they serve on multiple boards, and finally, know the right time to "step aside" and "give way" to new board talent.

INVEST ENERGY ON FIRM MATTERS

"It is useful to reach out to peers and executive teams outside of the board meetings to discuss common interests and issues, because board papers are succinct, and sometimes they don't capture the entirety."

Independent Director, Philippines

LIMIT NUMBER OF BOARD POSITIONS

"I'd suggest that board directors commit themselves to the job; committing to anything more than 3-4 directorships is unreasonable in my view."

Board Chair, Philippines

FOCUS ON SELF DEVELOPMENT

"Just because you are a board director does not mean you don't need to learn. You may need to acquire new certifications, perhaps not a masters degree, but certifications in new areas, new leadership skills, etc."

Executive Director, Vietnam

KNOW WHEN TO STEP ASIDE

"We must know when to step aside; a lot of senior executives don't know when to make way for new blood to come in. It is important to have courage to say that my time is up, so that the next generation can come in."

Board Chair, Malaysia

YEARS 2 & 3 → **YEAR 3+** → **LONG TERM**

MENTOR NEXT GENERATION

"After having spent 16 years as executive, independent, lead director and also board chair, I'd like to spend the next few years giving back to the profession by mentoring young directors, nurturing them, and working with regulators."

Independent Director, Singapore

BE OPEN TO FEEDBACK

"Don't be afraid of seeking performance feedback. The power of the collective comes alive only if the board is willing to give and receive transparent feedback."

Board Chair, Singapore

JOIN COMMITTEES, SPECIAL PROJECTS

"In a recent merger project, I played an important role, and as a result of that, I got to know a lot of people and I got to know the business better. So I tend to put my hand up and get involved in projects and committees each year."

Board Chair, India

NETWORK, NETWORK, NETWORK

"You need to widen your network as a board director—join industry committees, attend conferences, engage with the regulator—have your own circle."

Board Director, China

BRING IN LATERAL EXPERIENCE

"You may be associated with other companies as a director or you have your own organization; think how do you blend that part and bring it to the company in a way that they can make use of."

Independent Director, India

Source: CCL Research 2019

WHAT TO BE CAREFUL OF?

SOME DON'TS!

Interviewees pointed out several "don'ts" as well for non-executive directors; potential minefields, behavioral or otherwise, that may hurt board directors.

"Don't get dragged into everything; you must have a lot of time to prepare for the board meetings; believe in the 80-20 principle, don't get dragged into conversations that have little value; instead, spend maximum time on dialogues that will add considerable value," advised one board director.

Interviewees also suggested that while new directors must not be reckless in joining new boards, once onboard, they must not stay quiet, consider it as an extension of their executive role, or try and be an expert at everything.

Finally, board directors must take the role seriously, understand all liabilities and implications of their actions, and not ignore guidelines and regulations. "Be aware—you can be prosecuted for one ignorant move or face severe liabilities," warned an experienced chairperson.

BOARD DIRECTORSHIP: SOME DON'TS...

...CONSIDER IT A PERK

"Directors often make the mistake of looking at their position as a sort of perk, a privilege, a prestige."

Independent Director, Philippines

...CONSIDER IT AN EXTENSION OF AN EXECUTIVE ROLE

"A lot of people feel you go from an executive role to a board role and it is sort of a continuum; the difference is that everything [in an MNC] is run through management structure, while boards are a different ball game."

Board Chair, Singapore

...TRY AND BE AN EXPERT AT EVERYTHING

"You realize there are 8 other board directors who are also not experts on nine other items; so be comfortable with what you bring to the table, and don't feel stupid about not knowing everything."

Board Director, Sri Lanka

...BE RECKLESS IN JOINING A BOARD

"Be selective in what board you join. We can be very quick to jump but we need to take time to reflect if it is the right board, does it have the right culture, and how much time will be required?"

Independent Director, Cambodia

BOARD DIRECTORSHIP - DON'T...

...STAY QUIET

"You need to speak out; in India, it is extremely hazardous for independent directors; if you are not comfortable with a decision, please speak out and have your point recorded to protect yourself. Ignorance and silence is not good."

Board Chair, India

...TAKE REGULATORY GUIDELINES LIGHTLY

"You better be careful because regulatory guidelines are very strict today and you don't want to go to jail because of that. Board directors must tread with caution."

Regional Compliance Officer, India

...ROLL UP YOUR SLEEVES TOO SOON

"Don't get pulled into what you do best; get a holistic view on how the organization is run, and how to support the CEO. Don't play the game, be a guide or a coach."

Independent Director, Malaysia

...TAKE THE EASY ROUTE

"The easy way is to tag along to the group decision, but you are there to play a particular role, and I believe that if you are truly independent and you are not there for the sitting fee, you should be able to speak out and kind of critique others' views."

Independent Director, Sri Lanka

Source: CCL Research 2019

CONCLUSION

FROM NOW TO THEN...

Getting the "board leadership house" arranged and in order will enable Asian boards to be future-ready over the next decade.

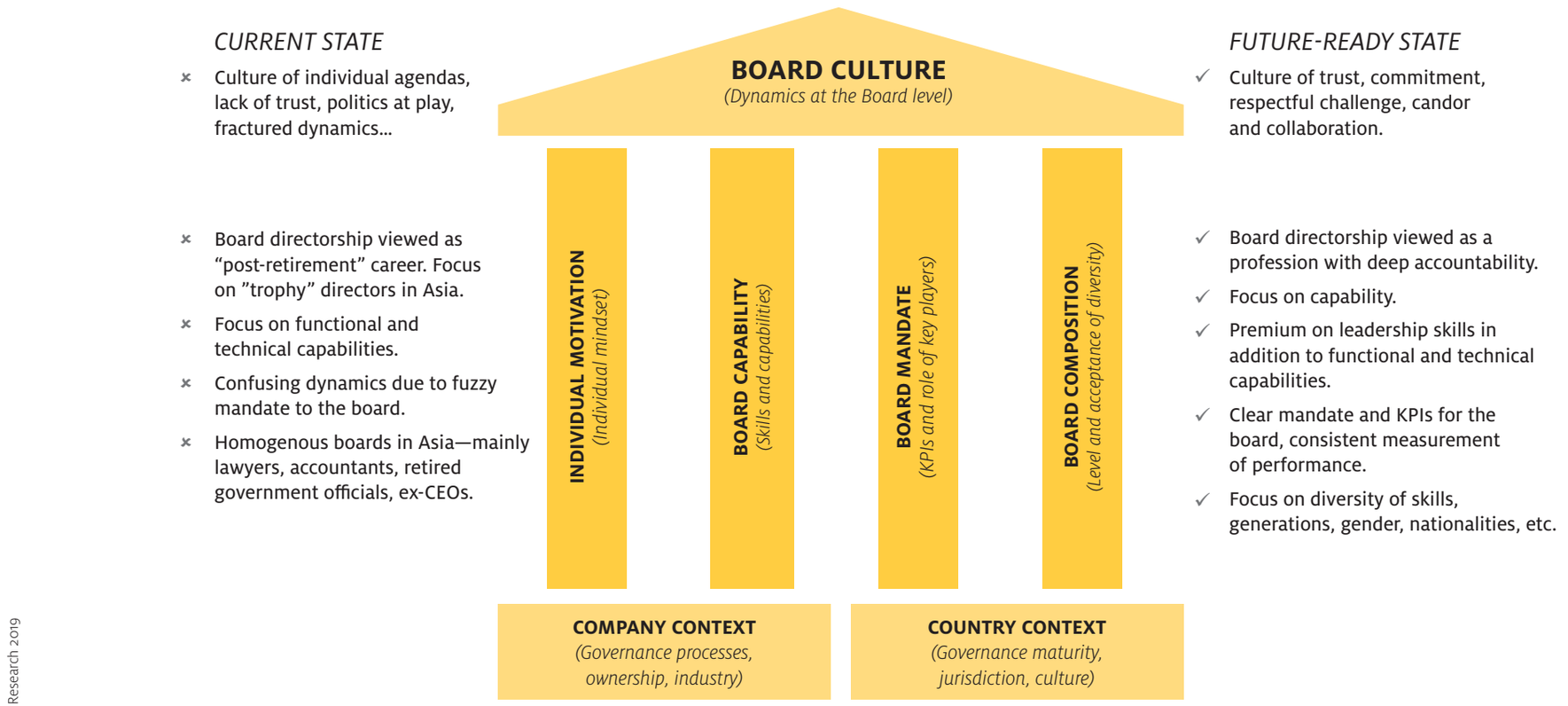
From the current state wherein boards in Asia are often marked with political or individual agendas, directorship being viewed as a post-retirement "career," focus on technical skills, fuzzy mandate, and mostly homogeneous composition, they are slowly yet surely moving to a new era of leadership.

Future-ready boards display a culture of trust and collaboration; there is a premium on leadership skills, in addition to functional and technical capabilities; boards have a clear mandate, and there is a renewed focus on professionalism around a board "career," with a more acceptable and higher level of diversity.

In a decade, more boards in Asia will play a future-fluent-sparring-partner role, more board leaders will play the role of advisors or coaches to the management, and there will be clearer play of direction-alignment-commitment among board leaders.

Boards in Asia will move away from the "old boys' club" image, towards being an accountable leadership group, providing a clear direction. Also, away from compliance focus, towards making the organization future fluent!

BOLD 3.0: ROAD TO THE FUTURE



Source: CCL Research 2019

"The role of future board directors will be playing senior mentors to the management, guiding lights to reflect on leadership and governance issues, engaging in robust discussions with executive teams on things like customer-centricity, strategy, technology, talent, and millennials. Board directors of the future will need to wear multiple hats."

Board Chair, India

KEY TAKEAWAYS

ACTION STEPS FOR ORGANIZATIONS IN ASIA...

CCL research suggests a four-step process to make effective leadership happen on Asian boards.

Organizations must evaluate existing governance frameworks, and ensure that they are operating on a strong foundation. The strength of the foundation will determine the impact of board leadership.

Boards must reflect on individual and collective intent and capability. There must be regular dialogues about capability development of board leaders, especially in self- and strategic-leadership skills.

And finally, boards and shareholders must align to create the right board culture, that of collaboration, candor, challenge, and commitment, all deep-rooted in trust.

Chairpersons, shareholders, and management must align efforts and invest energy in all four action steps to make leadership happen in the boardroom, and to ensure that boards and organizations are future-ready.

FOUR STEPS TOWARDS BETTER BOARD LEADERSHIP

CURRENT STATE

Inadequate focus on board leadership

Do we have a sound foundation for leadership to happen?

1

EVALUATE EXISTING GOVERNANCE MATURITY

- Evaluate governance processes in the organization
- Be mindful of governance maturity and jurisdiction in the country

Do we have leadership fundamentals (key pillars) in place at the board level?

2

REFLECT ON LEADER INTENT AND CAPABILITY

- Ensure that leaders on the board are committed to the role
- Evaluate board leader capabilities and skills
- Get the right mix of technical, functional, and leadership capabilities
- Help board directors develop critical leadership skills, if required

3

ASSEMBLE A COMPELLING TEAM & ESTABLISH A CLEAR MANDATE

- Encourage gender, skills, generational, and ethnic diversity
- Create clarity in the role of, and expectations from, the chairperson, CEO, and independent and executive directors
- Ensure the board is evaluated against a set of goals or KPIs
- Refurbish the board at regular intervals; introduce future relevant capabilities

Do we have the right culture (roof) for leadership to flourish?

4

CURATE A CULTURE BASED ON TRUST AND COMMITMENT

- Create a culture based on commitment, candor, respectful challenge, and collaboration
- Ensure chairperson runs the board such that all directors get an opportunity to voice their opinions and views

DESIRED STATE

Board leadership drives enterprise success

THE LAST WORD

"The CEO is like a taxi driver, and the board is like a group of passengers travelling on behalf of the shareholders. The CEO must drive safe, take the smartest route, and must make money; the board must not confuse the driver."

Managing Director and Board Advisor, Vietnam

Source: CCL Research 2019

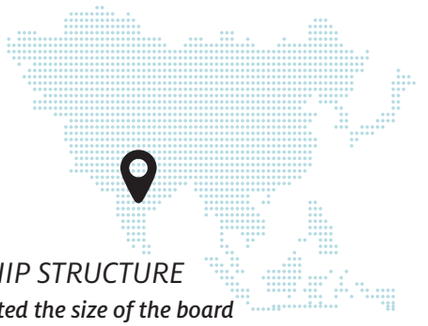
VII. ANNEXURE: COUNTRY DEEP DIVES

SURVEY SUMMARY

INDIA

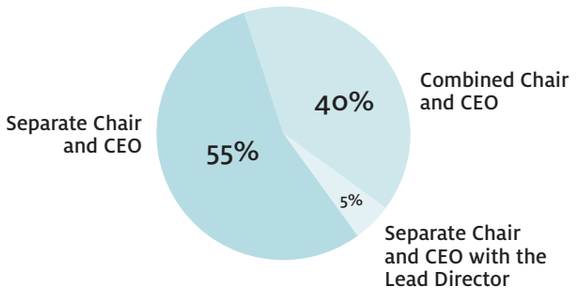
INDIA SAMPLE

- The CCL research team collected 38 valid survey responses.
- 16% of the total survey respondents were women board leaders.
- 66% of survey respondents had more than 25 years of total work experience, and 38% had more than 10 years of experience serving on boards, with the sample average of 2.2 board directorships per respondent.
- 13% respondents held chairperson title, 16% were CEO and chairperson, 8% were CEOs, 26% were independent non-executive directors, another 8% were non-independent non-executive directors, and balance 29% were executive directors (other than the CEO).
- 32% of survey responses were from directors in family-owned organizations, 46% from privately-held but not family-owned, 11% from closely-held/owned public-listed companies, 8% from widely-held/owned public listed companies, and the balance 3% from state-owned organizations, research institutions, etc.
- Almost 78% responses were from organizations with less than US$200 million in revenue, 8% from organizations with revenue between US$200 and US$500 million, another 8% from larger organizations with revenue of US$500 million to US$1 billon, and the balance 2% from organizations with revenue of between US$1 billion and US$5 billion.
- 90% of the boards represented in the survey had up to 8 directors.
- 97% of company boards met up to 8 times a year.



BOARD LEADERSHIP STRUCTURE

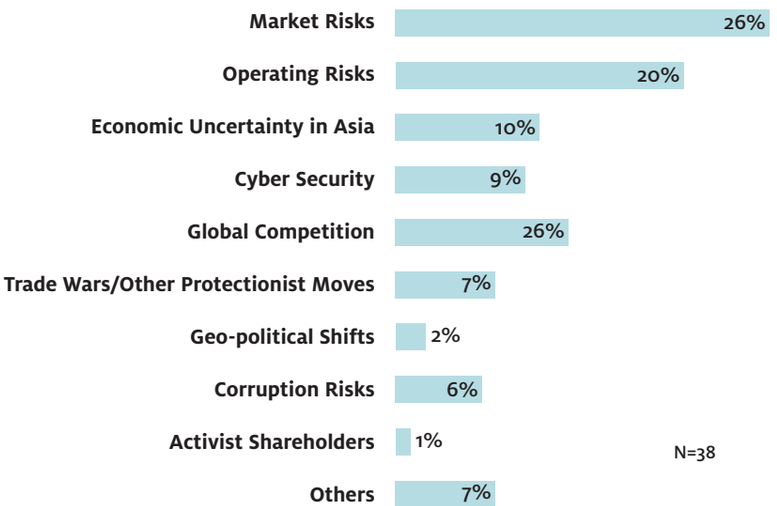
% of respondents who selected the size of the board



N=38

BOARD CHALLENGES

% respondents who selected the factor concerning boards in India



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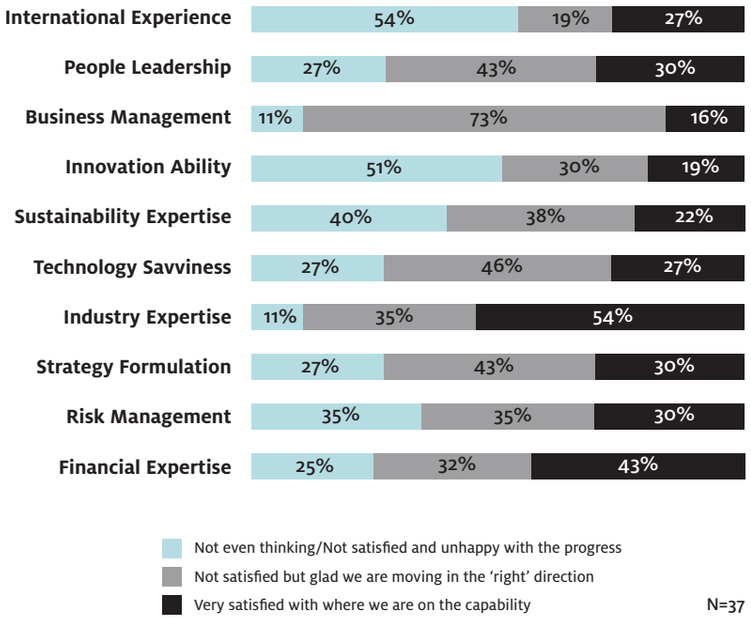
Source: CCL Research 2019

BOARD CAPABILITY

% of respondents who selected the option



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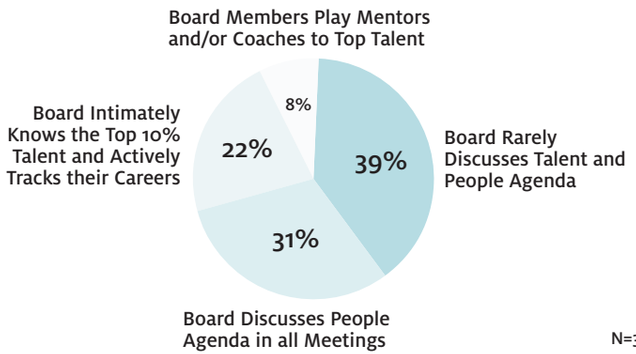
BOARD'S ROLE IN TALENT DEVELOPMENT

% respondents who selected the option



N=36

BOARD LEADER SKILLS & KEY GAPS

% of respondents who selected the option

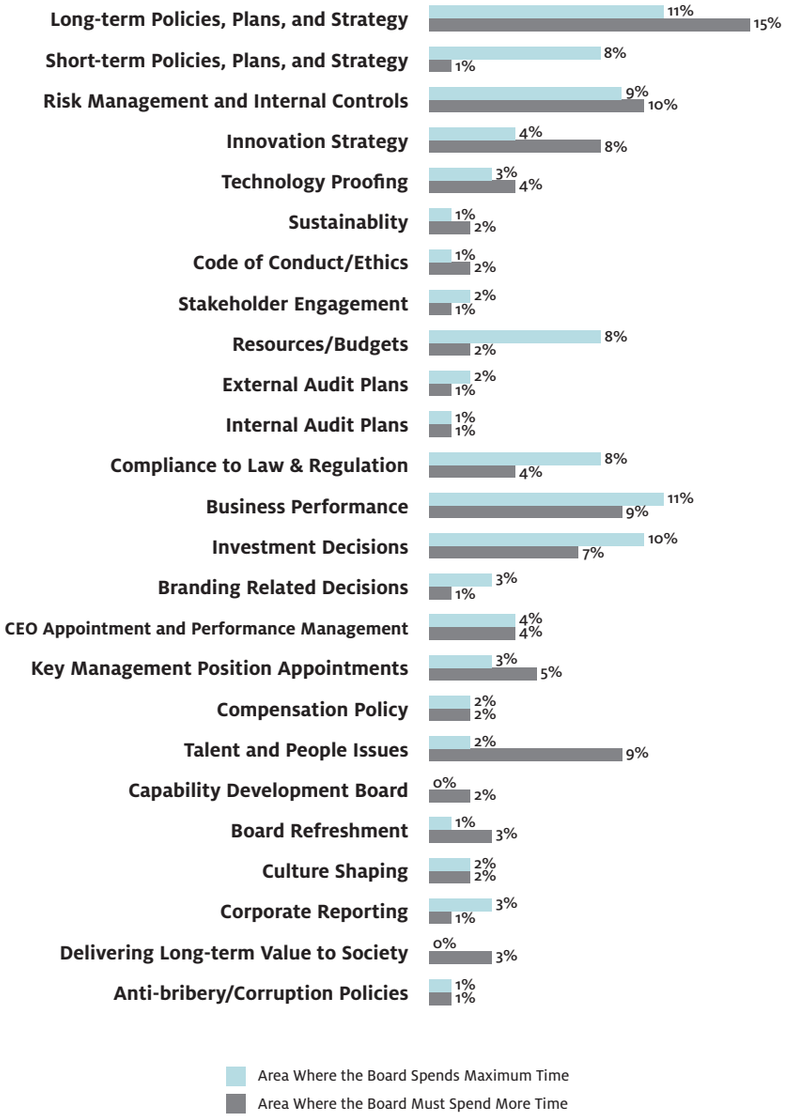
N=36

Source: CCL Research 2019

INDIA

BOARD ACTIVITIES—INTERNAL

% respondents who selected (top-5) activities where boards currently spend maximum time, and must ideally spend more time



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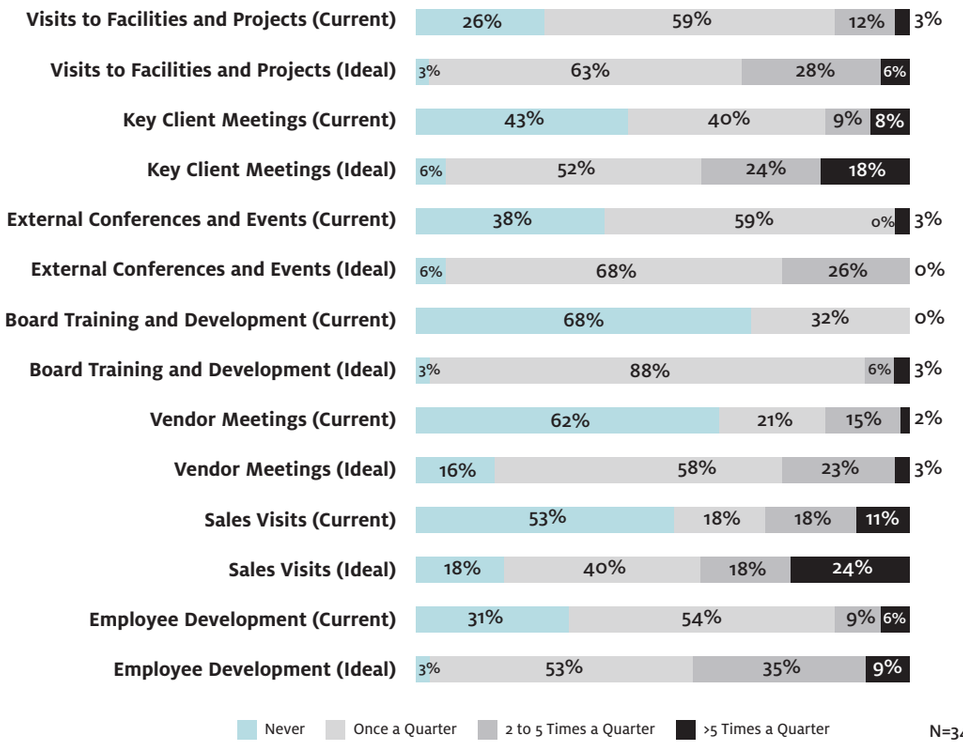
BOARD ACTIVITIES—EXTERNAL

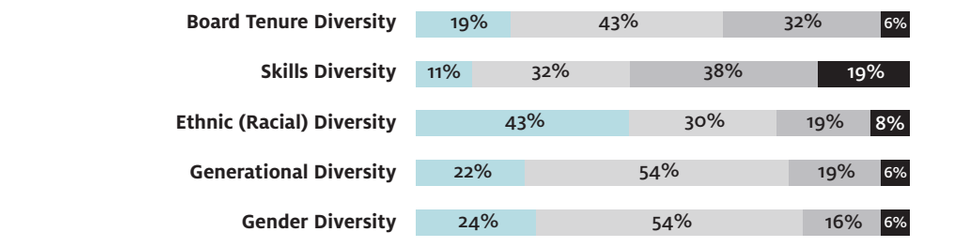
% respondents selecting options—current and ideal frequency of key board activities



N=34

BOARD DIVERSITY

% of respondents who selected the option



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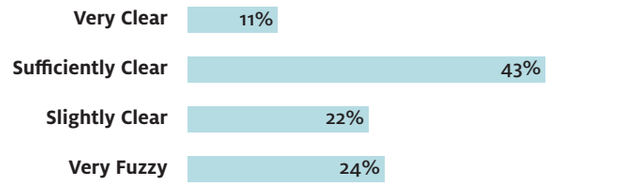
Source: CCL Research 2019

CURRENT LEVEL OF CLARITY AROUND BOARD KPIs

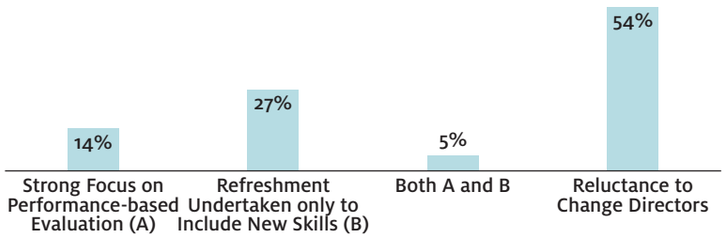
% of respondents who selected the option



N=37

BOARD REFRESHMENT

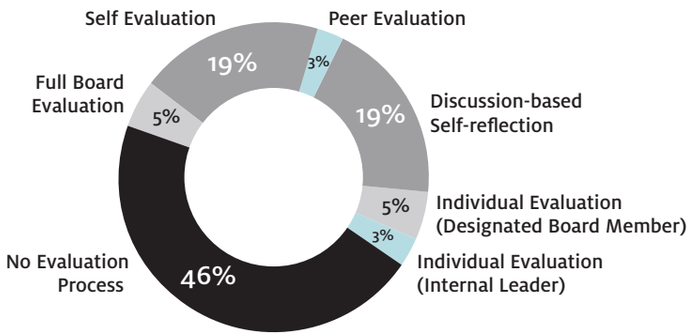
% of respondents who selected the option



N=37

BOARD EVALUATION APPROACHES

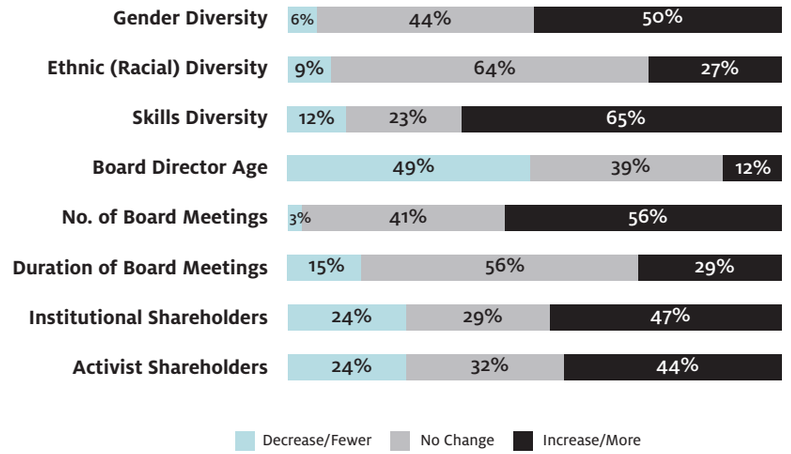
% of respondents who selected the option



N=342

KEY CHANGES INDIAN BOARDS WILL WITNESS IN THE FUTURE

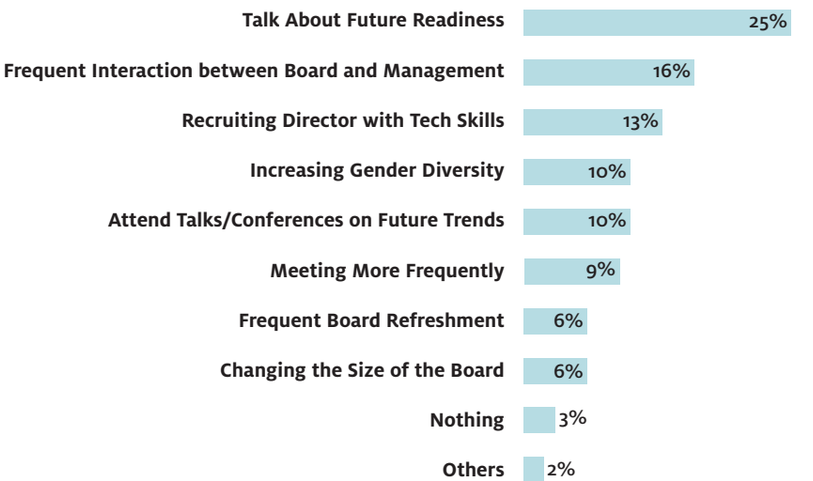
% of respondents who selected the option



N=34

ACTIONS BOARDS IN INDIA ARE TAKING TO BE FUTURE-READY

% of respondents who selected the option



N=38

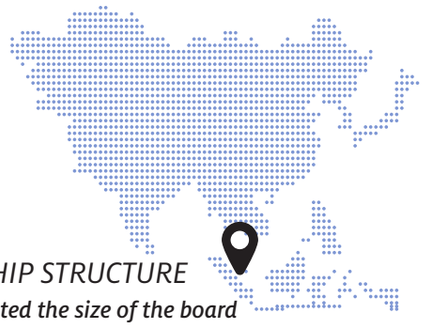
Source: CCL Research 2019

SURVEY SUMMARY

MALAYSIA

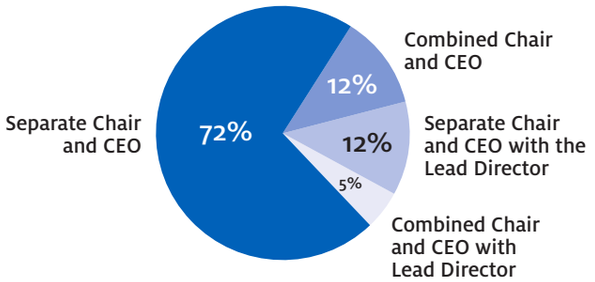
MALAYSIA SAMPLE

- The CCL research team collected 120 valid survey responses.
- 28% of the total survey respondents were women board leaders.
- 79% of survey respondents had more than 25 years of total work experience, and 45% had more than 10 years of experience serving on boards, with the sample average of 2.5 board directorships per respondent.
- Board chairpersons accounted for 9% of the survey responses, CEO and chairpersons 2%, CEOs 12%, independent non-executive directors 53%, non-independent non-executive directors 9%, and executive directors (other than CEOs) accounted for 16%.
- 7% of survey responses were from directors in family-owned organizations, 11% from privately-held but not family-owned, 49% from closely-held/owned public-listed companies, and 27% from widely-held/owned public listed companies, 3% from NGOs, and the balance 3% from state-owned organizations, research institutions, etc
- Almost 55% responses were from organizations with less than US$200 million in revenue, 18% from organizations with revenue between US$200 and US$500 million, 13% from larger organizations with revenue of US$500 million to US$1 billon, another 10% from organizations with revenue of between US$1 billion and US$5 billion, and the balance 3% from organizations of with more than US$5 billion in revenue.
- 72% of the boards represented in the survey had up to 8 directors, while another 27% had between 9 and 12 directors.
- In the sampled organizations, 58% of boards meet between 5 and 8 times a year, while another 20% meet more than 8 times a year.



BOARD LEADERSHIP STRUCTURE

% of respondents who selected the size of the board



N=116

BOARD CHALLENGES

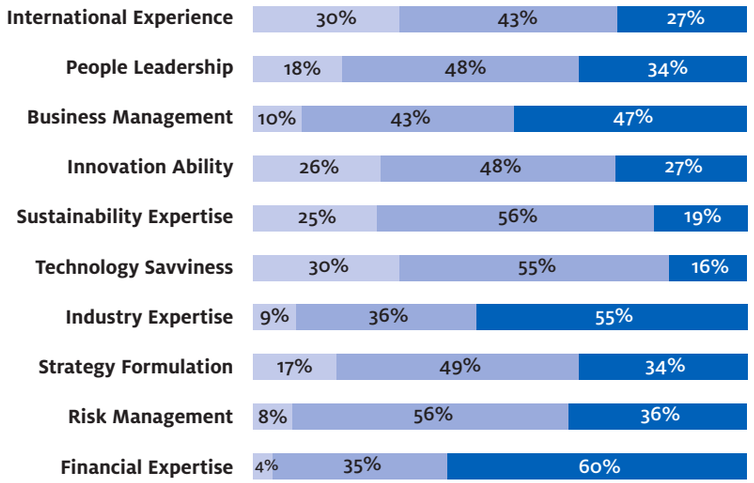
% respondents who selected the factor concerning boards in Malaysia

N=120

Source: CCL Research 2019

BOARD CAPABILITY

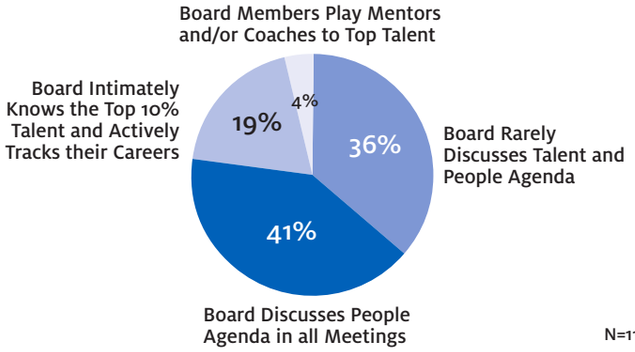
% of respondents who selected the option



N=116

BOARD'S ROLE IN TALENT DEVELOPMENT

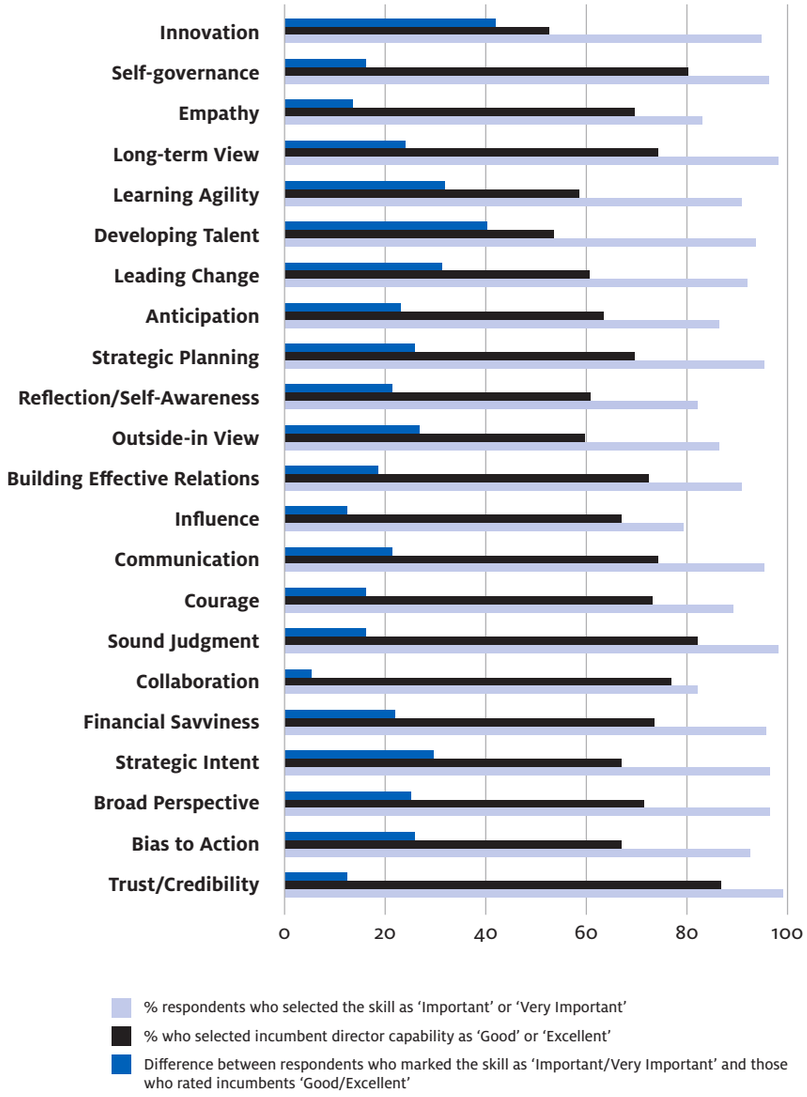
% respondents who selected the option



N=114

BOARD LEADER SKILLS & KEY GAPS

% of respondents who selected the option



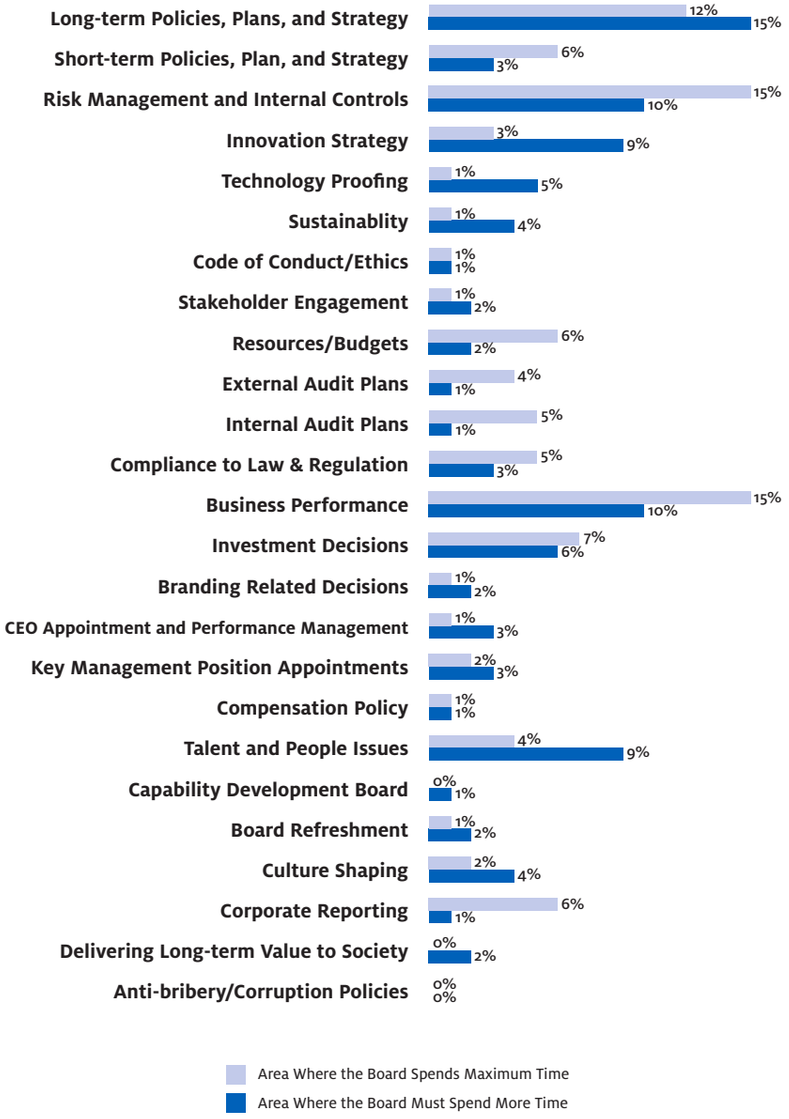
N=113

Source: CCL Research 2019

MALAYSIA

BOARD ACTIVITIES—INTERNAL

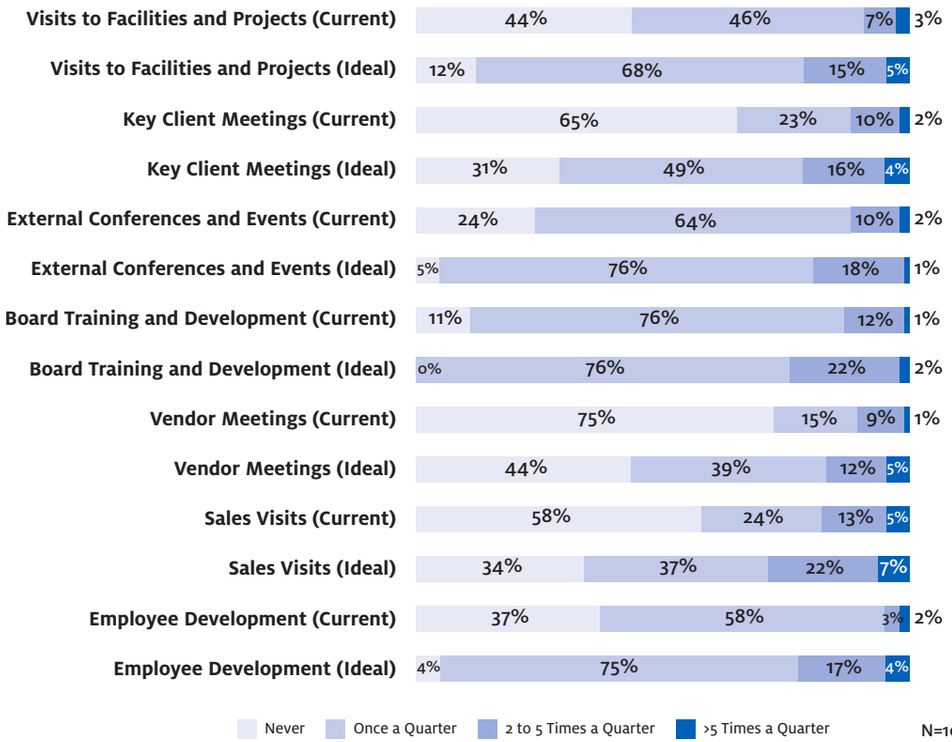
% respondents who selected (top-5) activities where boards currently spend maximum time, and must ideally spend more time



N=120

BOARD ACTIVITIES—EXTERNAL

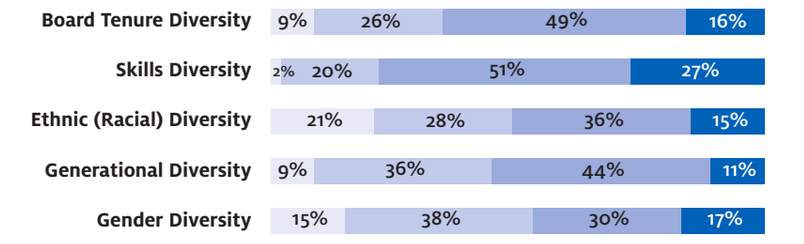
% respondents selecting options—current and ideal frequency of key board activities



N=108

BOARD DIVERSITY

% of respondents who selected the option

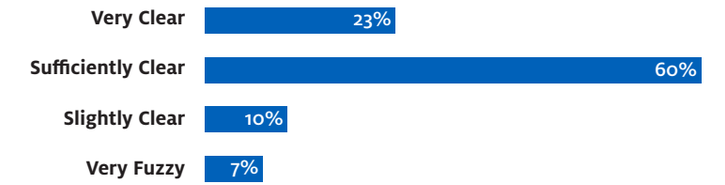


N=116

Source: CCL Research 2019

CURRENT LEVEL OF CLARITY AROUND BOARD KPIs

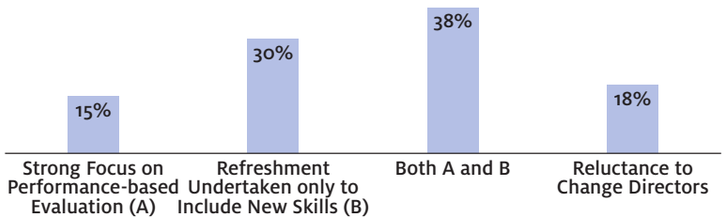
% of respondents who selected the option



N=116

BOARD REFRESHMENT

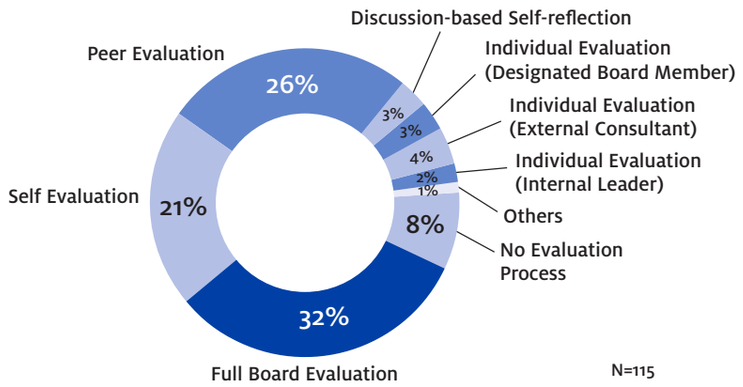
% of respondents who selected the option



N=114

BOARD EVALUATION APPROACHES

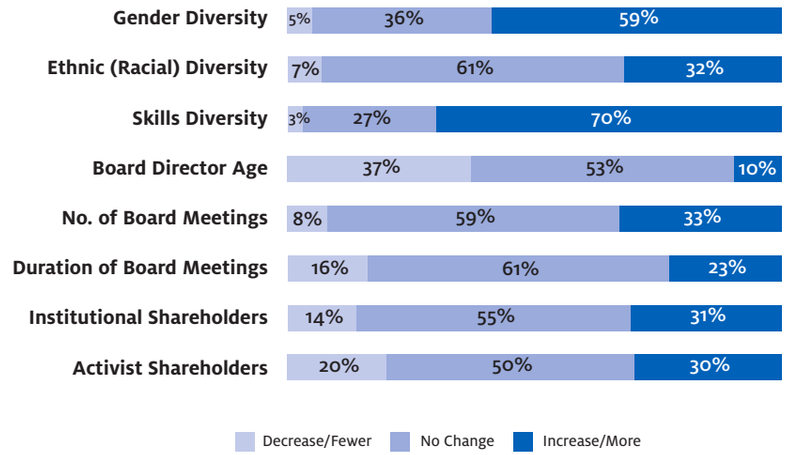
% of respondents who selected the option



N=115

KEY CHANGES MALAYSIAN BOARDS WILL WITNESS IN THE FUTURE

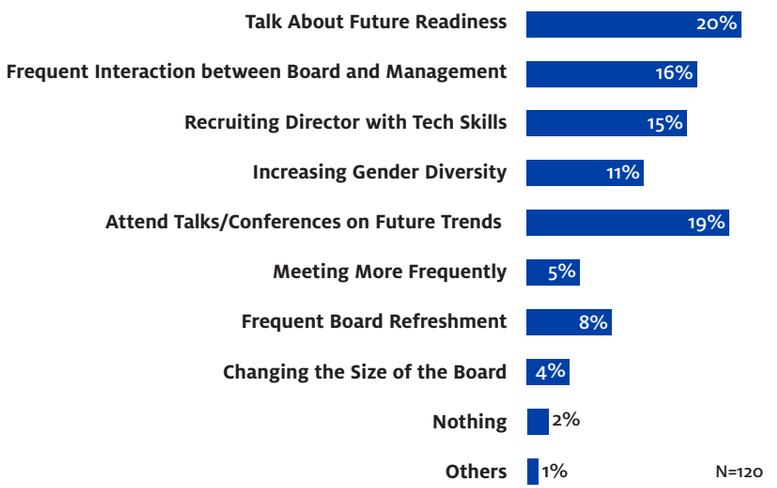
% of respondents who selected the option



N=112

ACTIONS BOARDS IN MALAYSIA ARE TAKING TO BE FUTURE-READY

% of respondents who selected the option



N=120

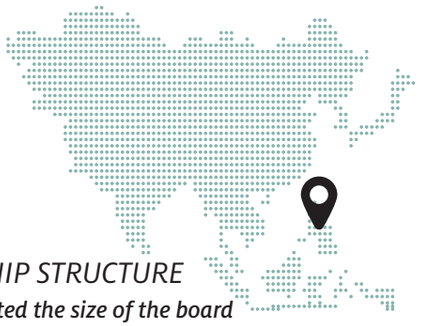
Source: CCL Research 2019

SURVEY SUMMARY

PHILIPPINES

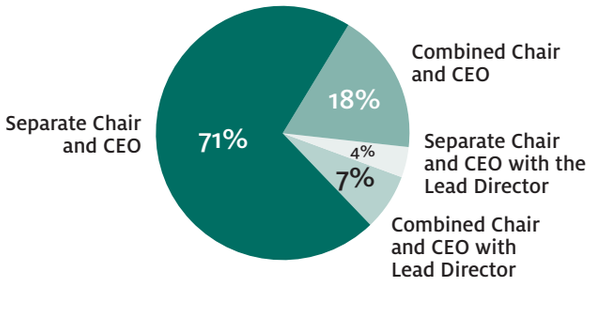
PHILIPPINES SAMPLE

- The CCL research team collected 68 valid survey responses.
- 31% of the total survey respondents were women board leaders.
- 87% of survey respondents had more than 25 years of total work experience, and 41% had more than 10 years of experience serving on boards, with the sample average of 2.7 board directorships per respondent.
- Board chairpersons accounted for 8% of the survey responses, CEO and chairpersons 3%, CEOs 16%, independent non-executive directors 40%, non-independent non-executive directors 21%, and executive directors (other than CEOs) accounted for 12%.
- 25% of survey responses were from directors in family-owned organizations, 32% from privately-held but not family-owned, 13% from closely-held/owned public-listed companies, 7% from widely-held/owned public listed companies, 6% from NGOs, and the balance 16% from state-owned organizations, research institutions, etc.
- Almost 75% responses were from organizations with less than US$200 million in revenue, 15% from organizations with revenue between US$200 and US$500 million, another 3% from larger organizations with revenue of US$500 million to US$1 billon, 6% from organizations with revenue of between US$1 billion and US$5 billion, and the balance 1% from organizations of with more than US$5 billion in revenue.
- 49% of the boards represented in the survey had between 5 and 8 directors, while another 35% had between 9 and 12 directors.
- In the sampled organizations, 32% of boards meet between 5 and 8 times a year, while 50% meet more than 8 times a year.



BOARD LEADERSHIP STRUCTURE

% of respondents who selected the size of the board



N=68

BOARD CHALLENGES

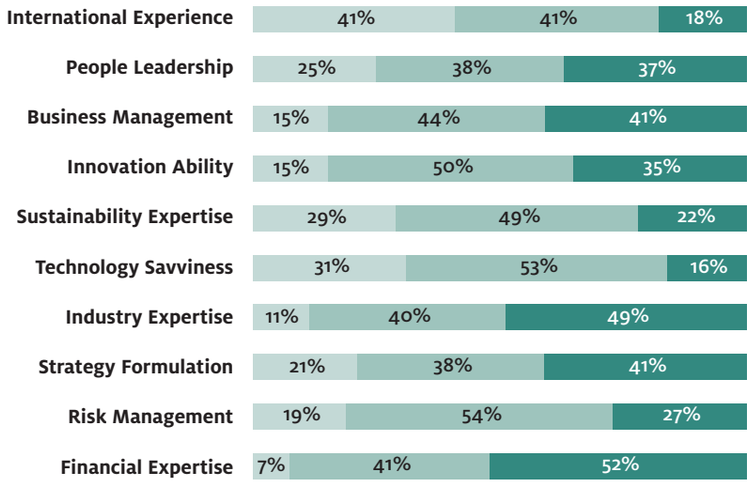
% respondents who selected the factor concerning boards in Philippines

N=68

Source: CCL Research 2019

BOARD CAPABILITY

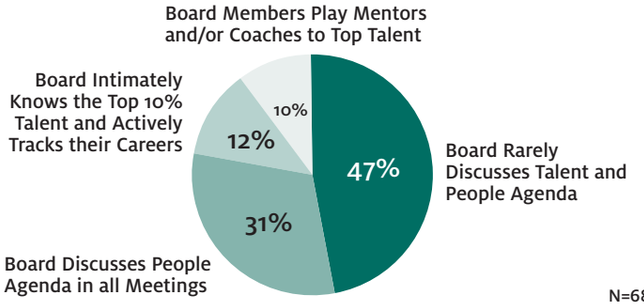
% of respondents who selected the option



N=68

BOARD'S ROLE IN TALENT DEVELOPMENT

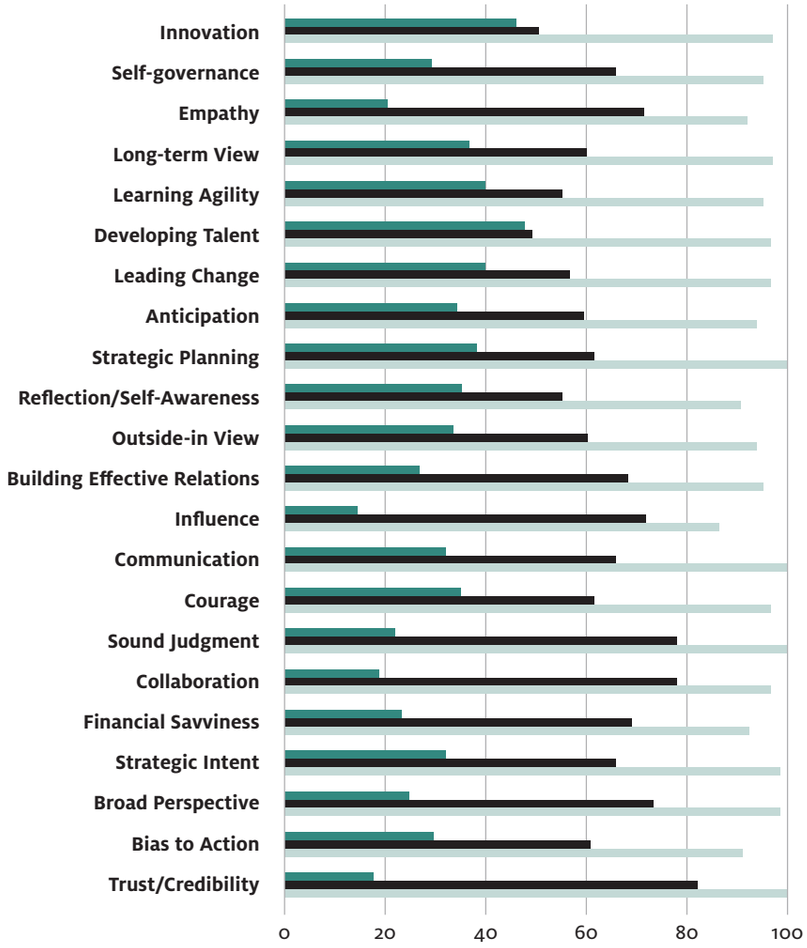
% respondents who selected the option



N=68

BOARD LEADER SKILLS & KEY GAPS

% of respondents who selected the option



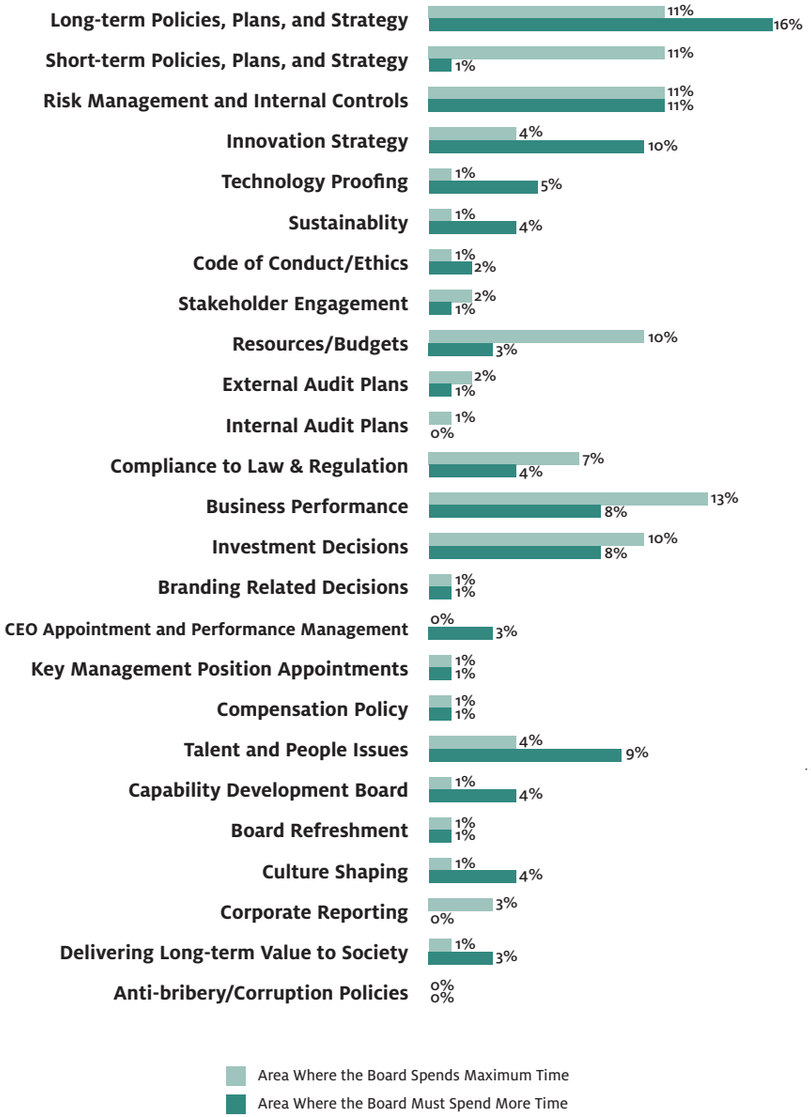
N=68

Source: CCL Research 2019

PHILIPPINES

BOARD ACTIVITIES—INTERNAL

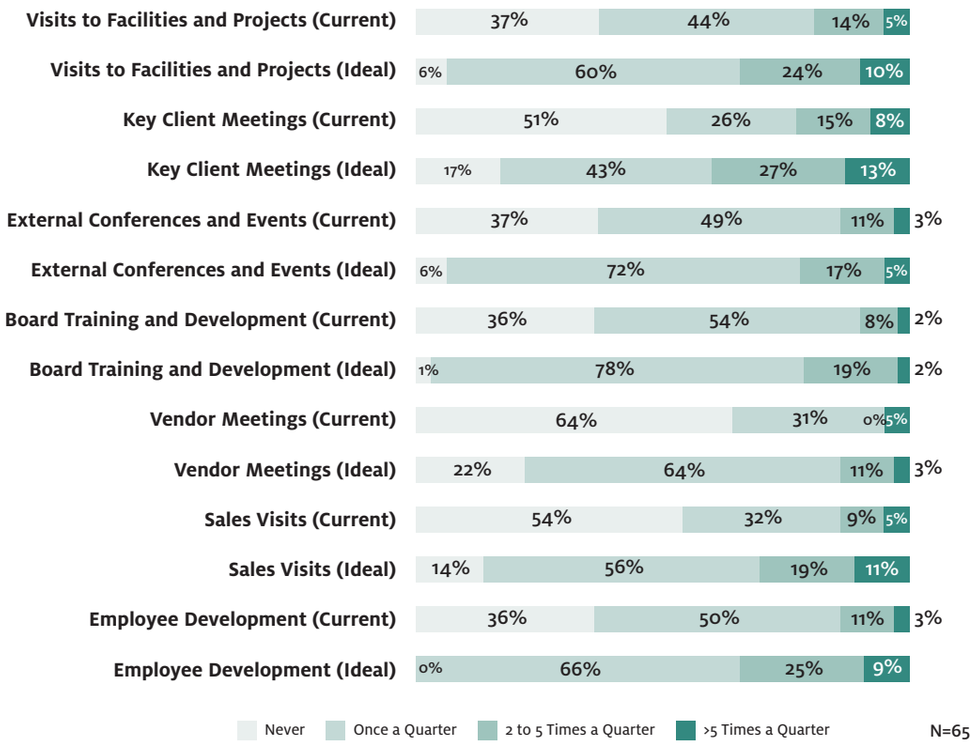
% respondents who selected (top-5) activities where boards currently spend maximum time, and must ideally spend more time



N=68

BOARD ACTIVITIES—EXTERNAL

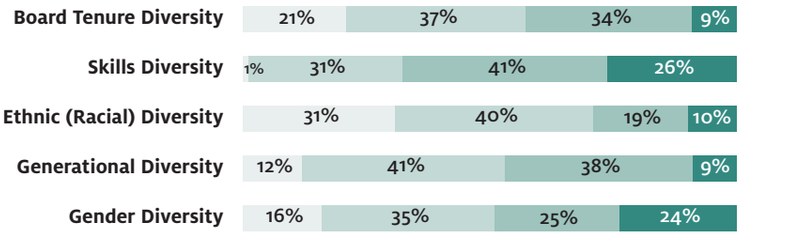
% respondents selecting options – current and ideal frequency of key board activities



N=65

BOARD DIVERSITY

% of respondents who selected the option

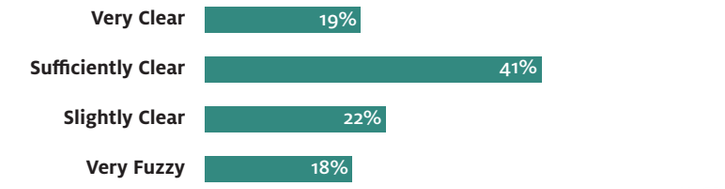


N=68

Source: CCL Research 2019

CURRENT LEVEL OF CLARITY AROUND BOARD KPIs

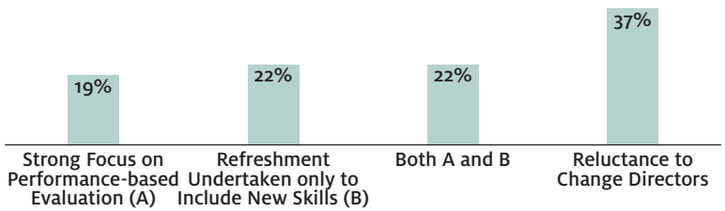
% of respondents who selected the option



N=68

BOARD REFRESHMENT

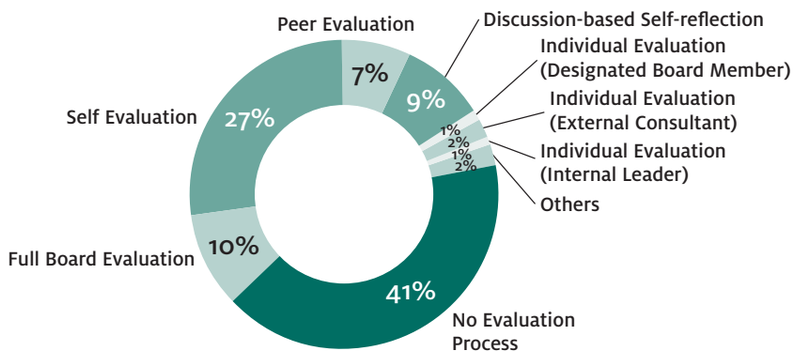
% of respondents who selected the option



N=68

BOARD EVALUATION APPROACHES

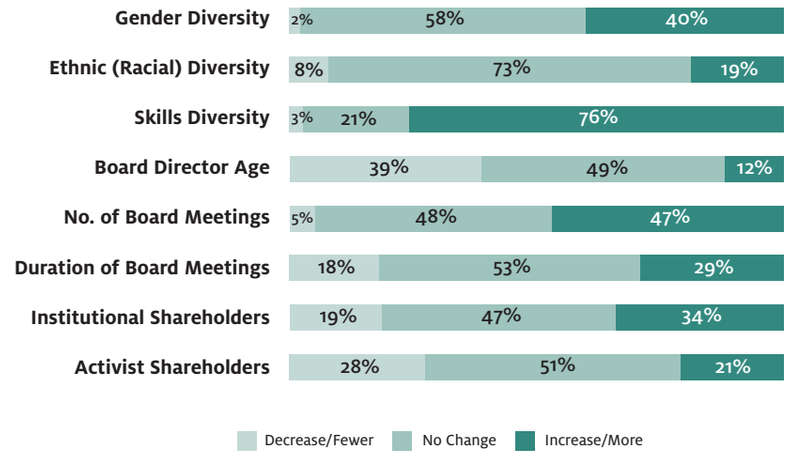
% of respondents who selected the option



N=68

KEY CHANGES PHILIPPINE BOARDS WILL WITNESS IN THE FUTURE

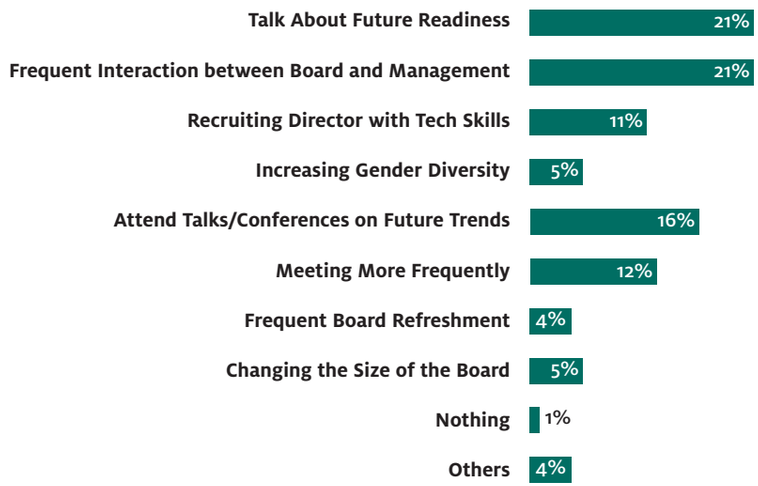
% of respondents who selected the option



N=66

ACTIONS BOARDS IN PHILIPPINES ARE TAKING TO BE FUTURE-READY

% of respondents who selected the option



N=68

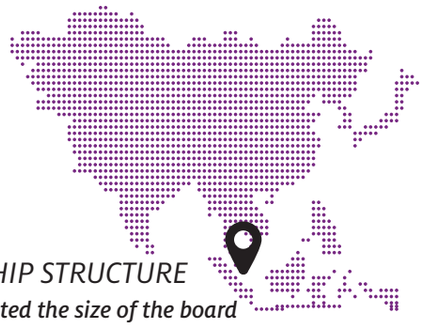
Source: CCL Research 2019

SURVEY SUMMARY

SINGAPORE

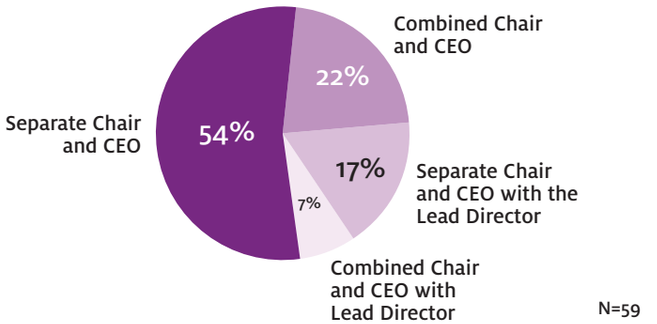
SINGAPORE SAMPLE

- The CCL research team collected 60 valid survey responses.
- 18% of the total survey respondents were women board leaders.
- 85% of survey respondents had more than 25 years of total work experience, and 45% had more than 10 years of experience serving on boards, with the sample average of 2.6 board directorships per respondent.
- Board chairpersons accounted for 8% of the survey responses, CEOs 5%, independent non-executive directors 58%, non-independent non-executive directors 10%, and executive directors (other than CEOs) accounted for 18%.
- 8% of survey responses were from directors in family-owned organizations, 25% from privately-held but not family-owned, 27% from closely-held/owned public-listed companies, 30% from widely-held/owned public listed companies, 8% from NGOs, and the balance 2% from state-owned organizations, research institutions, etc.
- Almost 52% responses were from organizations with less than US$200 million in revenue, 27% from organizations with revenue between US$200 and US$500 million, another 7% from larger organizations with revenue of US$500 million to US$1 billon, 10% from organizations with revenue of between US$1 billion and US$5 billion, and the balance 5% from organizations of with more than US$5 billion in revenue.
- 52% of the boards represented in the survey had between 5 and 8 directors, while another 18% had between 9 and 12 directors.
- In the sampled organizations, 50% of boards meet between 5 and 8 times a year, while 10% meet more than 8 times a year.



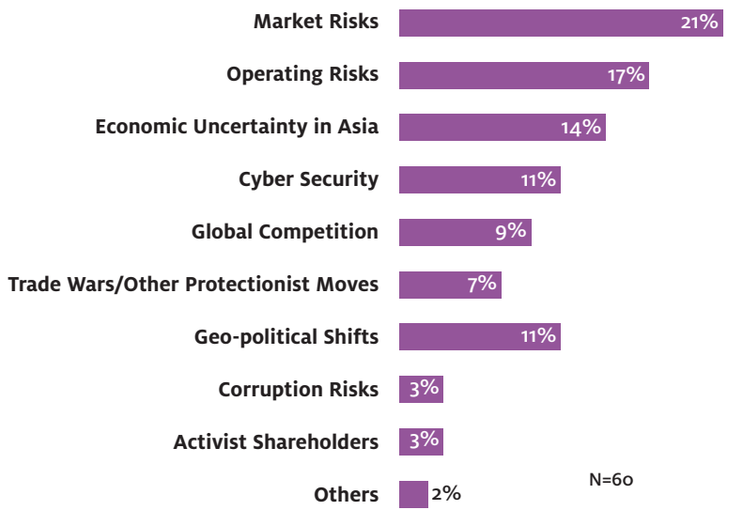
BOARD LEADERSHIP STRUCTURE

% of respondents who selected the size of the board



BOARD CHALLENGES

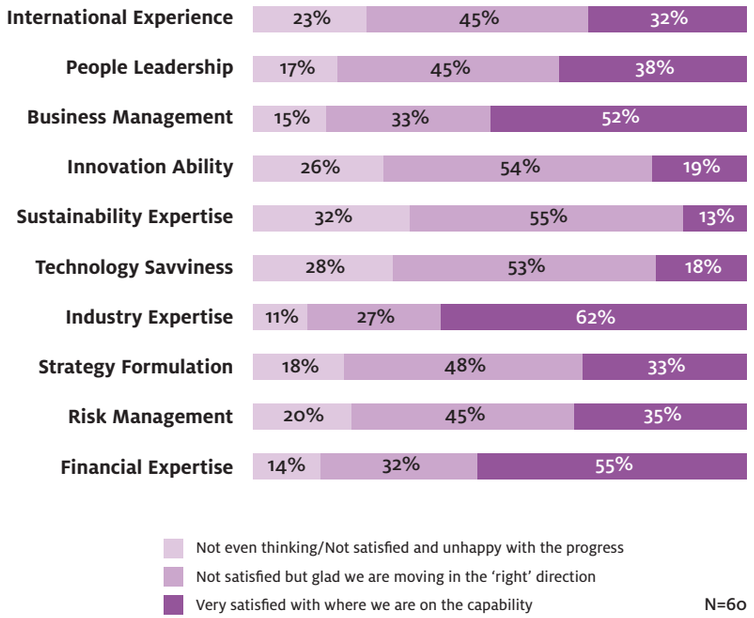
% respondents who selected the factor concerning boards in Singapore



Source: CCL Research 2019

BOARD CAPABILITY

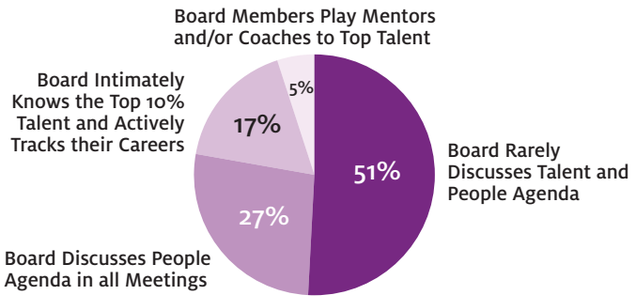
% of respondents who selected the option



N=60

BOARD'S ROLE IN TALENT DEVELOPMENT

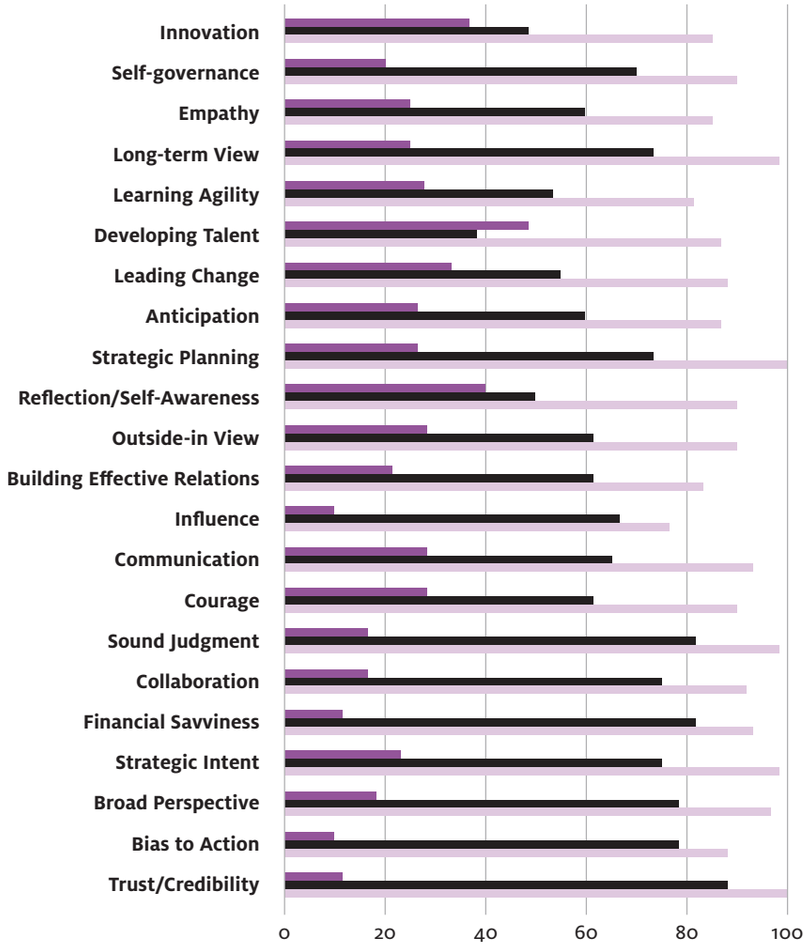
% respondents who selected the option



N=60

BOARD LEADER SKILLS & KEY GAPS

% of respondents who selected the option



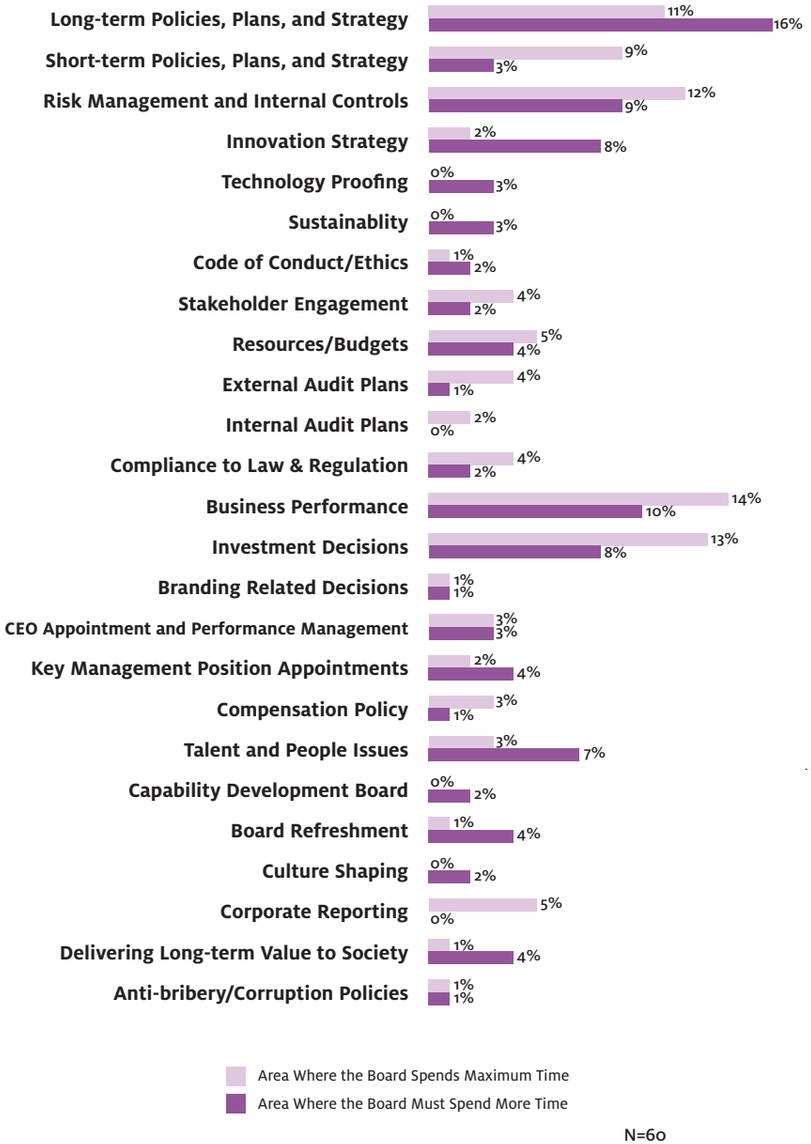
N=60

Source: CCL Research 2019

SINGAPORE

BOARD ACTIVITIES—INTERNAL

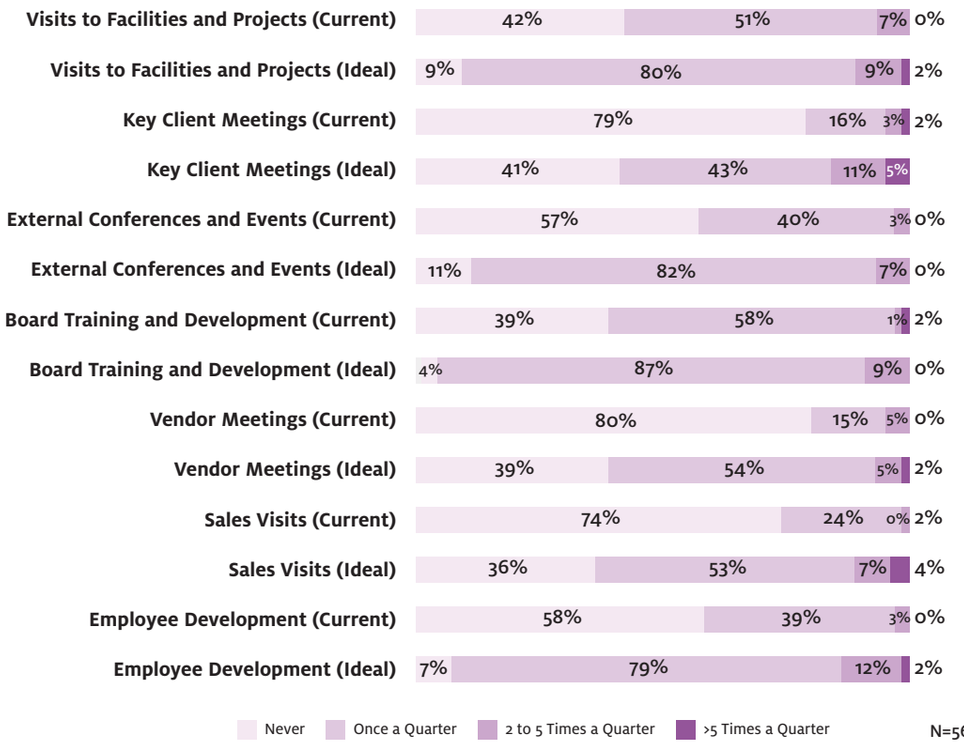
% respondents who selected (top-5) activities where boards currently spend maximum time, and must ideally spend more time



N=60

BOARD ACTIVITIES—EXTERNAL

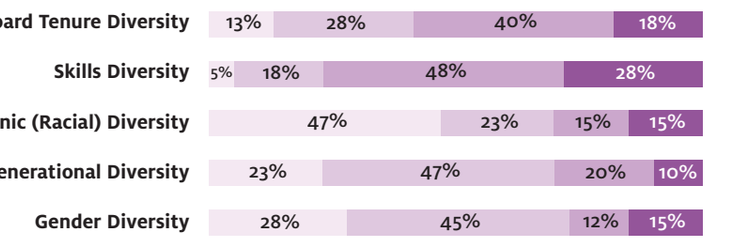
% respondents selecting options – current and ideal frequency of key board activities



N=56

BOARD DIVERSITY

% of respondents who selected the option

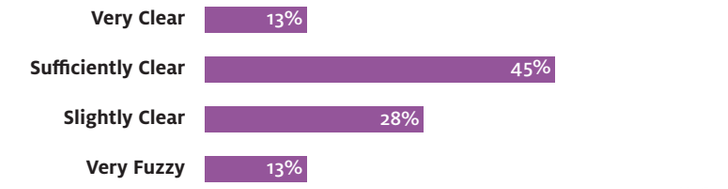


N=60

Source: CCL Research 2019

CURRENT LEVEL OF CLARITY AROUND BOARD KPIs

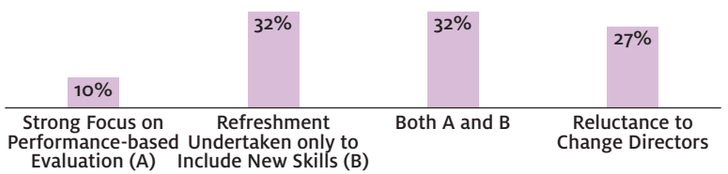
% of respondents who selected the option



N=60

BOARD REFRESHMENT

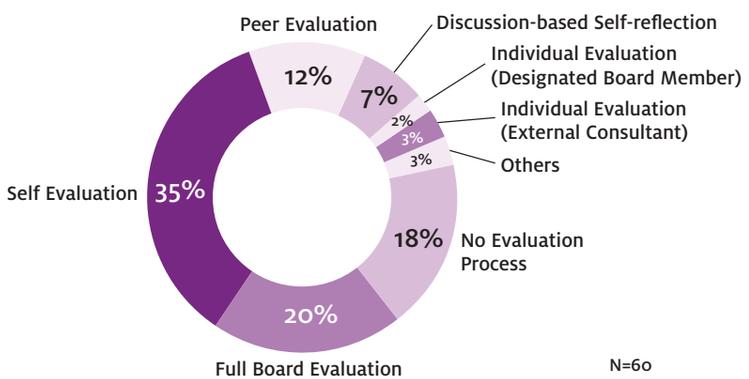
% of respondents who selected the option



N=60

BOARD EVALUATION APPROACHES

% of respondents who selected the option

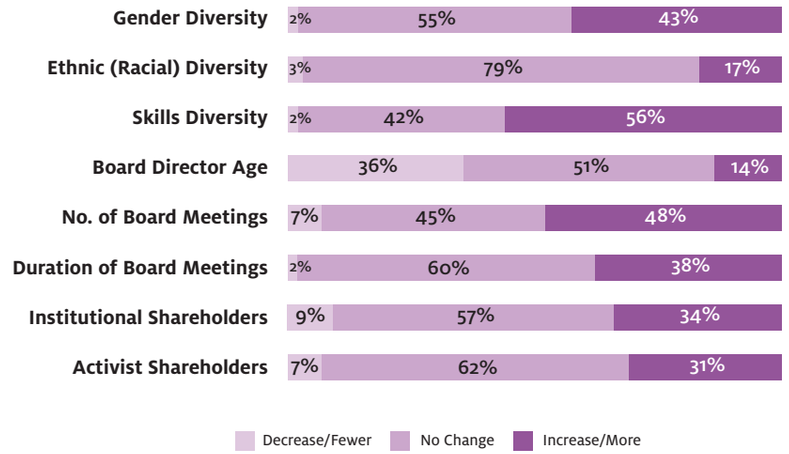


N=60

Source: CCL Research 2019

KEY CHANGES SINGAPOREAN BOARDS WILL WITNESS IN THE FUTURE

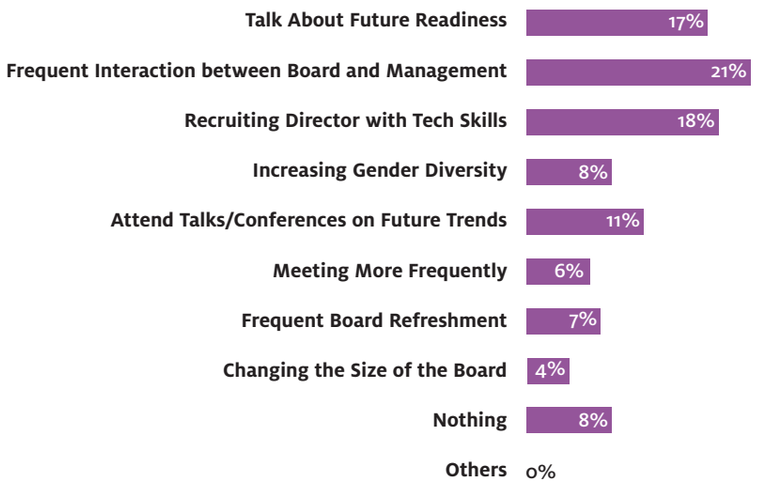
% of respondents who selected the option



N=58

ACTIONS BOARDS IN SINGAPORE ARE TAKING TO BE FUTURE-READY

% of respondents who selected the option



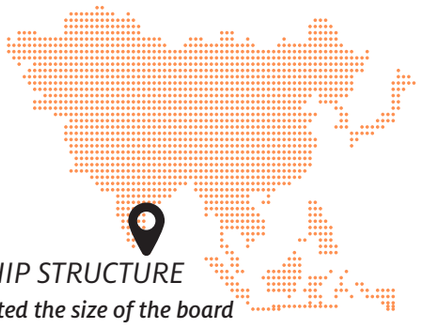
N=60

SURVEY SUMMARY

SRI LANKA

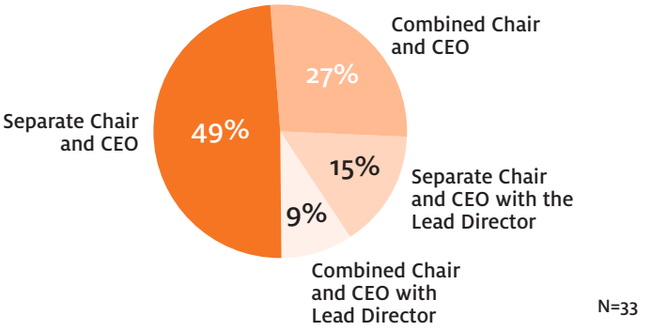
SRI LANKA SAMPLE

- The CCL research team collected 33 valid survey responses.
- 30% of the total survey respondents were women board leaders.
- 76% of survey respondents had more than 25 years of total work experience, and 45% had more than 10 years of experience serving on boards, with the sample average of 2.6 board directorships per respondent.
- Board chairpersons accounted for 9% of the survey responses, CEOs and chairpersons 6%, CEOs 15%, independent non-executive directors 36%, non-independent non-executive directors 3%, and executive directors (other than CEOs) accounted for 30%.
- 27% of survey responses were from directors in family-owned organizations, 12% from privately-held but not family-owned, 24% from closely-held/owned public-listed companies, 27% from widely-held/owned public listed companies, 6% from NGOs, and the balance 3% from state-owned organizations, research institutions, etc.
- Almost 70% responses were from organizations with less than US$200 million in revenue, 21% from organizations with revenue between US$200 and US$500 million, another 9% from larger organizations with revenue of US$500 million to US$1 billon in revenue.
- 39% of the boards represented in the survey had between 5 and 8 directors, and another 39% had between 9 and 12 directors.
- In the sampled organizations, 30% of boards meet between 5 and 8 times a year, while 45% meet more than 8 times a year.



BOARD LEADERSHIP STRUCTURE

% of respondents who selected the size of the board



N=33

BOARD CHALLENGES

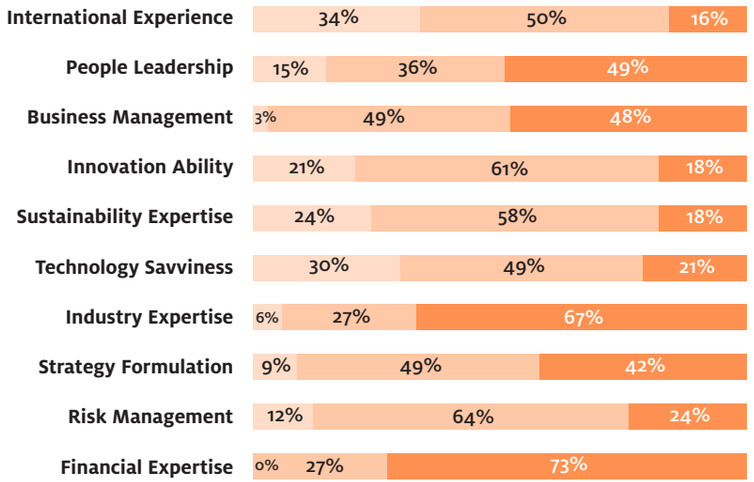
% respondents who selected the factor concerning boards in Sri Lanka

N=33

Source: CCL Research 2019

BOARD CAPABILITY

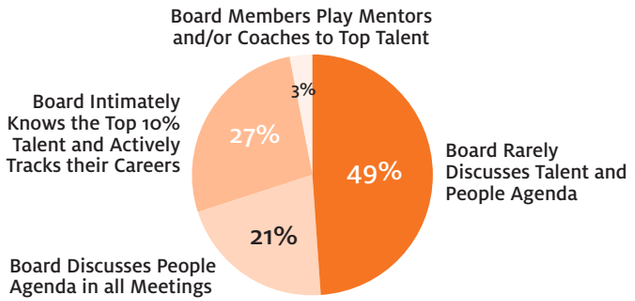
% of respondents who selected the option



N=33

BOARD'S ROLE IN TALENT DEVELOPMENT

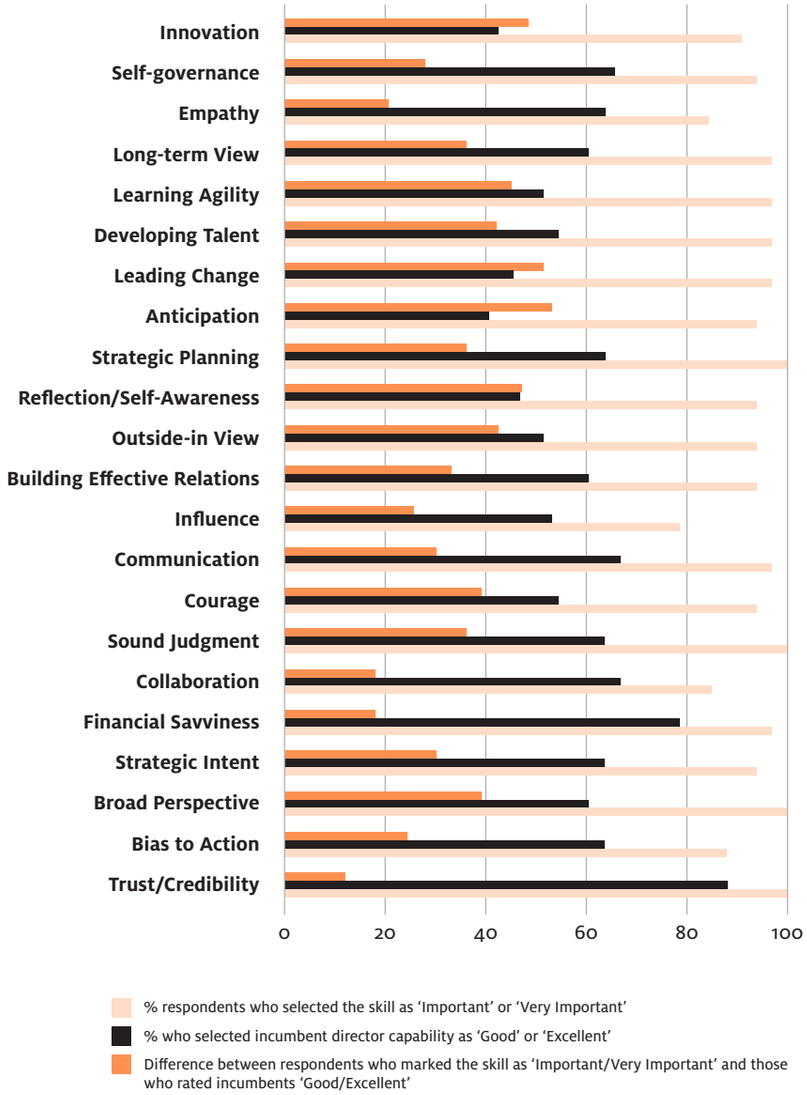
% respondents who selected the option



N=33

BOARD LEADER SKILLS & KEY GAPS

% of respondents who selected the option



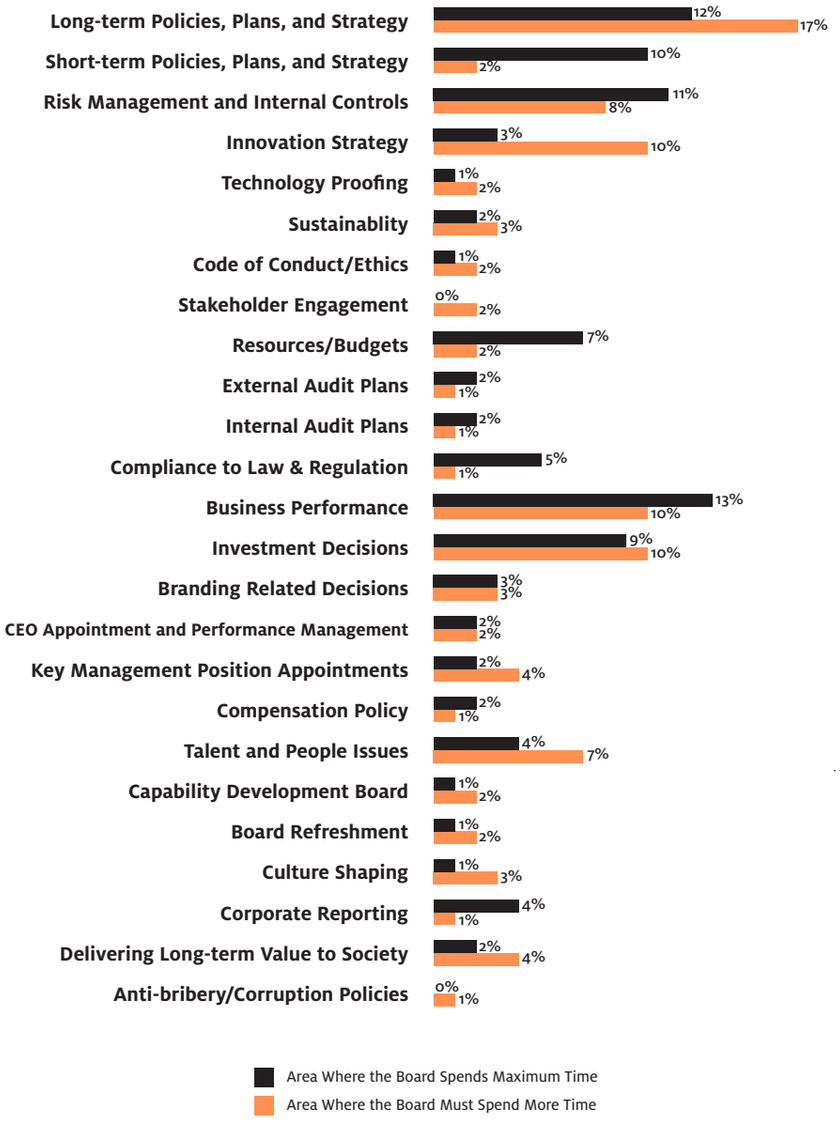
N=33

Source: CCL Research 2019

SRI LANKA

BOARD ACTIVITIES—INTERNAL

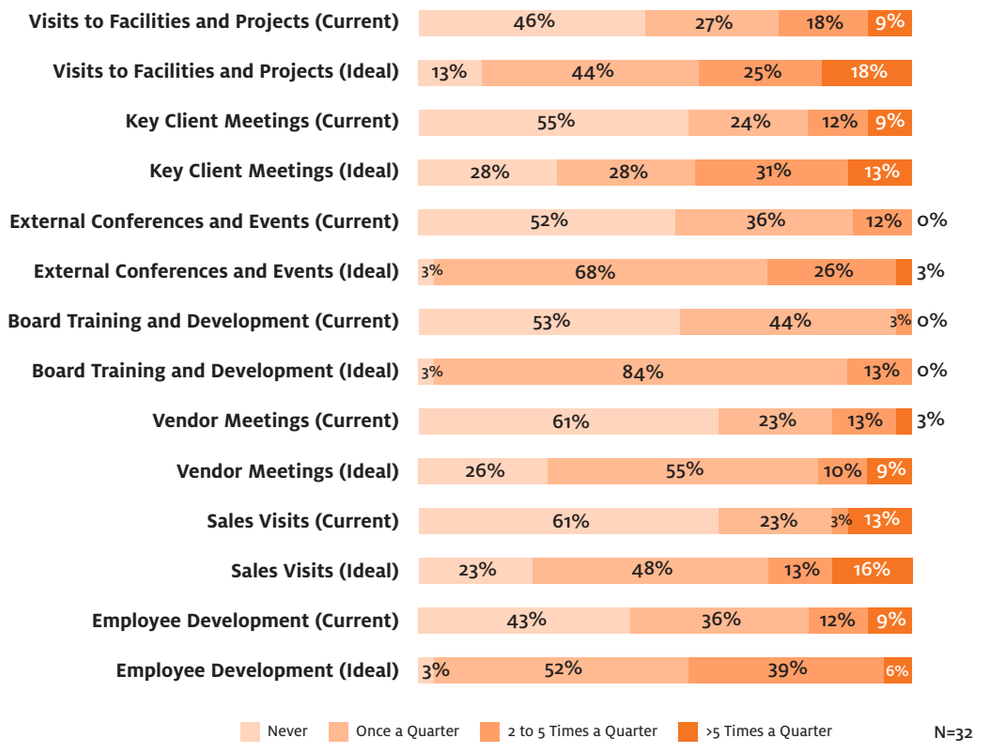
% respondents who selected (top-5) activities where boards currently spend maximum time, and must ideally spend more time



N=33

BOARD ACTIVITIES—EXTERNAL

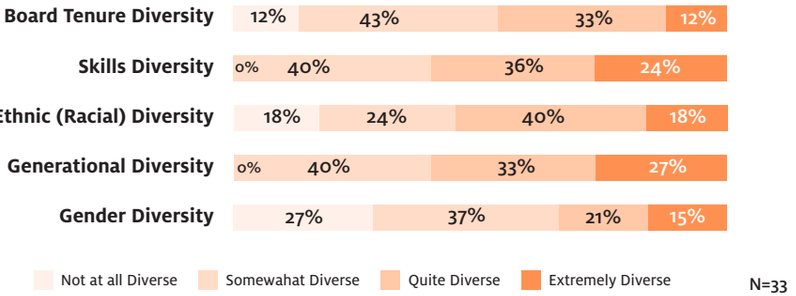
% respondents selecting options – current and ideal frequency of key board activities



N=32

BOARD DIVERSITY

% of respondents who selected the option

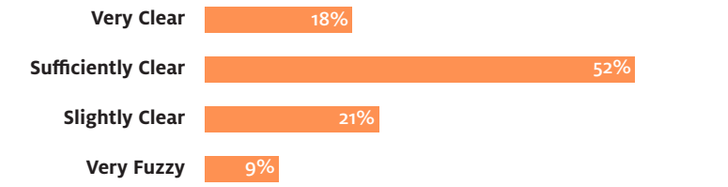


N=33

Source: CCL Research 2019

CURRENT LEVEL OF CLARITY AROUND BOARD KPIs

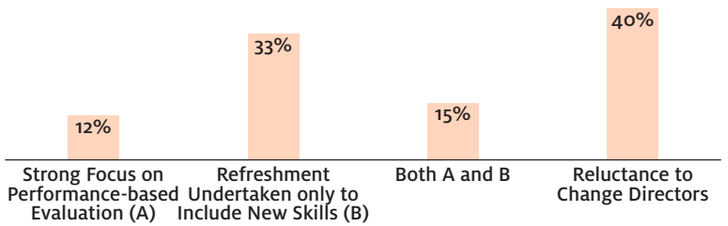
% of respondents who selected the option



N=33

BOARD REFRESHMENT

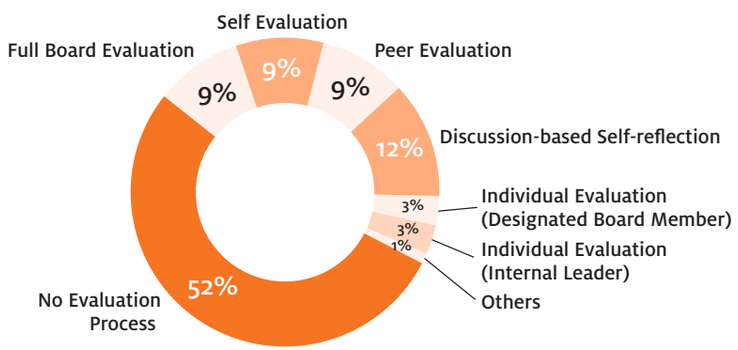
% of respondents who selected the option



N=33

BOARD EVALUATION APPROACHES

% of respondents who selected the option

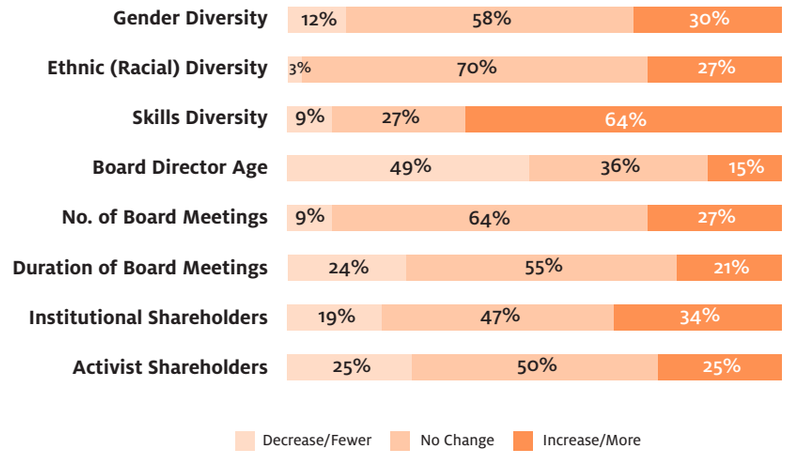


N=33

Source: CCL Research 2019

KEY CHANGES SRI LANKAN BOARDS WILL WITNESS IN THE FUTURE

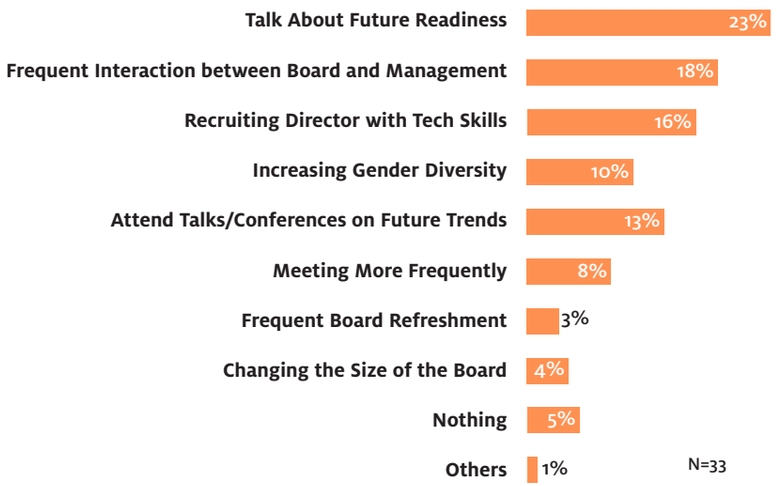
% of respondents who selected the option



N=33

ACTIONS BOARDS IN SRI LANKA ARE TAKING TO BE FUTURE-READY

% of respondents who selected the option



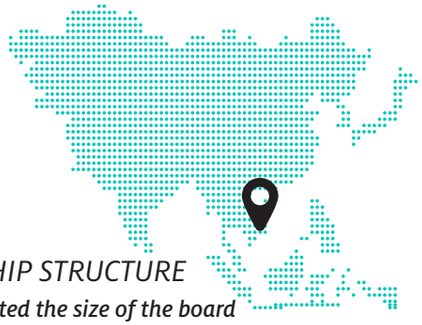
N=33

SURVEY SUMMARY

VIETNAM

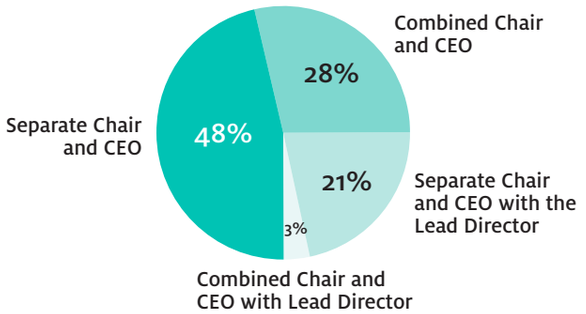
VIETNAM SAMPLE

- The CCL research team collected 29 valid survey responses.
- 31% of the total survey respondents were women board leaders.
- Only 34% of survey respondents had more than 25 years of total work experience, and 21% had more than 10 years of experience serving on boards, with the sample average of 2 board directorships per respondent.
- Board chairpersons accounted for 10% of the survey responses, CEOs 14%, independent non-executive directors 45%, non-independent non-executive directors 14%, and executive directors (other than CEOs) accounted for 17%.
- 10% of survey responses were from directors in family-owned organizations, 24% from privately-held but not family-owned, 10% from closely-held/owned public-listed companies, 48% from widely-held/owned public listed companies, and the balance 7% from state-owned organizations, research institutions, etc.
- Almost 52% responses were from organizations with less than US$200 million in revenue, 10% from organizations with revenue between US$200 and US$500 million, another 21% from larger organizations with revenue of US$500 million to US$1 billon in revenue, 14% from US$1 billion-US$5 billion firms, and the balance 4% from organizations with more than US$5 billion in revenue.
- 79% of the boards represented in the survey had between 5 and 8 directors, and another 14% had less than 5 directors.
- In the sampled organizations, 38% of boards meet between 5 and 8 times a year, while 21% meet more than 8 times a year.



BOARD LEADERSHIP STRUCTURE

% of respondents who selected the size of the board



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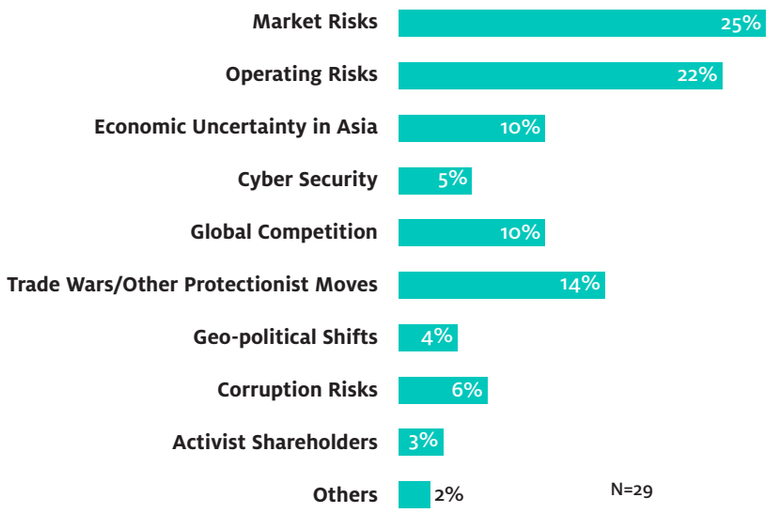
BOARD CHALLENGES

% respondents who selected the factor concerning boards in Vietnam



N=29

Source: CCL Research 2019

INDEPENDENT DIRECTOR SOURCING

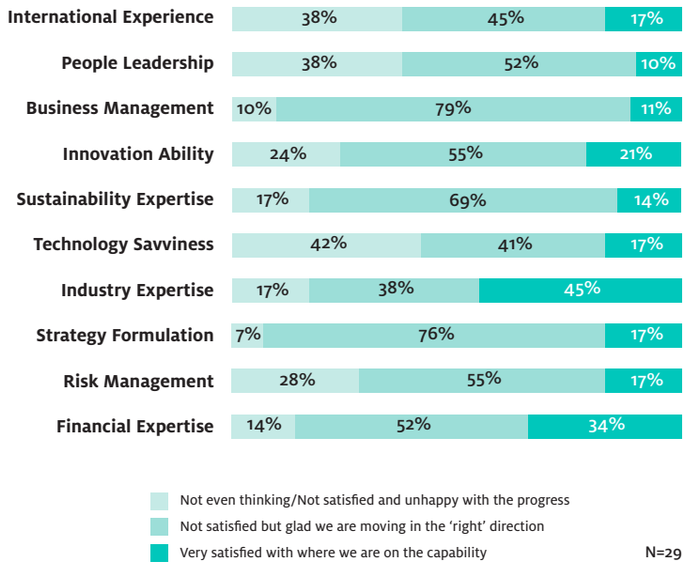
In terms of independent director sourcing in Vietnam, survey respondents noted that 43% are sourced through nomination from shareholder(s), 27% through director database of peers, 12% through executive search agencies, 16% through the Institute of Directors' network, and balance 2% via other sources.

IMPORTANCE OF DIRECTOR INDEPENDENCE

52% of respondents highlighted that it is important to have independence of directors, and another 41% thought it was not only important but crucial in order to enable directors to discharge their duties. The balance 7% thought director independence was "good to have."

BOARD CAPABILITY

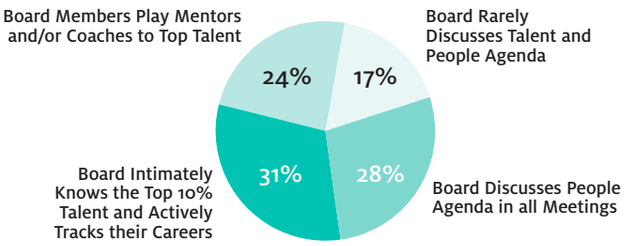
% of respondents who selected the option



N=29

BOARD'S ROLE IN TALENT DEVELOPMENT

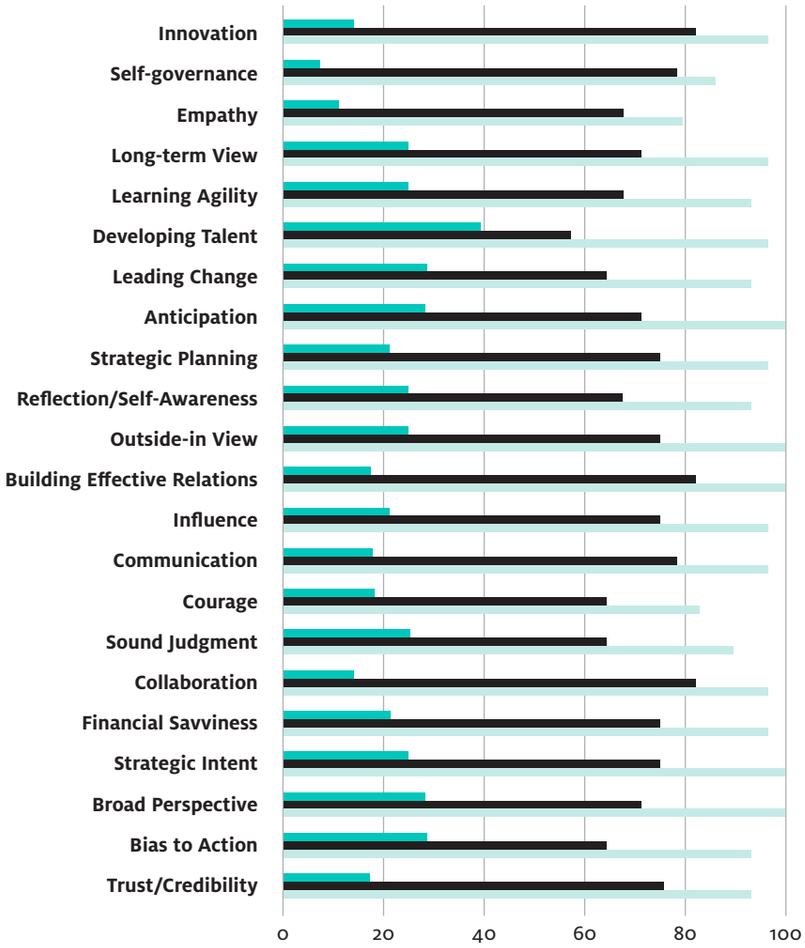
% respondents who selected the option



N=29

BOARD LEADER SKILLS & KEY GAPS

% of respondents who selected the option



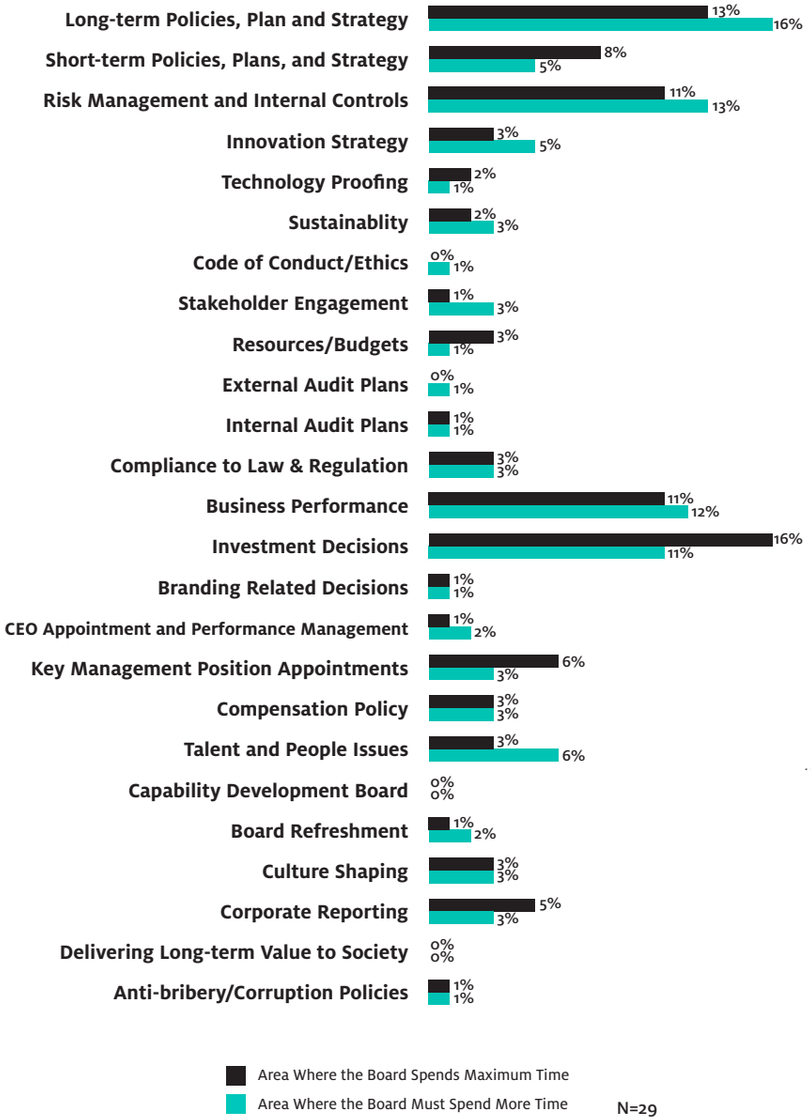
N=29

Source: CCL Research 2019

VIETNAM

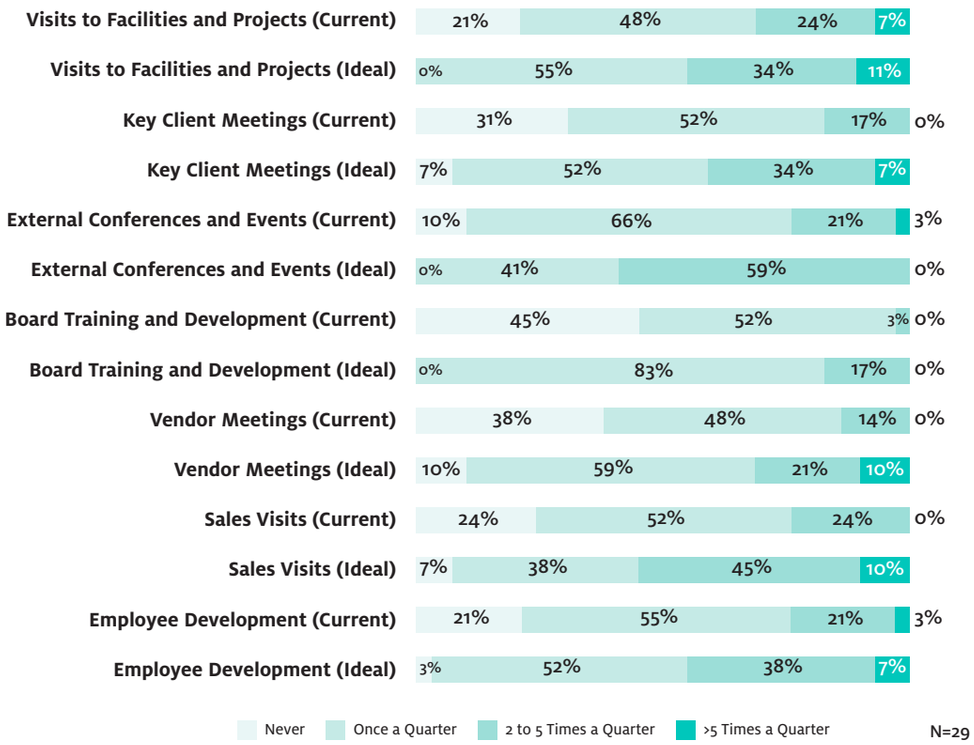
BOARD ACTIVITIES—INTERNAL

% respondents who selected (top-5) activities where boards currently spend maximum time, and must ideally spend more time



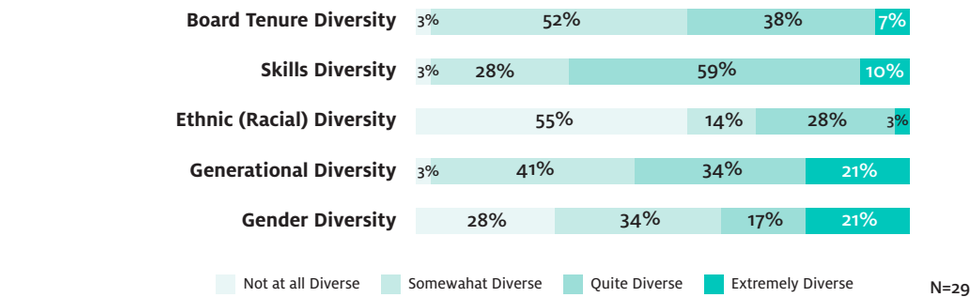
BOARD ACTIVITIES—EXTERNAL

% respondents selecting options – current and ideal frequency of key board activities



BOARD DIVERSITY

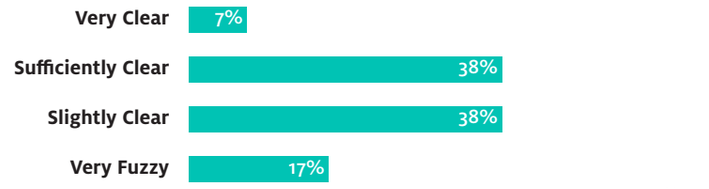
% of respondents who selected the option



Source: CCL Research 2019

CURRENT LEVEL OF CLARITY AROUND BOARD KPIs

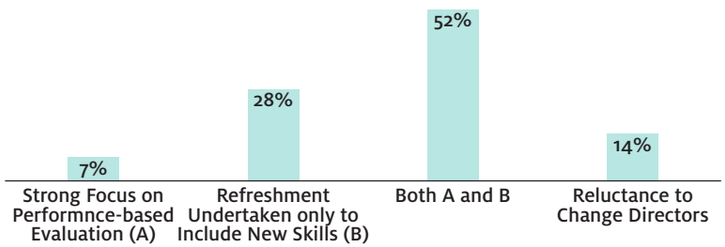
% of respondents who selected the option



N=29

BOARD REFRESHMENT

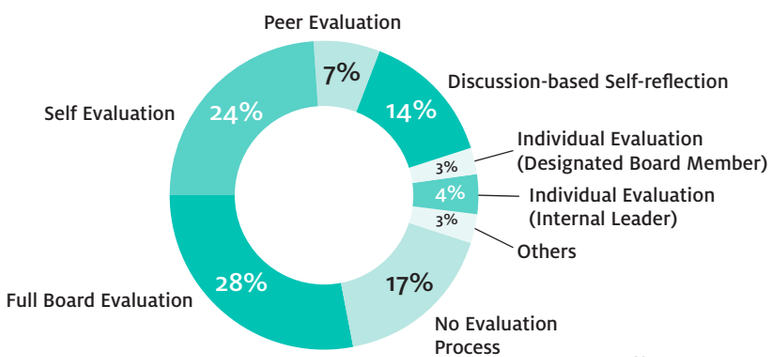
% of respondents who selected the option



N=29

BOARD EVALUATION APPROACHES

% of respondents who selected the option

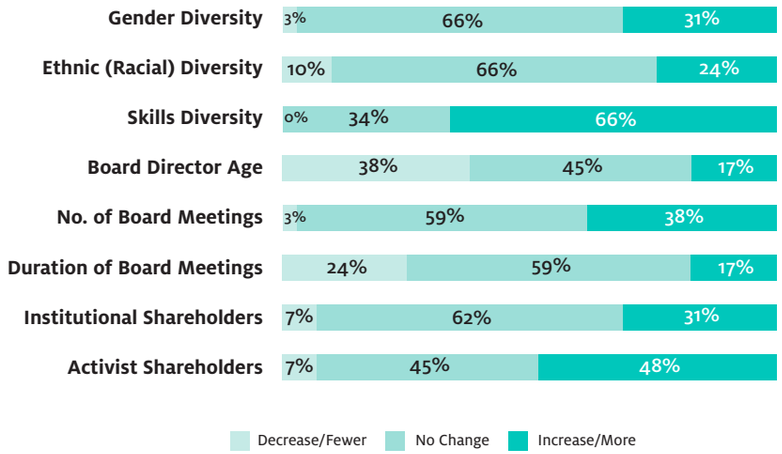


N=29

Source: CCL Research 2019

KEY CHANGES VIETNAMESE BOARDS WILL WITNESS IN THE FUTURE

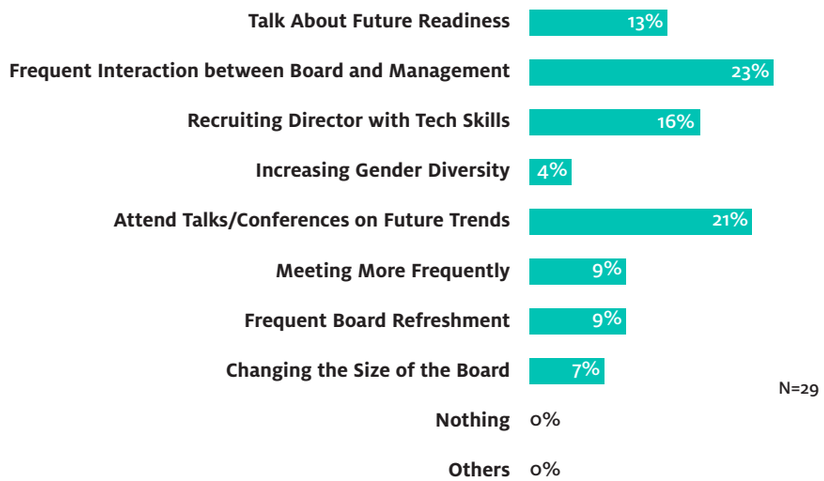
% of respondents who selected the option



N=29

ACTIONS BOARDS IN VIETNAM ARE TAKING TO BE FUTURE-READY

% of respondents who selected the option



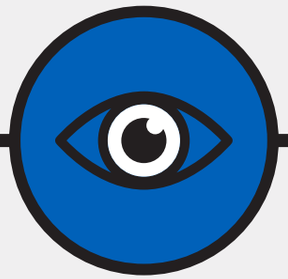
N=29

BOLD 3.0

HOW CAN CCL HELP IMPROVE BOARD LEADERSHIP AT YOUR ORGANIZATION?

BOLD 3.0: MAKING COLLECTIVE LEADERSHIP HAPPEN ON BOARDS

CCL Can Help You IDENTIFY...
Key mindset and capability-related leadership stalls at the board level



DISCOVER

Conduct board leader interviews; roll-out capability gap survey

KEY FINDINGS

CCL Can Help You UNDERSTAND...
Gaps that the board needs to plug for effective leadership to happen

ADVICE

Share discovery key findings, and help evaluate action steps

DISCUSSIONS/WORKSHOP

CCL Can Help You CRAFT...
Developmental interventions for board-level leaders

DEVELOP

Partner with the board chair/CEO to craft and roll out a development intervention

DEVELOPMENT JOURNEY

Center for Creative Leadership®

Please reach out to CCL to know more about the BOLD 3.0 offering:

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P: +65 6854 6000 | F: +65 6854 6001 | E: ccl.apac@ccl.org

RESEARCH TEAM

SUNIL PURI (author) is the Asia-Pacific senior director of research, innovation, and product development at the Center for Creative Leadership. He is a seasoned leadership and human capital researcher and thought leader with over 20 years of experience across large global organizations. Prior to CCL, he served as head of Research and Insights at the Human Capital Leadership Institute (HCLI), set up by the Singapore government to drive the global Asian leadership initiative. Sunil has authored several research studies including *Imagining Asia 2030: Future Fluent Asian Leader, Architecting Future Fluent Culture: Critical Role of Human Resources (Asia Study), Developing Global Asian Leaders: From Local Stars to Global CXOs, CHRO 3.0: Preparing to Lead the Future HR Function in Asia, HR Leadership Stall Points, Developing Next-Generation Indian Business Leaders: The Keys to Success, 7 Myths of Leadership Development in Asia.* In 2015, he co-edited a book titled *Human Capital Insights: Inspiring Practices from Asia, for Asia*. Sunil is an alumnus of Indian Institute of Technology (IIT), Delhi, India, and Indian Institute of Management (IIM), Ahmedabad, India.

SOPHIA ZHAO, PhD., is a senior research faculty at the Center for Creative Leadership. Based in CCL's APAC office in Singapore, she serves as a researcher, coach, facilitator, and trainer. Sophia has more than ten years experience in researching organizational behaviour, human resources, and leadership. She has published more than 20 academic journal papers, research reports, white papers, and media articles. A key area Sophia is working on is to further the understanding of Asian leadership and developing global Asian leadership. Sophia is also a key member of the CCL APAC Equity, Diversity and Inclusion team, with keen interest in women's and girls' leadership development. Sophia holds a Ph.D. degree from National University of Singapore, with full academic scholarship. She also obtained her B.A. degree in economics from Fudan University, where she received the People's Scholarship every year.

N. ANAND CHANDRASEKAR is a senior research faculty at the Center for Creative Leadership. In this role, Anand delivers CCL's Asia-focused leadership development research, evaluation, and societal advancement practice. Anand partners with CCL staff and clients to identify leadership needs, design and deliver leadership development solutions, articulate leadership solution outcomes, evaluate the solutions for impact and improvement, and to make leadership development accessible to those who have no access to leadership development. A key area of his current research is on enhancing the ability of individuals and organizations to make learning from experience intentional, not incidental. Anand holds a B.E. degree in Electrical and Electronics Engineering from University of Madras and an M.Bus. degree from Nanyang Technological University, Singapore.

FAWZIAH BINTE SHAIK C.M. and **AMIRUL AIMAN BIN ABAS**, students of Sociology at Nanyang Technological University, Singapore, supported the research study as CCL research-interns.

ACKNOWLEDGMENTS

Center for Creative Leadership

Center for Creative Leadership (CCL) thanks the 350 board leaders across Asia for participating in the survey, and 109 board leaders for graciously sharing their stories, insights, and thoughts during research interviews. The Center is also indebted to the six research partners: Confederation of Indian Industry (CII), Institute of Corporate Directors Malaysia (ICDM), Institute of Corporate Directors (ICD), Philippines, Singapore Institute of Directors (SID), The Sri Lanka Institute of Directors (SLID), and Vietnam Institute of Directors (VIOD). Finally, there is a deep sense of gratitude to pymetrics for sponsoring and supporting the study.

PARTNERS:

CII Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness, and business opportunities for industry

Founded in 1895, India's premier business association has more than 9,100 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 291 national and regional sectoral industry bodies.

With 68 offices, including 9 Centres of Excellence in India, and 11 overseas offices in Australia, China, Egypt, France, Germany, Indonesia, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community. Visit our website at www.cii.in

ICDM Institute of Corporate Directors Malaysia

ICDM is a professional institution dedicated to enhancing the professionalism and effectiveness of corporate directors in Malaysia. As the one-stop centre that caters for all board and director needs, we strive to promote good governance amongst boards of companies through governance education, directors development, membership support, networking opportunities, and research & advocacy. ICDM offers a suite of services designed to enhance board and director effectiveness through various public and bespoke training programmes, Board and Director Effectiveness Evaluation (BDEE), coaching & mentoring and director sourcing services. Visit our website at www.icdm.com.my

ICD Institute of Corporate Directors

The Institute of Corporate Directors (ICD) is a non-stock, not-for-profit organization dedicated to professionalizing corporate directorship and raising the corporate governance standards of the Philippines. The institute was established in 1999 by Chairman Emeritus Dr. Jesus P. Estanislao in the aftermath of the Asian financial crisis, to establish and promote higher corporate governance standards in the Philippines. ICD is part of the Centers for Excellence in Governance (CEG). For more information on ICD's programs and services, visit www.icd.ph

SID SINGAPORE INSTITUTE OF DIRECTORS

The Singapore Institute of Directors (SID) is the national association of company directors. SID promotes the professional development of directors and corporate leaders, and provides thought leadership and benchmarking on corporate governance and directorship. It works closely with the authorities and its network of members and professionals, to uphold and enhance the highest standards of corporate governance and ethical conduct.

Formed in 1998, the membership of SID comprises mainly directors and senior leaders from business, government agencies and nonprofits. SID has a comprehensive training curriculum that covers the spectrum of a director's developmental journey. Members have access to a range of resources, including research publications, forums, seminars, benchmarking awards and indices, board appointment services, and regular networking and social events. Visit our website at www.sid.org.sg

ACKNOWLEDGMENTS

The Sri Lanka Institute of Directors (SLID) is the voice of directors and Boards in Sri Lanka. As a not-for-profit member association, we provide top-quality and relevant director education, advocacy and thought leadership, and current resources to improve the performance of Sri Lankan Directors.

Our vibrant membership of 975+ includes seasoned and emerging directors who currently serve on Sri Lankan Boards in the private and public sector, listed and unlisted, family companies, for-profits, not-for-profits, Government institutions, State Owned Enterprises, and entrepreneurial ventures amongst many others. We also welcome C-suite and senior executives who aspire to serve on Boards as well as students who want to learn more about directors and Boards.

At SLID we believe that 'better governance means better resource allocation, better business, and better returns, which will ultimately drive economic growth in the country'. Visit our website at www.slid.lk

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The Vietnam Institute of Directors (VIOD) is a professional organization, which promotes corporate governance standards and best practices in the Vietnamese corporate sector. VIOD aims to advance board professionalism, promote business ethics and transparency, create a pool for independent directors, build a network to connect corporate leaders and stakeholders, and help companies inspire investor confidence.

VIOD was formed in March 2018 under the Vietnam Corporate Governance Initiative (VCGI), with technical support from the International Finance Corporation (IFC) and the Switzerland's State Secretariat for Economic Affairs SECO. VIOD is governed by a well-respected Board of Directors comprising of various private sector representatives. VIOD is also working in close collaboration with the State Securities Commission, Hochiminh Stock Exchange and Hanoi Stock Exchange. For more information, please visit www.viod.vn

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Since its founding in 2013, pymetrics has grown to service over 100 enterprise clients globally with offices in NYC, London, Singapore, Sydney and Melbourne. The platform is used in 100+ countries, 21 languages and accessed across web, Android and iOS apps. Visit our website at www.pymetrics.com

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