

Dynamic climate means 'more in a day's work for chairmen'

By ALVIN FOO

THE increasing demands being made by regulators and investors since the financial crisis have made the job of the chairman considerably more challenging.

That was one of the key conclusions from a full-day, closed-door session with 17 chairmen from some of Singapore's top companies.

The event, which was organised by the Stewardship and Corporate Governance Centre (SCGCentre) on Monday, focused on the changing expectations of the chairman's role in a dynamic and uncertain environment.

This new reality is putting pressure on chairmen to set a clear vision for the board and company culture.

Singapore Press Holdings and Keppel Corporation chairman Lee Boon Yang said: "Regulators and shareholders are placing increasing responsibility on boards and chairmen for ensuring a high standard of governance in the companies they direct."

Dr Lee said this calls for greater understanding and involvement on the part of boards in the business and its strategic direction. "But the question is how deep should the board and chairman go into the business without interfering in the role of the CEO and his management team? This requires careful judgment and balance," he added.

The chairman-chief executive partnership was a key focus of the discussions, with participants agreeing on the need to build a relationship of trust, yet remain detached enough to allow for independent views.

Neptune Orient Lines chairman Kwa Chong Seng said: "It's important that we maintain a clear delineation between the roles of the chairman and the CEO. This must be a collaborative approach when things are going well, and yet the board must be willing to act decisively when things are not going well."

Mr Kwa said the chairman must balance these two different roles for an aligned, productive relationship. "This extends to know-



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— Neptune Orient Lines chairman Kwa Chong Seng (left)

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ing when to act as guide and counsel to the CEO and when to critically and honestly evaluate his or her performance," he added.

Guest speakers included ANZ Banking Group chairman John Morschel and Tiger Airways chairman J.Y. Pillay.

Participants said Mr Morschel, who spoke on the financial sector, reinforced the need for a full understanding of the business as chairmen and boards are increasingly being held responsible for their companies' activities through increased legislation and regulation. Another challenge is shareholders' expectations for companies to deliver positive results may in fact hinder the firm.

DBS Group Holdings chairman Peter Seah said: "If the board and CEO focus on the short term, they would have failed in their duty to shareholders. The chairman should lead the board in engaging in long-term strategy – crafting and guiding the strategies including use of capital, risk parameters and so on."

Mr Seah noted that a board must have the courage to take on challenges that are tough in the short term but will achieve long-term sustainability.

"Boards and CEOs who drive their companies with a focus only on the short term will be the first to fail," he added.

Participants said that Mr Pillay pointed out that governance is not government, management, administration or leadership. It sets the processes and systems for an entity to be managed properly and helps an organisation define the purpose for which it exists.

So it is the chairman's responsibility to draw out the best from the board by developing a culture where members do not hesitate to speak up.

Temasek Management Services chairman Tan Chin Nam said: "In an era where the focus is on short-term returns driven perhaps by market volatility, it is the responsibility of the board and chairman to practise 'moral capitalism'."

Dr Tan noted that this requires a review of the board's role, and "calls for a re-focus and re-balance to bring about much more sustainable performance".

The SCGCentre is a Temasek Holdings initiative launched last September to raise the level of corporate governance.

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