Effective Board Leadership

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BOARDS EFFECTIVENESS
WE HAVE PERFORMED -
1. BRILLIANTLY
2. EXTREMELY WELL
3. STUNNINGLY
4. OUTSTANDINGLY
5. ALL THE ABOVE

“NEXT ITEM - CARRYING OUT OUR OBJECTIVE SELF-ASSESSMENT”
Asian Perspective
Family ownership is the norm

1. Family ownership is dominated in Asia; widely held firm structure is rare
   - 69% of HK’s corporate assets and 84% of HK’s GDP
   - top 10 HK families controlled 1/3 of the total corporate assets
2. Family firms and SOEs have lower firm values
3. Large shareholders can engage in expropriation that is detrimental to minority shareholders
4. When growth prospects decline, the lack of good corporate governance becomes important
5. Concentrated ownership affects stock market valuation during the crisis

What is “effectiveness”?

1. Adequate to accomplish a purpose
2. Producing the expected results
3. Capability of producing an effect
4. Getting the right things done
Major Tasks of an Effective Board

1. Defining the meaningful outside:
   - What gives life to an organization?
2. Balancing present and future:
   - When to balance short and long term profit?
3. Deciding what business you are in
4. Shaping values and standards:
   - How to create meaning, trust, hope, optimism, and results?
   - How to motivate people with differing motivations to work harmoniously together?

Board effectiveness

1. Purpose of a company (mission & strategy)
2. Board to doing the right things (effectiveness)
3. Management to do the things right (efficiency)
4. What’s measured improved! Leadership is defined by results, not attributes
5. Orchestrate the energy around the board
Board effectiveness

6. What matters is the leader’s mission, not his charisma!
7. Non-profits need effective management even more than business does as they lack the discipline of the bottom line
8. Good intentions are no substitute for organization and leadership, accountability, performance and results

The multiple roles of a board

1. Business Partner (Growth)
2. Performance appraiser
3. Risk manager (Internal control)
4. Change facilitator (Change management)
5. Financial Advisor (Capital structure)
6. Industry Expert (Strategy)
7. Ambassador (Culture)
How to promote and measure success of a board?

1. Set corporate goals
2. Develop key performance indicators and output measures
3. Appraise performances of the board, chairman, CEO, and INEDs
4. Share price, P/E & P/B?
5. Optimal shareholders structure

Shareholders engagement

1. Strategic responsibility of the board & management
2. Shareholders structure?
   - Company’s perspective
     • Cash flow and profit profile
   - Shareholder’s perspective
     • Income vs growth
     • Valuation vs profitability
     • Short term vs long term
3. United Nations Principles for Responsible Investment – poorly understood by the board
4. The importance of an equity story!
Sources of ineffective board practices!

1. Who sets board agenda?
2. Who writes the Chairman’s statement?
3. Who meets with major institutional investors?

Thank you!