

GOOD DIRECTORS: HARD TO FIND

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Boards today face pressures from all sides – a volatile and complex business environment, escalating regulatory demands and challenges coming even from within the boardroom.

To deal with all these pressures, boards undoubtedly want the best directors they can get. But what are the qualities that these “good directors” ought to have?

The list can be long. But we can classify these attributes into three groups: innate qualities, competencies and performance focus.

INNATE QUALITIES

Motivation is perhaps one of the most important attributes. One needs to serve for the right reasons, not for status or privilege, or even for money.

The model director is dedicated and committed to the company, eschewing conflicts of interest. He is both a supporter of and confidant to management but also has the gumption to speak his mind and ask tough, uncomfortable questions when the occasion requires it. He must have the courage to vote according to his conscience, even when he is in the minority.

For directors to be independent, it is best that they are financially independent. They should not be in need of the directors' fees to get by. The person should also have some standing in society and be well respected in his or her own right.

Other characteristics include good character, sound judgement, integrity, independence of mind and strong ethics. A good director must also be inquisitive and be eager to learn about the business, and still be armed with a healthy dose of scepticism.

A good director should be prepared to lead when board leadership is ineffective, and collaborate to unify directors when he is needed as a team player.

COMPETENCIES

As an effective leader, he must possess strong communication skills to persuade and inspire others. He must be able to articulate their views clearly and concisely, yet remain open-minded to be a good listener to opposing opinions. Taking one side over another should be a properly considered affair.

It may sound obvious, but a basic competence to read and understand financial reports, some commercial nous and expertise in risk management are crucial weapons in a director's arsenal, besides being able to develop a sound corporate strategy. Such a director should strive to stay current by continuing to upgrade himself.

He should be energetic, diligent and able to devote sufficient time to the affairs of the company, responding quickly to the company's needs. Directors need to be well prepared for meetings, be willing to go beyond the call of duty when necessary and yet be mindful not to micromanage operations.

PERFORMANCE FOCUS

A director should not be overly fixated with compliance but should also realise that this needs to be balanced with a duty to help the business grow. He should be bold enough to innovate and take calculated business risks but know where to draw the line.

Critical to a director's role is also being able to draw upon varied experiences gained in different industries, allowing him to think outside the box to challenge existing norms and still adapt and adjust to changing conditions.

It would be even better if the director has deep knowledge from the same industry, to enable him to contribute more valuably to the company on whose board he is serving.

Cultivating a broad network of contacts so that he can help with the company's reach would be a plus point.

CHARACTER IS REVEALED IN CRISES

Perhaps the crunch time for directors is when there is a crisis.

This was true for the directors of Citiraya Industries in 2004. The company's CEO, Ng Teck Lee, was found to have carried out fraud amounting to US\$51 million. He absconded and is still a fugitive today.

For Wong Kok Hoe, who was appointed as an independent director a few months before the investigation broke, it was time to roll up his sleeves to arrest the tailspin that the company was in.

He and the other non-executive directors worked without pay for over a year to rehabilitate the company. In the end, they managed to bring in new investors to recapitalise the company, which was eventually re-listed as Centillion Environment & Recycling.

Mr Wong said that resigning from the board when investigations began "never crossed [his] mind".

Likewise, when Olam International came under attack in 2013 by the short-seller, Muddy Waters, the board closed ranks and sequestered itself in crisis management mode.

Michael Lim, the lead independent director, chaired a special board committee to look into the allegations, produced a 133-page report in response and met with shareholders, investors, bondholders and the media, as the board recalibrated its corporate strategy.

In all, the board of Olam met a total of 24 times that year, compared to just six times the year before!

It is normally not difficult being a director when times are good but it is also hard to tell if the director is truly good.

It is only in a crisis that a good director goes beyond the call of duty and proactively steadies the ship. In that respect, the true mettle of a good director is revealed in a crisis. ■