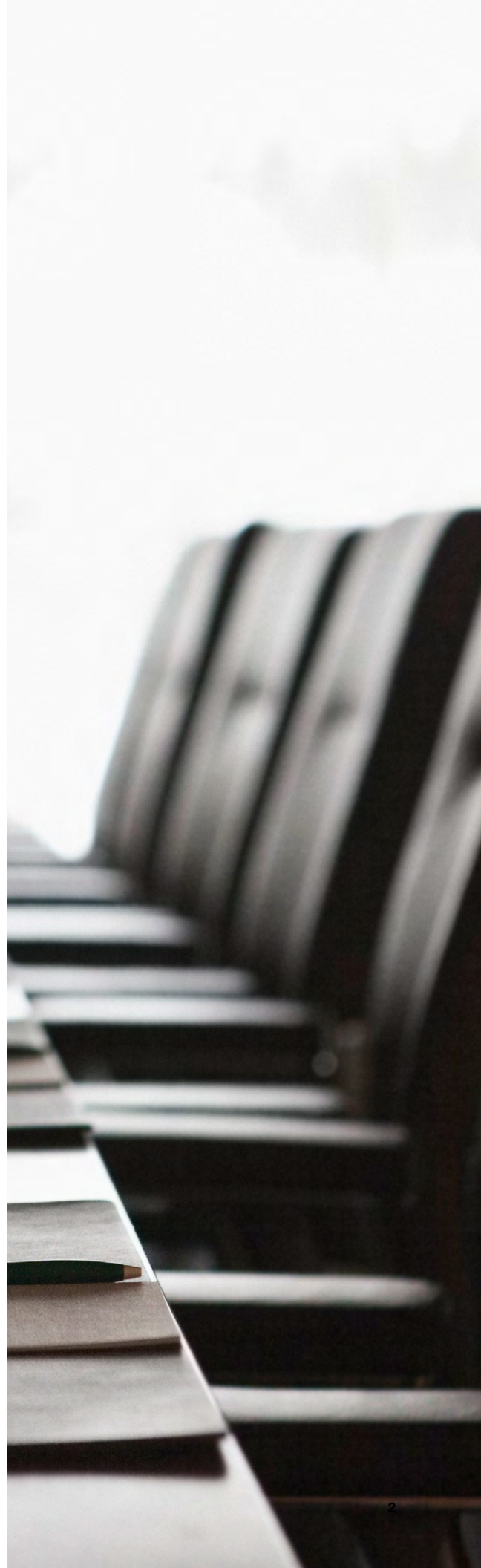


Shaping Tomorrow's Boards: Lessons from Today's Boards in Asia Pacific for the Future

Reimagining the boardroom in Asia Pacific: Boards of tomorrow can't and won't look like those of today. Are you prepared?

In today's business landscape, organizations face an unprecedented pace of external and internal forces that demand swift adaptation and transformation. To effectively navigate this environment and remain relevant, boards must evolve at the same pace as their organizations. This necessitates a fundamental review and transformation of how tomorrow's boards are structured and led.

To delve into the complexities of boards and corporate governance within Asia Pacific's increasingly dynamic environment, Russell Reynolds Associates brought together distinguished experts and experienced practitioners in a series of panel discussions at the APAC Board Leadership Forum 2023. These leaders discussed the following key themes:



Retool Board Capabilities for the Future

Gone are the days when possessing financial acumen alone created a clear path to board directorship. The boards of tomorrow demand a diverse array of perspectives that extend beyond financial expertise. These perspectives encompass technology, sustainability, cybersecurity, HR, and more—collectively forming a body capable of critically evaluating decisions, opportunities, and challenges. To acquire such specialized knowledge, boards have two primary options: internal assimilation through careful board member selection or consulting external subject matter experts. For the latter, boards should establish mechanisms that allow them to swiftly access external experts when expertise gaps arise. By leveraging the insights and guidance of these specialized professionals, boards can enhance their decision-making capabilities and effectively address complex issues that arise within their purview.

Cognitive diversity is also key. Boards should seek to incorporate diverse thinking styles, experiences, and

generational views through measures such as tenure caps, formal succession planning every two to three years, or the establishment of shadow advisory boards comprising of high potential internal talent. These initiatives promote fresh perspectives, inject new ideas and foster an environment that encourages diverse viewpoints, leading to more robust board discussions and decisions. However, it's vital to remember that the effectiveness of these diverse viewpoints hinges on the board's ability to conduct candid dialogues. This requires cultivating a sense of psychological safety in the boardroom, where differing views are welcomed without fear of repercussion. In addition to fostering a safe environment, boards can also utilize emerging techniques like pre-mortem analysis. This method helps mitigate cognitive biases and encourages candid dissenting opinions, thereby enhancing the quality of board decisions. In this way, both psychological safety and strategic tools work hand-in-hand to maximize the benefits of cognitive diversity.

“It’s our role to know what the right questions are.”

Dharma Chandran

Board Director, 7-Eleven Australia

Ultimately, the true measure of board effectiveness lies in its ability to ask the right questions, balancing probing inquiries with a sensitivity that does not undermine executive accountability. To foster a culture of impactful decision-making, core board meetings must prioritize strategic discussions over mundane box-ticking exercises. This shift in focus allows board members to delve into critical issues, explore innovative approaches, and chart a visionary path forward for the organization.

Recognizing that the business landscape is constantly evolving, continuous upskilling becomes an imperative rather than a mere “nice to have.” Board members must embrace a mindset of lifelong learning, actively seeking opportunities to expand their knowledge, stay abreast of industry trends, and adapt to emerging challenges. By nurturing a culture of continuous learning and development, boards can ensure that they remain agile, well-informed, and equipped to address the complex and rapidly changing demands of the business environment.



Listen Before Leading

In an era of viral social media campaigns and heightened stakeholder activism, boards must actively engage with their stakeholders to stay ahead of emerging challenges. The key to effective engagement lies in prioritizing listening over leading.

This requires more informal and meaningful interactions with a range of stakeholders, including regulators, employees and local communities. By actively seeking their perspectives, concerns, and aspirations, organizations can

build trust, foster collaboration, and gain valuable insights into the issues that matter most to these stakeholders. Boards should leverage AI and analytics to decode and understand online activism, identifying legitimate concerns and addressing them in a timely and appropriate manner. This approach enables organizations to demonstrate authenticity and transparency, which in turn strengthens their resilience and enhances their ability to effectively engage with stakeholders.

Balancing Accountability with Reality

Boards are currently navigating through pressures to perform across financial and non-financial metrics. The landscape is further complicated by the rise of regulation and shareholder activism, which place additional burden on directors. This raises a critical question: are we witnessing a shift from accountability to over-accountability?

Traditionally, the role of independent directors has revolved around high-level oversight, via the formulation of policies and governance. Day-to-day operations are the purview of management. However, directors are increasingly being held accountable for every corporate issue, even those

that lie outside their sphere of knowledge and influence. This trend has been fuelled by a number of factors. The increasing number of corporate scandals, economic turbulence, and fluctuations in organizational performance are now being reported with more courage and judgment by the media than ever before. This has resulted in a more proactive and vocal shareholder voice, not just the comments of institutional investors. The rise of technology and social media has played a significant role in this shift - now, anyone with a smartphone can become a business journalist, investigator, commentator, or individual activist.

With this increased transparency, stakeholders have come to realize that CEOs and management teams are essentially employees of the board—as such, the ultimate responsibility lies with them. Consequently, the expectation has become that boards and directors should bear more responsibility and accountability. However, the term “independent director” itself implies a degree of separation from operational matters, meaning that their accountability should primarily extend to strategic decisions and board-level policies.

There’s never been a bigger disparity between director liability/responsibility and director protection/reward—and this trends seems to be on an upward trajectory. Accomplished, reputable leaders are becoming reluctant to pursue board roles as a capstone to their careers. Qualified professionals may be deterred from accepting directorship roles, particularly in distressed companies where robust governance is needed the most. The rewards once associated with these roles have diminished significantly, as risks to one’s personal reputation and the potential for personal liability are often perceived as too substantial to warrant the associated benefits.

To counter inappropriate assumptions of accountability, organizations need to reinforce clear guidelines around directors’ responsibilities. Implementing suitable compensation structures that align with the director time commitment and responsibilities could also help manage these expectations. Achieving the right equilibrium between ensuring oversight and avoiding over-deterrent accountability is crucial for board effectiveness.





Find Power in Community

The significance of community should not be underestimated in board directorship. While directors sit on different boards, they collectively steward the same ecosystem. APAC directors have a unique opportunity to spearhead governance innovations and influence policy on a global scale.

There are approximately 300 million companies in the world today. Roughly 44,000 of those are listed. ~50% of those 44,000 are based in Asia Pacific. Based on average board sizes for our region, this means we have approximately 300,000 board seats in Asia Pacific alone. It's a big community to drive change."

Stephen Langton

Russell Reynolds Associates, Board & CEO Advisory

When establishing this community, director institutes emerge as vital community anchors. Beyond providing education and training, these institutes have the potential to facilitate collaboration among directors to pilot new governance approaches. By leveraging their collective expertise, institutes can channel directors' real-world experiences into compelling narratives that not only shape public opinion, but also drive meaningful change. Institutes can also influence the broader discourse on governance, which not only enhances transparency, but also builds trust and confidence in the governance practices within APAC.

What's next for APAC boards?

The transformation of boards in the Asia Pacific region is not just necessary—it is inevitable. To effectively navigate this dynamic environment, boards must embrace diversity in expertise and perspectives, and actively engage with stakeholders. They must seek to strike a balance between accountability and reality, and leverage the power of community to drive change in governance practices.

Future APAC boards require agility, adaptability, and a readiness to evolve. The path forward is as challenging as it is promising, but for boards that are prepared to undertake this journey, the opportunities are vast. The future belongs to those who adapt. For boards ready to embrace this evolution, a new era of effective and innovative governance awaits.





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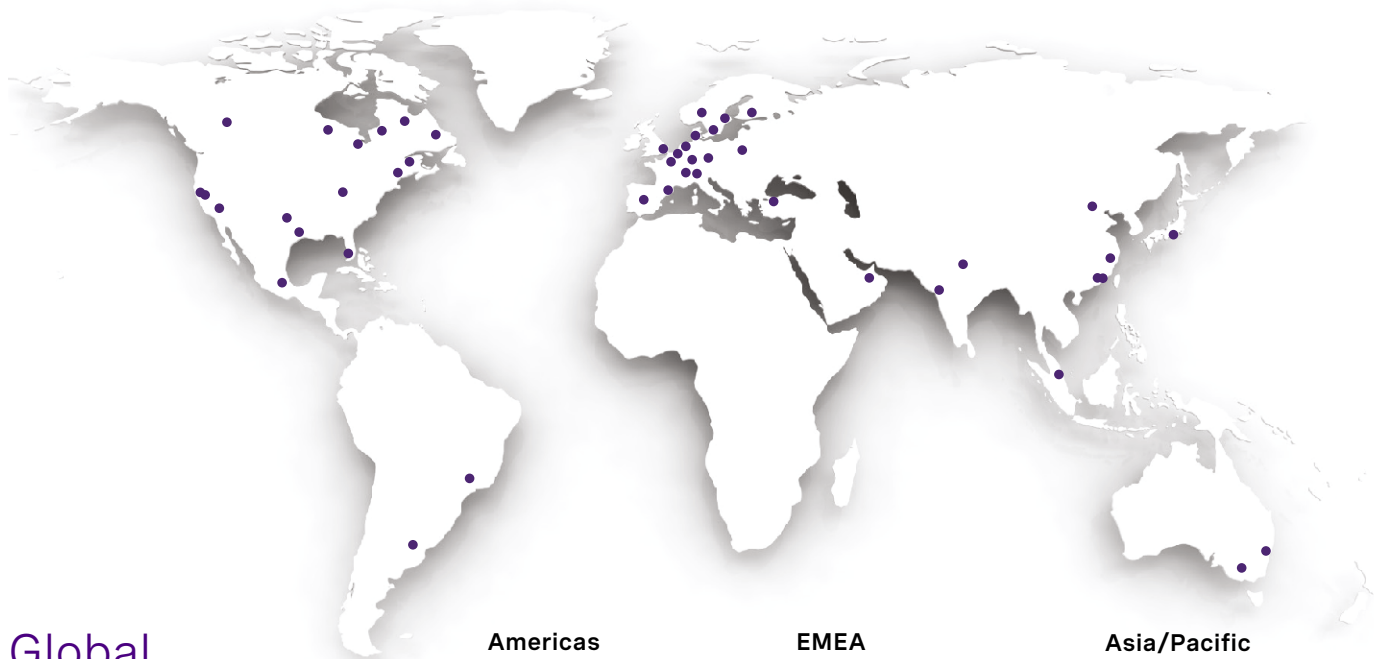
Acknowledgements

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Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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