

## Is your board future-proof?

*Boardrooms around the world are becoming more diverse in response to new opportunities, uncertainties and disruption in the businesses they oversee. Singapore companies need to find directors with new skills or they risk being left behind.*

By Malini Vaidya

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On 25 June a ransomware attack directly affected the operations of several major companies around the world, from Maersk in Denmark to Merck in the US, from WPP in the UK to Cadbury in Australia. For any board still not taking the issue of cybersecurity seriously, despite the WannaCry attacks only a few weeks previously, this new incident should have been an urgent wake-up call.

Companies today are facing unprecedented challenges, from geopolitical and cybersecurity risk to advancements in digital technology, business model disruption and changing consumer behaviours. Boards are having to adapt accordingly; they must remain relevant or lose the ability to challenge management and help them navigate the challenges and opportunities that lie ahead in a meaningful and constructive way.

Boards must evolve to reflect the needs and changing strategic priorities of the businesses they oversee. They must be forward-looking, too.

For many years, boards quite happily sourced their non-executive directors from a fairly narrow band of (predominantly male) executives, such as current and former CEOs and CFOs. The occasional academic, former politician or functional expert on the board were exceptions who proved the rule – that what boards valued most were P&L experience, general management skills, financial acumen and legal know-how. Boards then recruited directors with audit and legal skills to help satisfy corporate governance requirements.

Today, with so many new challenges and risks on the horizon, companies are starting to cast their nets wider to bring different voices into the boardroom debate. In so doing, boards have the perfect opportunity to consider a new pool of candidates including women who possess the skills and expertise they seek.

We have identified four particular skill sets that are starting to appear in boardrooms in some of the larger companies in the US, UK and mainland Europe. So far, very few companies in Singapore are requesting help from search firms to add these areas of expertise to the board. We believe that every board should develop a skills matrix to help plan the future composition of the board. While some sectors are better served than others with the kinds of board experience described below, we think every board should review whether there is a case for strengthening its knowledge base in the following areas.

### **Digital marketing & customer experience**

As boards focus their attention on growth creation, they need to develop a deeper understanding of the impact of brand strategy, digital marketing, mobile, social media and customer insight on the fortunes of the business. One solution is to appoint a senior marketer to the board.

The marketing industry is dominated by women but until now relatively few have been invited to join a board. Marketers who aspire to serve as non-executive directors should take heart, since interest in marketing leaders with a background in digital and social media, mobile, omnichannel and customer experience continues to grow.

Examples of women whose marketing expertise has earned them non-executive directorships include Lisa Bacus, EVP and global chief marketing and customer officer of US healthcare services firm Cigna, who was appointed to the board of Teradata Corporation, an IT services company; and Kim Metcalf-Kupres, chief marketing officer of Johnson Controls, Inc., who joined the board of Oshkosh Corporation, a leading manufacturer and marketer of access equipment and specialty vehicles. Closer home, Dan Luo a marketing and sales leader with experience across SEA and China, was offered her first board appointment by Yeo Hiap Seng Ltd earlier this year.

For marketers to play a full role on a board, however, they will most likely need some general management experience. Aspiring directors should think carefully about rounding out their commercial and strategic skills and find a board director who can mentor their development.

### **Human capital**

Boards in Singapore and Southeast Asia are becoming more involved in discussions about corporate culture, diversity, organisational design, business transformation, workforce retraining needs and talent pipeline issues. No-one is better placed to advise on these topics than an experienced HR director.

Senior HR professionals are increasingly on the radar of board nomination committees to play a role in two critical and high-profile activities of the board: first, to join the compensation committee and provide an in-depth view on the complexity of CEO and company-wide compensation structures; and second, for their experience in succession planning and talent management. With so many women in senior HR leadership positions to choose from, here is another opportunity to rectify the gender imbalance in the boardroom.

There are several examples of HR directors chairing a FTSE remuneration committee (RemCo) in the UK, something that would not have happened even five years ago: Angie Risley of supermarket giant Sainsbury chairs the RemCo at Serco group, a major outsourcing company, and Alison Horner of supermarket rival Tesco chairs the RemCo at Carillion, a facilities management and construction management company. In Singapore, we have examples like Wong Su-Yen,

previously country chairman, Singapore at Marsh & McLennan , who now chairs the board of NeraTel, in addition to other non-executive board roles.

As with marketers, human capital practitioners must be able to demonstrate financial and commercial savvy in addition to their HR skills if they are to hold their own in the boardroom. Some companies, such as Mars, are good at rotating executives between functional positions, exposing them to new aspects of the business. They often produce very well rounded managers.

HR directors who have worked outside the function may put themselves ahead of the pack when it comes to getting a board appointment. Aspiring directors who are not fortunate enough to have been formally rotated through different functions should be actively seeking opportunities within their business to participate in or lead cross-functional teams and thereby build their general management skills.

### **Digital transformation**

As more and more companies prepare themselves for a digital future, boards know they need to strengthen their own expertise in this area. Candidates should be wary of any board that simply says it wants to appoint a ‘digital director’, since this probably betrays a lack of understanding about what a broad field this is and what the business actually needs at this point in time.

For example, expertise in data management and analytics is essential for some kinds of business (e.g. airlines, retail, financial services), whereas other sectors are looking for experts in artificial intelligence, machine learning or robotics (e.g. industrial, manufacturing, logistics).

The focus at board level should be on the strategic component of digital transformation, not merely on execution. Also, having an outside director with a relevant skill set can be helpful in translating a particular issue into language that can be understood by a predominantly non-expert board. We believe there is a growing number of women who can make a valuable contribution to this kind of board role.

The challenge is that when you bring an individual with deep skills on to the board, they must always be capable of contributing beyond their area of specialism. Particular expertise is optional — but the other attributes of a successful director are mandatory.

Some boards are wary of the potential credibility gap in having a digital expert on the board due to the relative youth and lack of general management experience among the cutting edge digital/tech community, and the communication skills needed to communicate effectively with others board members.

Examples of female non-executive appointments in the digital transformation space include Clara

Shih, CEO of Hearsay Social, who was hired by the board of Starbucks at the age of 29, and Aicha Evans, currently head of strategy at Intel, recently appointed to the board of Siemens in Germany. For now, Singapore is still catching up as its executives continue to develop their skills in this area.

### **Cybersecurity**

Catastrophic threats to firm survival caused by cybersecurity breaches are prompting boards – and their shareholders – to fill the gap in expertise around the boardroom table.

Cybersecurity has to be viewed as an enterprise risk issue, not just an IT topic, and discussion of cybersecurity needs adequate time on the board agenda. We anticipate that more boards will take the structured approach of forming a board committee on cyber risk and data security, hiring a qualified expert to join, if not chair, this committee.

No board wants to deal with the aftermath of a denial of service, data theft or ransomware attack, but the fact is that no company is immune from such attacks. How well companies deal with major cybersecurity breaches in the future may well depend on how flexible they are today in hiring an expert onto the board. If you are just such an expert, then it may not be long before you get the call up.

### **Broadening the board's horizons**

In these turbulent times, boards cannot afford to rest on their laurels. One of their main tasks is to ensure that they are fully equipped to deal with the challenges that lie ahead for the company. Many of these challenges will be substantially different from those they have had to deal with in the past, which means that boards will need to appoint a new breed of director to help guide them through the difficult terrain ahead. As boards cast their nets wider in search of the best talent, more women are going to come into contention as potential non-executive directors.

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