

INTERNATIONAL **DIRECTORS** SUMMIT 2019

The Trust Compass: Resetting the Course

14 & 15 OCT 2019 | Shangri-La Kuala Lumpur

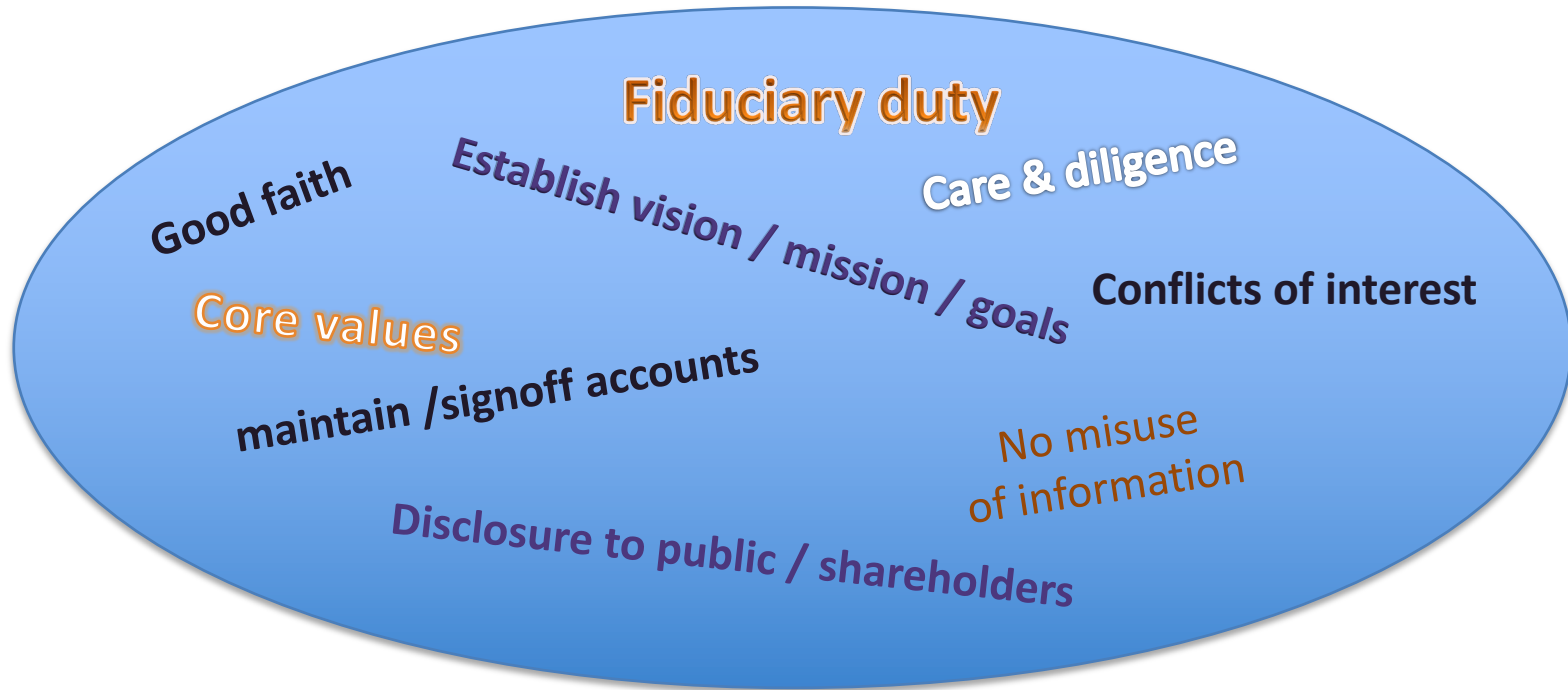
HOW TO CREATE A 5 STAR RELATIONSHIP BETWEEN MANAGEMENT AND THE BOARD

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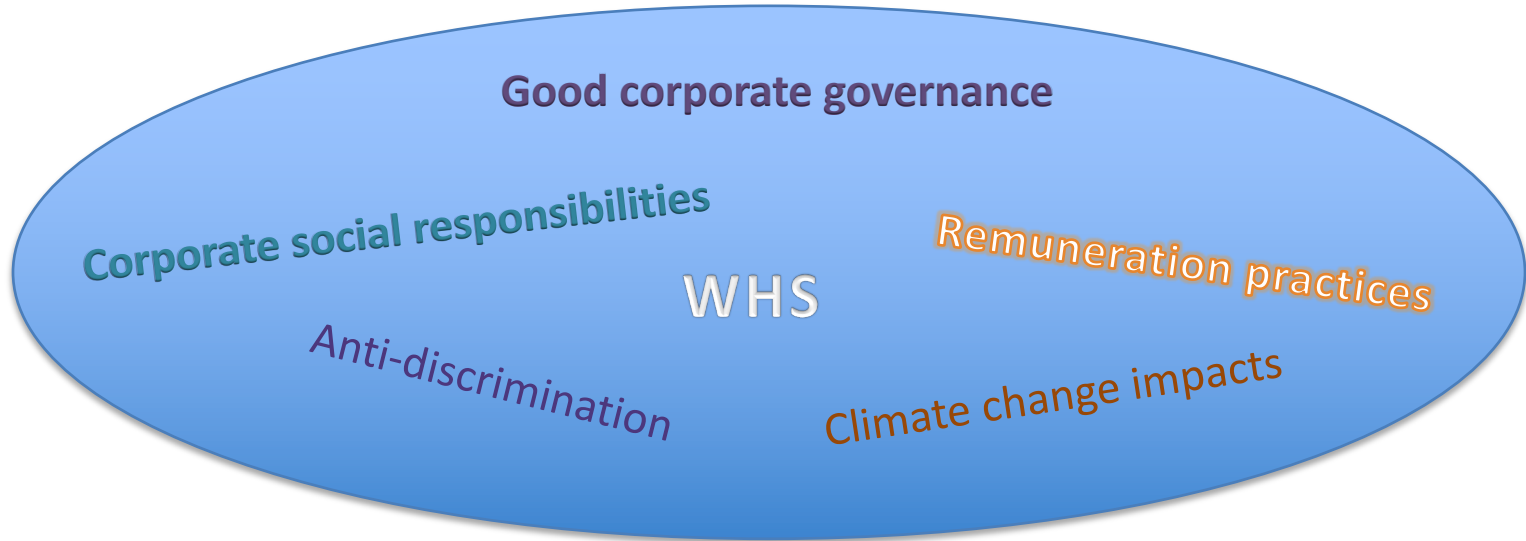
STRUCTURE OF SESSION:

1. Why masterclass?
2. What are the cultural differences between Boards in Australia /UK / US / and in Malaysia?
3. Can we find a path through the culture theory jungle?
4. For a true 5 star relationship, what do directors, Chairs and CEOs think is required?
5. How do we resolve conflicts professionally?
6. What is the special relationship between Chair and CEO?
7. Case study

UNIVERSAL DIRECTORS' DUTIES



BROADENING – UNIVERSE IS EXPANDING



BUT: Directors' legal liability & increased regulation oversight

WHAT ABOUT MANAGEMENT?



Measured interaction with Board and Directors

THE “BIG FIVE” CULTURAL DIMENSIONS

Cultural Dimension	Scale Anchors
Relationship with the Environment	Mastery vs Harmony
Social Organisation	Individualism vs Collectivism
Power Distribution	Hierarchical vs Egalitarian
Rule Orientation	Rule-based vs Relationship-based
Time Orientation	Monochronic vs Polychronic

After “Navigating the Culture Jungle: Divergence and Convergence
in Modes of National Culture” Luciara Nardon (2006)

COUNTRY RANKING OF CULTURE

COUNTRY	ENVIRONMENT	SOCIAL	POWER	RULE	TIME
AUSTRALIA	Mastery +	Individualist +	Egalitarian +	Rule-based	Monochronic
CHINA	Harmony	Collectivist +	Hierarchical	Relationship-based	Polychronic
MALAYSIA	Harmony	Collectivist +	Hierarchical +	Relationship-based +	Polychronic
UK	Mastery +	Individualist +	Hierarchical	Rule-based	Monochronic +
SINGAPORE	Harmony	Collectivist +	Hierarchical	Rule-based +	Polychronic

Note: + = stronger cultural factor

What do practising directors and CEOs think is needed for a 5 star relationship?

CEOs:

- trust, mutual respect, maturity
- clear accountability
- support and guidance
- short and long term challenges

MANAGEMENT:

- access to directors
- face to face engagement
- clear expectations
- share experiences

DIRECTOR RESPONSES

- Mutual trust and respect
- Management accountability
- Robust debates
- “No surprises” communications – very important link to trust
- Papers focussed on issues, not padding
- Be open to asking for guidance

CONCEPT OF CONSTRUCTIVE TENSION

- ❑ Board and Management aware of respective roles but prepared to challenge
- ❑ Board engaged, not aloof
- ❑ Assumption that each side will push and pull but tension is constructive



CHAIRS

- Views more hierarchical
- Management:
 - Must **earn** trust
 - Consistently show it can execute / exceed strategy
- Chairs prepared to **lead**
 - Process of challenging management
- Management accountability very important

CONFLICT BETWEEN BOARDS AND MANAGEMENT

CEOs wanted: Open / transparent discussion
Evidence based decisions
Avoid gossip and hearsay
Workshop solutions

BUT Depends on nature of issue
Could be legal reasons for privacy / secrecy
Legal advice always prudent
Take care to protect organisation's reputation

DIRECTORS: Saw nature of Board / Management relationship as key
Avoid: them and us
 risks of confrontation
Role for independent mediator?
Chair and Board set tone of measured analysis
Chairs require good emotional intelligence and judge-like wisdom

SPECIAL CEO / CHAIR RELATIONSHIP

- ✧ Critical foundation of 5 Star relationship
- ✧ Needs frequent communication and working on – like a good marriage!
- ✧ CEOs wanted: equality (Chairs disagreed)
 - wise counsel
 - some coaching
 - availability / engagement
- ✧ Chairs wanted: if not working, one must go!
 - respectful / open
 - cannot be equals because Board recruits CEO
 - “Help CEO navigate Board minefield”
 - “Help CEO read the Board”

CASE STUDY

REDCO: successful, global financial services co. with good growth
BUT poor tactics by CEO & questionable ethical practices
→ reputation loss w some regulators & markets

Board removed CEO

New CEO appointed to: stabilise the business

ensure continuous growth

re-establish reputation w customers, markets, journalists, regulators

18 months later:

growth accelerating

regulators & markets positive

management team restructured

CEO has 4/5 rating on performance

HOWEVER...

CASE STUDY cont'd

New Chair envious of travel & power - wanted CEO's job

Progressive undermining of CEO, telling regulators the CEO had short term appointment

BUT he, the Chair, would replace him and save the business

Chair also briefed a leading financial journalist

Being horrified at the governance implications he told the CEO

CEO checked the story w regulators

➔ a serious & confidential discussion w senior Board members without the Chair

[Go to sli.do](#)

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THANK YOU