

TO BE OR NOT TO BE – AN INDEPENDENT DIRECTOR?

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Many people do not usually consider taking on the role of an independent director. Those who have, often think the responsibilities are too risky, or something they may not be able to handle.

The reality can be completely different. An independent directorship can be an uplifting stimulus and provide experiences not normally obtainable in executive life.

It used to be that stepping into the ranks of independent directorships was like joining an exclusive club – more social than work. I know of one board that used to have a one-hour board meeting ending with a four-hour lunch. I understand this same company now has reversed their priorities with a four-hour board meeting followed by a one-hour lunch.

The hard fact is that the current corporate environment demands more caution from potential directors before accepting such appointments. This is a direct result of significant enhancements in corporate governance, and the prevalence of corporate failures which have exposed directors to significant potential legal liabilities.

If you are relatively new to the corporate world, in particular to board matters, a clear understanding of what it means to be a director is essential.

There are a slew of programmes run by the Singapore Institute of Directors for the professional development of directors, including a starter course: “So, you want to be a director?”

INITIAL CONSIDERATIONS

The first question that any prospective independent director should ask is: What can I contribute to the board? More enlightened boards now search wider afield for more diverse candidates, looking beyond the typical cull of accountants, lawyers, politicians or friends. You may well have useful experience whatever your career field.

Experience is just one aspect of a director’s effectiveness. An independent director is just that – independent. And preferably one who is articulate and forceful enough to voice concerns and viewpoints that may differ from the other directors on the board.

The law and codes of corporate governance detail the practice parameters of the independent director’s role. Beyond that, it is advisable to avoid accepting appointments where your close friends, golf club “kakis”, or relatives (however distant), are directors or in the company’s management.

It is prudent for a novice director to start with a smaller company to learn the ropes and gain confidence and experience before joining the boards of larger companies.

Unless you can commit the time to do a proper job, do not accept any board position. There has been much discussion on how many directorships an individual can reasonably cope with. This very much depends on the individual's other time commitments.

SOME REASONS TO ACCEPT

If you are a retiree, your particular corporate experience may make you a prime candidate for a particular board. The right fit extends the retiree's meaningful contributions and adds genuine value for the right company. However, it is also important for more "senior" directors to recognise when it may be time for them to step down for effective renewal and succession.

Besides the income from director's fees, a directorship can also provide unexpected and highly engaging forays into new industries and international practices in different countries.

Corporate boards are as diverse as their businesses and their individual members. Accepting directorships on a few boards is one way of benefiting from the varied dynamics and unique characteristics of individual boards and their corporate cultures. It is possible to learn from one board and apply the knowledge to others.

A number of public companies have recently made the headlines with financial difficulties due to fraud, poor management or their inability to cope with economic woes. For someone who seeks a challenge, accepting an appointment to one of these troubled boards and playing an active part in the turn-around process, can be a fulfilling career achievement.

However, it pays to do adequate due diligence on the company and your fellow directors before accepting the attendant risks associated with such an appointment. Troubled companies also always involve

a more significant time commitment. You may want to make sure you are paid extra for the additional work involved.

GETTING STARTED

Unfortunately, many listed companies here (as elsewhere) still largely rely on friends of existing directors, or people in the “inner circle” when choosing directors.

Increasingly, however, companies are using executive search firms and tapping into independent databases such as those set up by SID in the search for suitable candidates. Therefore, passing the word around that you are willing and available helps.

An independent directorship on the right board can be a highly satisfying and enlightening cap to a long and enjoyable career. In fact, it can be a great “second career”. ■