

## Premature to draw busy-director conclusion

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I REFER to the letter "Several factors shape the performance of directors" (BT, Nov 18). This was a reply to my earlier letter, "Are busy directors cutting corners or really supermen in suits?" (BT, Nov 7), which raised some issues with the findings in The Singapore Directorship Report 2014 published by the Singapore Institute of Directors (SID) and Institute of Singapore Chartered Accountants (ISCA), with the comments attributed to Adrian Chan, vice-chairman of SID.

The letter from SID and ISCA compared single-seat directors and directors holding multiple directorships, particularly those holding six or more directorships.

A commentary I wrote four years ago with Terry Ng, based on an analysis of 1,281 directors holding 2,233 independent-director appointments in 679 Singapore Exchange-listed companies ("A well functioning market?", BT, Sept 16, 2010), reported that there is one group of independent directors who serve mainly on boards of family-owned companies, and these directors tend to serve only on a single board. We argued that these single-seat independent directors may be appointed to boards of family-owned companies because they are known to the family and may not be sought after to be directors on other boards. I would not consider single-seat directors as an appropriate benchmark for comparison with busy directors.

Our study also found that there is another group of independent directors who serve mostly on boards of founder-managed companies, and these directors are more likely to hold more than five directorships.

We found that both groups of independent directors - the mostly single-seat ones and the very busy ones - are more likely to serve on boards of companies that are smaller and younger, have poorer governance based on their Governance and Transparency Index (GTI) scores and are non-Straits Times Index companies.

It may be more meaningful to compare directors who hold a few independent directorships and those who hold a large number - for example, those who serve on three to four boards with those who serve on six or more boards or eight or more boards.

However, ultimately, for reasons stated in my previous letter, it is too simplistic to compare board meeting attendance and basic profiles of directors holding different number of directorships, and make inferences about whether busy directors are adequately discharging their responsibilities or are more qualified than less-busy directors.

The reply from SID and ISCA also stated that "further analysis of the 31 individuals who hold six or more board seats indicates that they tend to be individuals who are well-respected in their respective fields, have strong experience as board directors, and are likely able to effectively contribute to the boards that they sit on". It would be useful to explain how these individuals are determined to be "well-respected", have "strong experience as board directors" and "are likely able to contribute effectively".

Have the writers analysed the track record of these directors in the company boards on which they served and assessed their contributions in making the statement about their "strong experience" and "effective contributions"? Or is this based merely on their prior achievements and the fact that they are sought-after by companies, which may not necessarily translate into effective contributions?

I can equally cite numerous examples of companies that have been caught in corporate governance scandals or performed miserably in the last few years, both here and overseas, which have had one or more busy directors on their boards. Often, these directors can be considered "well respected" (at least before their companies imploded) because of their prior achievements in their respective fields.

Based on the methodology used in the study, it is simply premature to conclude that the issue of multiple directorships "doesn't seem to be as major a problem as we perceive". From a practical standpoint, no matter how capable a person is, there must come a point when he is unable to handle more directorships.

Unfortunately, due to the relatively weak enforcement of director duties here and the fact that nominating committees are conflicted in assessing the "commitment, experience and professionalism" of directors as they are made up of some of the same individuals being assessed, the problem of busy directors is unlikely to disappear anytime soon.

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