ENHANCING BOARD EFFECTIVENESS

Speaker:
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CEO, Malaysian Directors Academy (MINDA)
Asia SOE Network Meeting, Seoul 17-18 May 2011
Let’s begin by asking ourselves some key questions…

1. Why train SOE Directors? Business Case…
2. What are their development needs? Content…
3. Who should be trained? Target Groups…
4. When to start? New, Experienced…
5. Where do you send them? Directors Academy…
GLCT PROGRAMME IS A LONG-TERM PROGRAMME OVER 10 YEARS.

2004 Measures
- KPI and PLCs
- Performance contracts
- Board composition reform
- Revamp of Khazanah
- GLC leadership changes

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Targeted outcomes:
- Diagnosis of GLCs conducted
- Determination of Policy Principles
- Initial 2004 Initiatives launched

2005/6 Initiatives implemented
- Full roll-out in place
- Key policies endorsed and executed upon
- Early fruits of sustainable improvements

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Maintain momentum
- Tangible & sustained benefits across GLCs
- Visible benefits to all stakeholders, e.g., customers, vendors, employees, etc.
- Large scale strategic and financial changes made
- Material changes to Boards

Several regional champions
- Most GLCs performing at par with competitors
DEFINITION OF GLC (SOE) IN THE CONTEXT OF GLCT PROGRAMME

• The Programme only covers GLCs held by Federal Level GLICs
• GLCs are companies where
  - GLICs are either the majority or single largest shareholder
  - GLICs have ability to exercise and influence e.g.
    ▪ Appointment of Boards and Senior Management
    ▪ Award of tenders and contracts via Board
    ▪ M&A, divestment, strategy, restructuring and financing, etc.

Source: GLC Transformational Manual, July 2005
MINDA IS THE OUTPUT OF INITIATIVE 2 UNDER THE GLCT PROGRAMME

<table>
<thead>
<tr>
<th>No</th>
<th>Initiatives</th>
<th>Description</th>
<th>Output</th>
<th>Launch Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enhancing Board Effectiveness</td>
<td>To enhance Board effectiveness through revamping Board practices and processes</td>
<td>Green Book</td>
<td>April '06</td>
</tr>
<tr>
<td>2</td>
<td>Strengthening Directors’ Capabilities</td>
<td>To develop a strategy to match Directors to the right Boards and to establish a Directors Academy</td>
<td>Malaysian Directors Academy (MINDA)</td>
<td>December '06</td>
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<tr>
<td>3</td>
<td>Enhancing GLIC Monitoring &amp; Managing Functions</td>
<td>To reinforce the ability of GLICs to monitor and manage individual GLCs.</td>
<td>Brochure on Monitoring and Managing Framework</td>
<td>December '06</td>
</tr>
<tr>
<td>4</td>
<td>Improving Regulatory Environment</td>
<td>To enhance regulatory capabilities at GLCs and create a Regulatory Knowledge network</td>
<td>Programme for Managing Regulatory Environment</td>
<td>September '06</td>
</tr>
<tr>
<td>5</td>
<td>Achieving Value Through Social Responsibility</td>
<td>To guide GLCs to become responsible corporate citizens while creating value for their shareholders and stakeholders</td>
<td>Silver Book</td>
<td>September '06</td>
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<tr>
<td>6</td>
<td>Reviewing and Revamping Procurement Practices</td>
<td>To enhance the effectiveness and efficiency of the procurement processes in GLCs</td>
<td>Red Book</td>
<td>April '06</td>
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<td>7</td>
<td>Optimising Capital Management Practices</td>
<td>To establish guidelines for GLCs to optimise their capital structure</td>
<td>Purple Book</td>
<td>December '06</td>
</tr>
<tr>
<td>8</td>
<td>Strengthening Leadership Development</td>
<td>To improve GLC capabilities in attracting, developing and retaining talent</td>
<td>Orange Book</td>
<td>December '06</td>
</tr>
<tr>
<td>9.1</td>
<td>Intensifying Performance Management Practices</td>
<td>To encourage adoption of performance management best practices at GLCs</td>
<td>Blue Book Version 2</td>
<td>July '05</td>
</tr>
<tr>
<td>9.2</td>
<td>Reporting Headline KPIs and Economic Profit</td>
<td>Guidelines on announcement of headline KPIs and economic profit to promote GLCs accountability and transparency</td>
<td>Guidelines on announcement of Headline KPIs and Economic Profit</td>
<td>March '06</td>
</tr>
<tr>
<td>9.5</td>
<td>Implementing Value Based Performance Management</td>
<td>Programme to help tailor and support performance management efforts at GLCs</td>
<td>Programme on Value-Based Performance Management</td>
<td>December '06</td>
</tr>
<tr>
<td>10</td>
<td>Enhancing Operating Efficiency and Effectiveness</td>
<td>To enhance operational effectiveness and efficiency through the adoption of a Framework for Continuous Improvement</td>
<td>Yellow Book</td>
<td>September '06</td>
</tr>
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Incorporated as a non-profit company limited by guarantee under the Ministry of Finance Incorporated.

Objectives - to address Board performance by equipping Directors of Government-linked Companies (GLCs or SOEs) with world-class knowledge, skills and mindsets required to perform to a consistently high standard.

Strategy - Assisting Boards in focusing on their fundamental roles and responsibilities, such as strategy setting, corporate performance management, CSR etc.
MINDA’S ROLES
VISION
To be a global player in the development of Directors whilst supporting national development objectives.

MISSION
Enhance Board Effectiveness by developing Directors with world-class knowledge, skills and mindset.
**VISION**
To be a global player in Directors development whilst supporting national development objectives

**MISSION**
Improve Board effectiveness by developing Directors with world-class knowledge, skills and mindset

**KEY STRATEGIES: 2008 - 2012**

**2008**
1. Secure RM 3.5 mn annual funding from Capital Market Development Fund (CMDF)
2. Design and conduct customised programmes
3. Deepen one-on-one Chairman/Director engagement
4. Construct Board Enhancement methodology
5. Create partnership with global experts and institutions (IMD, Harvard, Insead etc)
6. Develop local faculty’s capacity and capability.
7. Form alliances with Local Institutions
8. Create lifetime partnership with company secretary, alumni, and stakeholders
9. Further collaboration with new partners e.g. SIDC, ICLIF, Harvard
10. Set up new office and ensure systems and processes are in place
11. Appoint CEO and convene MINDA Board members
12. Establish organisation structure and finalise recruitment of personnel
13. Ensure sustainable cost / value balance on all programmes

**2009**

**2010**

**2012**

**Completed**

**On-going**

**Pending**
BOARDS PLAY A CENTRAL ROLE TO DRIVE PERFORMANCE
For Directors to be a world class director, and fulfill their roles mentioned earlier, they need to have mastery of these 3 DOMAINS. Mindset being the most important of all.
What Each Domain Means...

### KNOWLEDGE – “What a Director knows”
- Understands fiduciary responsibility as a Director
- Understands the fundamental roles and responsibilities of the Board and Directors
- Understands and adheres to the clear boundaries between the Board and management
- Understands key industry trends (e.g. competition), geographies, and functions (e.g. operational, legal, technical) that are most relevant to the company
- Understands Malaysian cultural, social, political and developmental context
- Knows the company well enough at the right level of detail (e.g. where profit is made/lost, how customers buy, how things are manufactured, what are major talent gaps in critical positions)
- Understands shareholder expectations (e.g. dividend expectations, growth forecast) and knows key stakeholders (e.g. suppliers, regulators)

### SKILLS – “What a Director can do”
- Actively and constructively solves problem (e.g. share, challenge and close) with the Board and key management
- Decisively challenges, then supports management
- Possesses business acumen from prior experiences to identify key issues and propose solutions
- Proactively uses networks and manages multiple stakeholders for the benefit of the company

### MINDSET – “What a Director believes”
- Believes that performance of Director is critical (requires performance measures and consequences) and that the position is earned, not an entitlement
- Balances all shareholder and valid stakeholder interests while representing views of GLIC (if nominee)
- Behaves like an owner of the company and feels accountable to the company
- Has the integrity and courage to not act in self-interest and dissent when required
- Willing to invest adequate time and effort and not spread too thin across too many responsibilities
Our approach to developing Directors is a holistic journey:

- Classroom learning
- Research Case Studies
- Peer sharing
- On-the-job Learning and Coaching
Knowing Our Target Audience...

There are different types of Directors and complexities within the Board.

Types of Director and Relationships

- Executive Director
- Non-Executive Director
- Nominee Director
- New Director

Chairman
...with different Levels of Experience and Expertise...

There are also different levels of experience, expertise, knowledge, and skills, each Director brings with them, into the Board
Convergence of Roles as Directors of a GLC...

- A Director’s role is about managing relationships vis-à-vis inter / intra personal communication
- Consists of 3 prong:
  - Within Board
  - Board and Stakeholders
  - Board and Senior Management
MINDA’s Development Programmes…

Premier Programmes
• Building High Performance Directors (BHPD)
• Directors’ Forum
• Chairman’s Forum

Customised Programmes
• Nominee Director Programme
• Company Retreat
• Corporate Directors On-boarding Programme (CDOP)

Awareness & Networking
• Breakfast, Luncheon and Tea Talk.
• Very short, a couple of hours
• By invitation only (No fees charged)
Boards & Senior Leadership must progress from just ‘Conforming’ to also ‘Performing’…

1. Structuring a High Performing Board & Leadership Teams
2. Ensuring effective Board & Management Operations and Interactions
3. Fulfilling their fundamental Roles and Responsibilities
Turnarounds

Transformation transactions

Regional Growth
Terima Kasih

MINDA
MALAYSIAN DIRECTORS ACADEMY