OBSERVE

The Odgers Berndtson Global Magazine_

No. 10
Issue 01 2017

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ALSO INSIDE:
An exclusive interview with **Dr Marijn Dekkers, Chairman of Unilever**

THE BOARDROOM

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It is probably fair to say that boardrooms across the globe have more to contend with right now than at any other moment this century. Brexit and an as yet unknown Trump Presidency are just two of the core issues that will affect the way we all live, act and consume, as we witness a fundamental shift in geopolitics.

Boards need to be savvy in the way they deal with internal and external issues – everything from governance to people management and from globalisation to such apparent mundanities as what furniture to use in the boardroom (not as flippant as you might think).

It seems appropriate then that the boardroom should be the focus of this, our tenth edition of *Observe*.

As always we try and cover as wide a range of topics as possible. We are delighted to include an exclusive interview with Dr Marijn Dekkers, recently installed Chairman at Unilever. His take on everything from the management style of Jack Welch to globalisation and corporate governance provide a fascinating read.

We also cover such diverse fare as boardroom etiquette, the dynamic between a CEO and Chair, inclusion, boardroom scandals, an interview with Ann Sherry – one of Australia's most respected businesswomen – and select five CEOs who we think you should follow closely in 2017.

Our 'Why I Took the Job' slot is an unusual one: Lars Lagerbäck, former manager of the Icelandic and Swedish national football teams. England football fans may want to look away now…

Julie Steiner
Managing Director, Odgers Berndtson, Australia

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Observe
To read any of the great content featured in *Observe* over the past three years, go to odgersberndtson.com and click on the 'Insights' tab

COVER IMAGE: ALAMY

A range of topical, board-related stories from around the globe

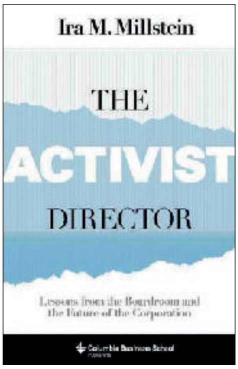
STRATEGY

GOVERNANCE NOW!

According to the Harvard Law School Forum on Corporate Governance and Financial Regulation, "geopolitical developments, innovation and technology are rapidly accelerating change in the global economy and affecting how companies create competitive advantage. Boards should continue to rethink and address their organization's strategy, risk management and whether the required talent is in place to deal with such changes. Boards may need to rethink their own composition and structure to stay fit for purpose. Institutional investors continue to seek more communication and engagement around these important issues. In 2017, the EY Center for Board Matters expects boards to heighten their focus on the following six priorities":

- Overseeing competitive strategy in a world of disruption and convergence
- Seizing opportunity while enhancing risk management
- Navigating the dynamic geopolitical and regulatory environment
- Optimising long-term capital allocation strategies
- Embracing the talent agenda and the workforce of the future
- Strengthening board composition through strategic alignment

corpgov.law.harvard.edu/2016/12/31/2017-board-priorities-report/



BOARDROOM

THE ACTIVIST DIRECTOR: LESSONS FROM THE BOARDROOM AND THE FUTURE OF THE CORPORATION by Ira M. Millstein

In *The Activist Director*, attorney Ira M. Millstein looks back at 50 years of counselling companies, nonprofits, and governments to actively govern their corporations and constituencies. From the threat of bankruptcy and the ConEd blackout of 1970s New York City, to the meltdown of Drexel Burnham Lambert in the late 1980s, to the turnaround of General Motors in the mid-1990s, Millstein takes readers into the boardrooms of several of the greatest catastrophes and success stories of America's best-known corporations.

Published by Columbia Business School Publishing, Hardcover $27.95/£23.95/€27.87

> "There is nothing like a concrete life plan to weigh you down. Because if you always have one eye on some future goal, you stop paying attention to the job at hand, miss opportunities that might arise, and stay fixedly on one path, even when a better, newer course might have opened up."
>
> Indra Nooyi, CEO of PepsiCo

INTERNET

MAYER CULPA?


SHUTTERSTOCK/REX

At the time of going to press, Marissa Mayer was scheduled to resign from Yahoo's board of directors once its deal with Verizon is complete, a move that could mark the beginning of the end of a difficult run for one of the youngest female leaders in Silicon Valley. According to mashable.com "there is some doubt, however, about whether that deal will go through due to a sizable Yahoo hack announced last month. Verizon has claimed that it was not aware of the security breach of Yahoo's users before it agreed to pay $4.8 billion for the company's main web and advertising operations. Mayer, hired in July 2012, was given a difficult task – turning one of the biggest but also oldest tech companies around. Yahoo's main business of operating websites and selling display ads remained significant but in a definite decline as users moved to smartphones and companies like Google and Facebook became dominant."

mashable.com

ALAMY

ALAMY

> "In real life, strategy is actually very straightforward. You pick a general direction and implement like hell."
>
> Jack Welch, GE

TECHNOLOGY

TECH SAVVY

If you want to be a tech savvy CEO in 2017 then technologyreview.com has helpfully provided a list of what it considers to be the must-have accessories. Here are some of its choices:

Apple iPhone8 Watch for a swap from liquid-crystal display (LCD) for one made of organic light-emitting diodes (OLEDs) that will wrap around the gadget's edges. OLED displays are thinner, lighter and more flexible than LCDs.

HTC Vive 2 VR headset A year ago, HTC's move from making smartphones to focusing on virtual-reality technology seemed risky, but its Vive VR system has gained a solid following since its April 2016 release. For its follow-up device, HTC is expected to cut the cable that currently tethers the headset to its user's PC.

Android Wear 2.0 smart watches Last year wasn't a banner year for smart watches. But 2017 will bring new watches based on Android Wear 2.0, an updated version of Google's Android operating system. Because it will let users download and run apps on their watches via Bluetooth, cellular connection, or Wi-Fi, without relying on tethered connections from their smartphones, iPhone owners could use Android Wear devices. Android Wear 2.0 will be publicly released in early to mid-2017.

Microsoft Surface phone CEO Satya Nadella has said Microsoft is working on the "ultimate mobile device". What might that be? Its Surface series of laptops, PCs, and tablets is missing a phone, but one is expected to launch in 2017. Watch this space...

> "Leadership is about making others better as a result of your presence and making sure that impact lasts in your absence. You want to make the company better, and leave it that way for your successor. That should be the goal of any executive."
>
> Sheryl Sandberg, Facebook COO

BUSINESS

EVAN ALMIGHTY

Evan Spiegel, 26, is the youngest self-made billionaire in the world, according to *Forbes*.

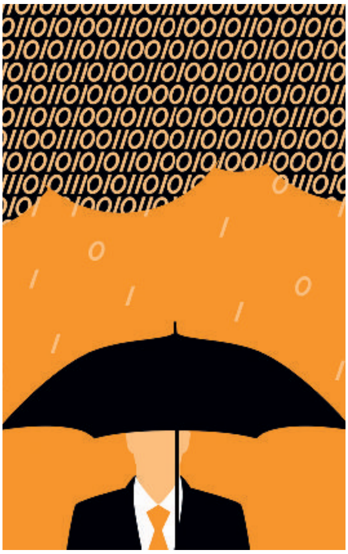
His company, Snap Inc., is preparing for one of the most eagerly awaited IPOs of 2017 at a valuation of about $20 billion. The Snapchat app is the go-to social media platform for teens around the world and Snap's recently released Spectacles glasses are one of the most sought-after gadgets.

SHUTTERSTOCK/REX

INDUSTRY

TATA'S NEW MAN

Natarajan Chandra is one of the youngest CEOs of the Tata Group. In January 2017 he was selected to become the next chairman of Tata Sons — months after an acrimonious stand-off with its outgoing chairman Cyrus Mistry. He took up the role in February 2017. Reporting on the announcement, the BBC wrote: "His strong leadership skills and a proven track record were big factors that helped him during the selection process. The fact that he is a Tata veteran, an 'insider' who understands the dynamics and complexities of the group, also gave him an edge over other candidates in the race." →



ALAMY

SOCIAL

SOCIAL MEDIA AND THE C-SUITE

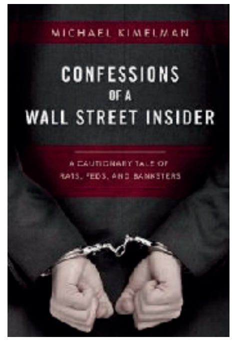
It's a rarity, says medium.com, to find someone who's not on Facebook these days — unless that someone happens to be a Fortune 500 CEO. A full 61 per cent still have no social media presence, according to a report from CEO.com. But 2016 marked a kind of changing of the tides. Facebook launched a new 'business influencer' programme attracting the likes of Hewlett Packard Enterprise CEO Meg Whitman and T-Mobile CEO John Legere to its ranks, along with hundreds of other A-list execs. Meanwhile, LinkedIn's executive blogging programme now showcases more than 500 elite business authorities, from Bill Gates to Arianna Huffington, as well as countless managers and leaders who share professional advice and insights. To stay connected to customers, employees and partners, even top business leaders will be making time for social media in 2017.

> "You have to think anyway, so why not think big."
>
> President Donald J. Trump

> "Hire the person best suited to the job, not the most talented. This can be a very painful lesson. There's no point putting in a Boeing jet engine when you need to run a tractor."
>
> Jack Ma, Alibaba

TRADING

CONFESSIONS OF A WALL STREET INSIDER: A CAUTIONARY TALE OF RATS, FEDS, AND BANKSTERS by Michael Kimelman



Although he was a suburban husband and father, living a far different life than the 'Wolf of Wall Street,' Michael Kimelman had a good run as the cofounder of a hedge fund. He had left a cushy, yet suffocating, job at a law firm to try his hand at the high-risk life of a proprietary trader — and he did pretty well for himself. But it all came crashing down on November 5, 2009, when the Feds came to his door — almost taking the door off its hinges. While his wife and children were sequestered to a bedroom, Kimelman was marched off in embarrassment in view of his neighbours and TV crews who had been alerted in advance. The lion's share of *Confessions of a Wall Street Insider* was written while Kimelman was an inmate at Lewisburg Penitentiary. In nearly two years behind bars, he reflected on his experiences before incarceration. A salutary tale.

Published by Skyhorse Publishing, hardback $24.99/£20.36/€25.21

See our feature on boardroom scandals, pp48-50

EXECUTIVE PAY

GOOD DAY AT BLACKROCK?

According to the *Guardian* newspaper, "BlackRock is demanding cuts to director pension entitlements and an end to huge pay rises as UK companies prepare to put their latest pay deals to shareholders. In a letter to the bosses of more than 300 UK companies, the US fund manager said it would only approve salary rises for top executives if firms increase workers' wages by a similar amount. The company's head of investment stewardship in Europe, Amra Balic, said that a failure to meet the standards outlined by the fund manager would call into question the quality of the board: "Executive pay should be strongly linked to performance, by which we mean strong and sustainable returns over the long term, as opposed to short-term hikes in share prices," she said.

> "Innovation distinguishes between a leader and a follower."
>
> Steve Jobs, Apple

ALAMY

The Flying Dutchman

In a wide-ranging discussion, Dr Marijn Dekkers, recently appointed Chair at Unilever, talks to VIRGINIA BOTTOMLEY about boards, globalisation, diversity, Jack Welch and much more…

Virginia Bottomley: Dr Dekkers, you are Chairman of one of the most prestigious global businesses, contacting the majority of households worldwide. What do you see as the real challenges that lie ahead?

Dr Marijn Dekkers: Well, Unilever is a wonderful company reaching two billion people around the world every day with their products, an amazing range of influence on making people's lives better. I think the challenge is to continue to innovate and continue to be very meaningful to consumers. And from a competitive point of view to stay current in the context of industry trends; such as the trends for more local products, for either more premium or more affordable products, for more 'natural' products, or for new business models based on digitisation… the landscape keeps changing and you have to continue to adjust by having an innovative portfolio and by exploring alternative ways to reach consumers. So that's what we spend a lot of time on at board level from a strategy point of view.

VB: Do you think that the surprising electoral results of last year – Brexit in the UK and Trump in the US – is going to be a threat to global business?

MD: I think it is obvious there will be more protectionism in the world. It had already started before these two events. It has also to do with the fact that not everybody believes that they came out winning from globalisation. I remember in my time in the US, globalisation was the key word and we would close factories in upstate New York and open factories in Mexico and in China. That was terrific for the companies and shareholders but not always for the people who lost their jobs as a result of it. I think that erosion over the last 15, 20, 25 years has perhaps gone unnoticed to a lot of people in politics and in corporations and we are now paying the price for that to some extent.

VB: In those and other elections there was a suspicion of global business which must be hard when you're the chairman of Unilever which is almost the poster child for corporate social responsibility and global development values.

MD: My general belief is that many corporations can do a better job on social responsibility than they are doing currently. I have just started at Unilever but that is a part of Unilever that I admire very much. Yes, it is of course about shareholder value but not just that, it is also about the value for the other stakeholders through the Unilever Sustainable Living Plan. I think there is an opportunity for more corporations to think and act that way, and it will help the reputation and credibility of large corporations which is indeed something that is under some pressure at the moment.

VB: There has been a growing focus on boards – board culture, board →

ALL PHOTOS: NICK DAWE

behaviour, appointments. Do you feel that it's with the board - with the Chair - that the integrity and values of the business lie?
MD: Yes, with the board of course, and also with management. I also think it differs from country to country. I spent the past seven years as CEO of Bayer in Germany and there the balance of the stakeholders is very strongly developed. I mean it's almost frowned upon to use the words 'shareholder value' in Germany. Whereas in the US shareholder value was all that mattered, particularly in the 1990s. There is much more of a balance of stakeholders in Germany.
VB: Across Europe there have been changes in board composition, structure and purpose. We have the Higgs report in the UK, Tabaksblat in the Netherlands which has just been revised and so on. Essentially there is common ground about the separation of the Chief Executive and the Chair. Yet in the US, which we all think of as the heart of capitalism, board structures are very different with the combined CEO/Chair role in most cases and very large boards. How do you understand the difference and the relative benefits?
MD: I like the system here in the UK where the CEO and Chairman roles are split, and the Chairman is independent. I think that is the more balanced and responsible way to do governance. The CEO runs the company and should not also be the Chairman of the group of people that oversees him or her. In the US it is indeed often the case that Chairman and CEO roles are combined, but I must say that it feels unnatural to me. I didn't have it in the US company I worked for as CEO, Thermo Fisher Scientific, where I had three different Chairmen in 10 years.
I have read that currently about 50 per cent of the S&P500 companies have a separate Chairman and that half of those Chairmen are independent.
VB: I'm told that with new appointments they're appointing either independent Chairmen or enhancing the authority of the lead independents.
MD: I do not think lead independent is a real and well-defined role. If you want a Lead Independent Director to play a meaningful role, make him or her Chairman, particularly if otherwise the job of CEO and Chairman is still combined in the same person.
VB: For you, who has been an extraordinarily successful CEO - very powerful, driving performance - to re-invent yourself as a Non-Executive/Independent Chair, has this been difficult or is this part of your personality, the scientist in you?!
MD: I stopped being CEO by my own choice. So for me being CEO is not something that I continued to want to do but for whatever reason didn't have the chance to do, and therefore the next best thing was to become Chairman. That's not how it should work. I think it's very important for a good Chairman to have nothing to prove anymore. Which gives you a tremendous peacefulness inside, to say 'I'm here to be helpful but I'm not here to make a name for myself' and that will also help the CEO who might say 'OK, this person is useful and there is a governance aspect to it but there is not a competition'.

> It's almost frowned upon in Germany to use the words 'shareholder value'

VB: And what's the right relationship between the Chair and CEO do you think?
MD: Transparency and openness – and usually people who know how to get along. We talk a lot about governance structures, but of course the structure is only a part of it, more important is that you have the right people in the roles. The right people will demonstrate the right behaviour and work in the appropriate way; it's true for board members and it's true in life.
VB: I believe you say that the Chair needs enough time for reflection, for tranquility, →

> I am a global citizen, the 'Flying Dutchman' as they call me...

for thought. Quite a lot of CEOs will pay lip service to that but it's hard to understand how it works in practice. So how do you find space to reflect and re-establish your bearings?
MD: I think it's what I've always done in my life. I have looked at a lot of people I admire or admired pieces of what they did, maybe not everything but certain pieces, almost like benchmarking certain capabilities of certain people and then trying to combine that into something that would work for me. What also helped me a lot is that I am a global citizen, the 'Flying Dutchman' as they sometimes call me, and what is interesting is that it helps you reflect on why things are the way they are, particularly when you see them being different in different countries and cultures.
VB: What has changed, I imagine, during your corporate career is that whilst there was a time when boards were very much full of people from the same background – people who knew each other – increasingly, boards are like an orchestra of different people with different backgrounds.
MD: Yes, definitely. I think in the US what really gave everybody a wake-up call was the excesses we saw with companies like Enron and Tyco where at the beginning of the last decade we needed to take a hard look at how things could go so wrong. I think it made everyone much more aware that boards have a role to be truly independent and watch what is really going on in the company.
VB: Where did you learn your leadership style? You started with GE, the great Jack Welch with his '4 Es' of leadership and so on. Did that experience shape your personality and leadership style? **MD:** I think to a large extent, yes. I thought that 90 per cent of what GE was under Welch was fantastic, and 10 per cent I hated.
VB: What was the 10 per cent?
MD: The disproportionate obsession with short-term shareholder value. Really, when you promise your shareholders 'double-digit earnings growth every year' you are admired for that but you then put so much pressure on the organisation. That simply doesn't come naturally every year and the more and longer that went on, the stronger you felt the pressure in the short term. I don't care what people say, but the long term will suffer as a result of it. If you have a wonderful child that's multitalented and you constantly say 'I want you to get an A for every test', well you need to give the child space to get a B once in a while, and that was a situation we did not have.
VB: And the 90 per cent?
MD: Incredible people development. I mean off the scale. I've never seen it anywhere else like that. And an enormous sense of being big and utilising it as an advantage. So, mask the disadvantages of being big by really leveraging size, by moving talent around, expanding an enormous global reach, cross

DR MARIJN DEKKERS' CV

- Before becoming Chairman of Unilever in 2016, Dekkers was CEO of Bayer AG in Germany (2010-2016) and CEO of Thermo Fisher Scientific Inc. in the USA (2002-2009).
- Having received a degree in chemistry from Radboud University in Nijmegen, the Netherlands, and a PhD in chemical engineering from the University of Eindhoven, Dekkers began his career in 1985 as a Research Scientist at General Electric in the US, gaining experience in various units of the company before joining AlliedSignal (subsequently Honeywell International) in 1995.
- In 2000, he became CEO at Boston-based Thermo Electron Corporation, a world leader in the manufacture of laboratory instruments (later renamed Thermo Fisher Scientific Inc.). In 2002 he became this company's President and CEO.
- In 2010 Dekkers joined Bayer AG in Leverkusen, Germany, as CEO until his retirement in 2016. Bayer is a Life Sciences company active in the areas of human, animal and plant health.
- Dekkers also serves on the Board of Directors of General Electric. He holds both US and Dutch citizenship.

fertilising R&D between different businesses, investing in bigger bets for instance by going very strongly into services or by doing a big acquisition, all things you can only do when you really use the critical mass that you have. I thought Welch a superstar in leveraging the size of GE.

I am now an independent director at GE and I think GE continues to be very good at that. I do see a lot of large companies that have size but don't really know how to leverage it and then it becomes more of a disadvantage. Big is less nimble and it tends to be expensive, so it has disadvantages to it as well.

VB: Jack Welch said "my main job is developing talent, I am a gardener providing water and nourishment to our top 750 people, of course I had to pull out a few weeds as well".

MD: And he did and it was amazing. I was lucky enough to benefit from that early in my career. However, the story about 'I fire 10 per cent every year' is absolutely untrue. Welch is quoted on that a lot because he liked to have that reputation but it definitely didn't happen, I can guarantee you that. It would not have made sense either.

VB: What are the key leadership values you look for in yourself and others?

MD: I actually only have one criterion when I interview people for jobs: would I want to work for this person myself? And if it's yes, then...

VB: And the people you like to work for?

MD: Very open-minded, intelligent, coaching type of individuals. I have always needed a very long leash, I have nothing against having the leash but it needed to be long and I didn't want it to be jerked every day. I will do my own motivation myself, thank you very much. So I was OK with living in a situation where there was a certain level of control but I didn't want to feel the leash tightly around my neck every day. My good bosses understood that about me and the few bad ones I had, it didn't work out! ■

Virginia Bottomley chairs the Board Practice at Odgers Berndtson, UK and sits on the global board

Performance matters

Observe's Career Coach, ERIC BEAUDAN looks at how boards can – and should – evaluate CEO performance

All board members know that their most important job is to hire and fire the CEO. Yet what comes in between – evaluating and measuring the CEO's performance – is where the real challenging work lies. Here's a quick how-to guide and reasons why boards should pay attention.

Why evaluation matters

I'm surprised by how many board members ask me whether they should even assess their CEO's performance, and by how many CEOs report that they have never received any formal evaluation. The three arguments I hear most often are that:

1. CEOs don't need or expect to be evaluated; all that matters is overall results.

2. Board members don't have enough information to properly evaluate the CEO's performance, especially on the softer side.

3. Evaluating the CEO's performance may damage or unnecessarily complicate the CEO-board relationship.

Assessing CEO performance offers a unique opportunity for the board to set the stage for a healthy relationship with the CEO. It helps ensure that important feedback about the CEO's leadership is provided in a structured and constructive manner, rather than through inconclusive conversations. For CEOs, formal evaluations help shape the board's expectations and ensure they get recognised (and paid) for what they deliver.

Optimising the evaluation process

Instead of focusing on why it can't happen, try to set clear objectives for the CEO's evaluation, such as:

1. Capture quantitative and qualitative feedback and evidence.

2. Provide a springboard for reflection, action and development.

3. Enhance the trust and communication between the board and the CEO.

4. Be simple to implement.

The simplest way for the board to frame the evaluation process is to ask the CEO two questions at the beginning of the year:

1. Where do you expect to spend your time over the next 12 months?

2. How will you measure your success and impact?

The second task is to create success metrics for each objective – which are different from overall organisation goals – and provide ongoing feedback to the CEO. After each quarter, the board should dedicate an hour to the CEO to discuss:

- What objectives have you accomplished?
- Where did you fall short?
- What did you learn?
- What will you focus on?
- How can we help?

At year-end, the board should collect deeper feedback from the management team and key internal/external stakeholders to close the loop on the CEO's performance. A customised 360 survey can be quite effective to gauge the CEO's performance and surface any disconnects between the CEO and the senior team.

A formal year-end evaluation should meet these requirements:

- Each board member contributes independent thoughts on the CEO's performance and leadership behaviour.
- A Board Committee reviews feedback and prepares a CEO Evaluation report.
- The board Chair reviews the feedback with the CEO.
- The CEO prepares a Development Plan and commits to specific goals for the year.

Bottom line

As boards feel increased pressure to improve governance, forging a robust CEO evaluation is often a low hanging fruit. Not only does the board benefit from a clear evaluation process, but CEOs themselves often breathe a sigh of relief once they experience the value of structured feedback and learn how to negotiate performance goals that help translate their leadership into tangible results. ■

HOW TO FRAME THE CEO'S EVALUATION

Try using these five dimensions of CEO performance when developing your CEO's annual objectives or evaluation:

- **Strategic Agenda:** Where the organisation is going, competitive drivers, and key strategies/technologies the CEO plans to champion.
- **Execution Agenda:** How will the CEO set priorities and monitor implementation, using systems such as a balanced scorecard.
- **Financial Agenda:** How the CEO will drive investment/capital decisions and deliver value for shareholders or investors.
- **Talent Agenda:** How the CEO will position the organisation to win the war for talent, and shape the values and culture required to win.
- **Stakeholder Agenda:** How the CEO will manage relations with key stakeholders – including the board, customers, employees and the senior management team.

Eric Beaudan is the Global Head of Odgers Berndtson's Leadership Practice. He is the author of *Creative Execution: What Great Leaders Do to Unleash Bold Thinking and Innovation,* published by Wiley in 2012. He can be reached at: **eric.beaudan@odgersberndtson.com**

ALAMY

NOT SO

1

NYKREDIT HEADQUARTERS, COPENHAGEN, DENMARK

Boardrooms are no strangers to the box within an open-plan box concept, but the headquarters of Nykredit, one of Denmark's leading mortgage banks, takes this concept to new, and gently vertiginous three-dimensional extremes.

The 10-storey glass structure beside the harbour is one of Copenhagen's largest office buildings and features a dramatic atrium flooded with natural light, from the third and fifth floors of which are cantilevered three glazed meeting rooms.

BORING BOARDROOMS

Long mahogany tables may still exist but some enlightened companies are taking a radical look at the physical appearance of their boardroom. ANTHONY FFRENCH-CONSTANT selects some of the more interesting examples

Ever increasing numbers of board meetings are moving from the boardroom to the internet, enabling members to meet even when they're scattered to the four corners of the globe. However, according to a recent study, the majority of business executives believe that face-to-face meetings are still a crucial part of building more meaningful and profitable relationships.

Despite this, it seems that only recently have companies woken up to the notion that a boardroom need not be boring; indeed, that to be conducive to creative thinking it should be anything but…

Where once peering through the glass top of a Norman Foster Nomos table at parts of your colleagues traditionally, and often mercifully, hidden from view was considered somewhat daring boardroom behaviour, many companies have finally taken on board the idea that if the purpose of a meeting is to generate new ideas, then the environment in which this is supposed to happen should, perhaps, actively encourage such creativity.

Given the staple requirements of an adequately lit enclosure housing a sufficiently large table and the requisite number of chairs, it's easy to see how the basic banality of so much ubiquitous boardroom design has bludgeoned its way into so many offices over the years.

Here, though, and without even mentioning the likes of Pixar and Google, we celebrate five companies who have, by dint of rethinking either furniture or environment, dared to be different by adding a whiff of delight to the impending drudge of the next meeting. →

SCHMIDT HAMMER LASSEN ARCHITECTS

ÅKE E:SON LINDMAN

3

BAHNHOF AB – PIONEN WHITE MOUNTAIN OFFICES, STOCKHOLM, SWEDEN

Not every boardroom could withstand a hit from a hydrogen bomb. But, for the high-security data centre of one of Sweden's largest ISPs, located under 30 metres of solid granite beneath Stockholm's Vita Berg Park, the offices' former function as a nuclear shelter pretty much guarantees it.

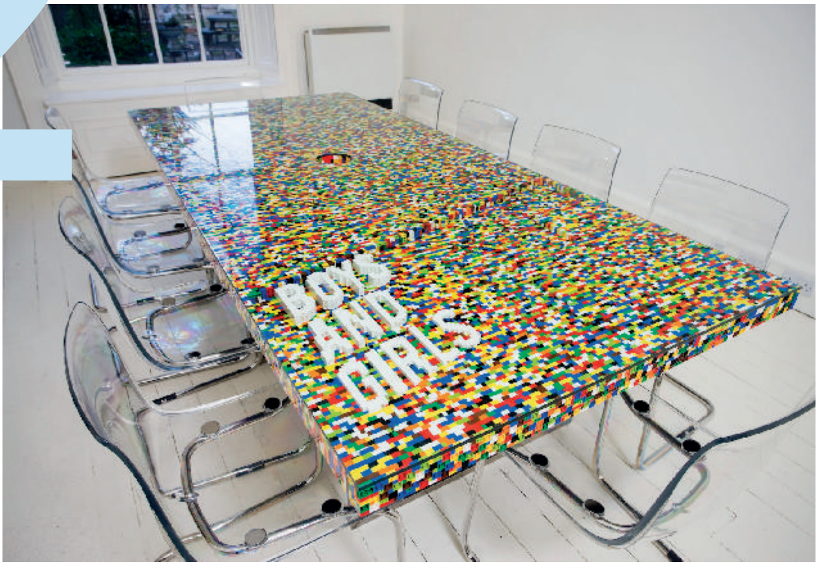
Sealed off from the world by entrance doors 40cm thick, and boasting simulated daylight, greenhouses, waterfalls and German submarine engines, all this underground lair lacks is the requisite super-villain.

2

BOYS AND GIRLS ADVERTISING AGENCY, DUBLIN, IRELAND

The protected nature of Dublin's Georgian heritage is a double-edged sword for a company like Boys and Girls; you get the gravitas and the postal address but you're effectively not allowed to do more than polish the brasses without planning permission.

"Our brief was succinct – playful but not juvenile," recalled abgc Architects. "And our proposal included a boardroom table consisting of 22,742 pieces of Lego clicked together with no glue, in a random pattern, under a glass surface."



SEANANDYVETTE.COM

4

SAATCHI & SAATCHI, BANGKOK, THAILAND

A playful spontaneous atmosphere, that some would refer to as anything else but a work place, was exactly the approach taken by Saachi & Saachi's creative director. 'I wanted a space that inspires, is genuinely fun to come to every day, and that didn't take itself too seriously,' he said.

In a relatively tight 400 square metre office space and with an economical budget, the design leaves much of the space open, accented by strong visual elements, such as a bicycle made for 18.

WISON TUNGTHUNYA

5

CHAMBERS OF COMMERCE AND INDUSTRY OF SLOVENIA, LJUBLJANA, SLOVENIA

The Panoramic Garden of CCIS is the outcome of the transformation of a large summer banquet terrace and current VIP boardroom into a lush indoor garden space with dramatic swooping garden beds and plants throughout.

Behind a glazed structure inspired by the cross-section of a plant leaf, a sinuous ribbon of tropical greenery partitions the space into several areas that may be used according to the type of event and the number of participants.

ZARE MODLIC

THE TRICKY BUSINESS OF BOARDROOM ETIQUETTE

BELINDA HUDSON provides some essential advice to ensure your board is operating at maximum effectiveness

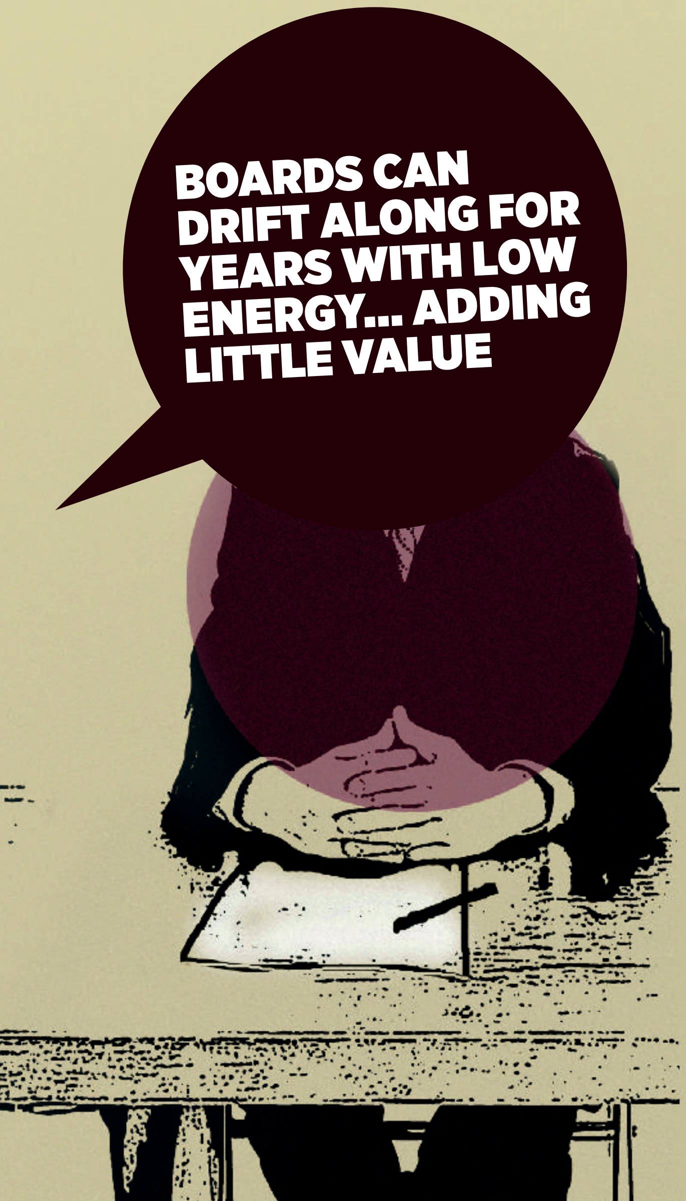
ALAMY/IKON IMAGES/GARY WATERS

We're all just human after all. And when it comes to a 'good board' acting as more than just a watchdog, the way directors behave matters. A board should add value by guiding executives, contributing to strategy development, providing alternative views and questioning assumptions and received wisdom. How far that happens depends critically on boardroom behaviours.

As the style of board life has changed, we mainly see well-behaved, conscientious and self-aware boards. But, from time to time, we still see defensive and irritable executives facing off hectoring and superior non-executive (NEDs) or independent directors. Discussions can be bland and boring – and at worst become tetchy and tense. Being on a board should provide an enjoyable and rewarding experience for directors – but, while not frequently, still too often corporate boards are ineffective and just no fun at all. So how do you get it right?

Be polite but not too polite. There →

needs to be mutual trust and respect. This means listening, giving others a chance to speak, building on a discussion and putting questions with tact. At the same time, it is all right to disagree. A good debate needs diverse views and people should be encouraged to put forward alternative opinions. Boards can easily get too cosy and lack a good degree of healthy tension. Constructive challenge needs to be well-framed, principled and proportionate to come across as a supportive effort towards joint goals, rather than the pursuit of a personal agenda.



Be open with one another. Again, this can only happen when there is mutual trust and support. Executives need to share their thinking and let the board glimpse the stumbles and unexpected outcomes, as well as their successes. To foster openness, the NEDs or independent directors have to respond to bad news in the right way, not looking for guilty parties (whilst still trying to get to the root cause and right response), and not lecturing the executives on what they 'should have done.'

Get to know people. What goes on outside the boardroom sets up the dynamics for the meetings. By spending informal time together over dinner or on visits to different parts of the business, the group is likely to gel better. Offline conversations help iron out differences and prepare the ground. An experienced NED told me he always likes to call up the CEO ahead of the meeting to give him a heads-up on the questions he's planning to ask. "We're not there to catch them out."

Nip bad behaviour in the bud. Boards can drift along for years with low energy, going through the motions and adding little value. An experienced and effective Chairman will seek to ensure that the discussion is positive, constructive and balanced with good contribution from those that have something useful to say and steer the debate to a satisfactory consensus. This may involve reining in those who go off at a tangent, cutting short overlong statements and policing interruptions and parallel conversations. His or her own behaviour sets the standard and goes a long way to creating a positive collegiate atmosphere in the boardroom. Giving regular feedback to individual directors seems an obvious thing to do, but many captains of industry fail to do this or do it months after the behaviour has manifested itself.

Get the right people round the table. There needs to be a mix of viewpoints coming together to create constructive tension without it becoming disruptive unpleasantness. Selection needs to be handled carefully with a clear brief on what the profile is of the new recruit – not just in terms of their skill sets and experience, but also their personality traits. Paradoxically, this doesn't mean always looking for a perfect fit – sometimes you need a director who is a bit disruptive to liven things up and avoid 'groupthink'.

Make the change. It's not easy to shake the tree – especially when bad habits have taken root. An external board effectiveness review should provide a good forum for looking thoroughly into behaviour. It should encompass the many tangible aspects that impact dynamics – is the Chairman sitting in a place where he can't see the body language of half the directors? Is everyone even clear on the role of the board and what the purpose of the discussion is? Is energy low because some directors are jet lagged or the air-conditioning doesn't work? Often the simple steps are the most effective.

A good sense of humour helps too! ■

Belinda Hudson works for Independent Audit, a specialist corporate governance consultancy. She is a recognised expert in board and committee reviews
independentaudit.com

LEADING FROM THE FRONT

Ann Sherry AO* has had a diverse career in business and public service and is currently Executive Chairman of Carnival Australia, the largest cruise ship operator in Australasia. Here she talks to JULIE STEINER, Managing Director of Odgers Berndtson Australia →

*In the Australian honours system AO or the Order of Australia confers the second highest recognition for outstanding achievement and service.

Julie Steiner: What do you consider to be the critical issues affecting board development in Australasia, with particular reference to board dynamics and structure?
Ann Sherry: In general terms, the relationship between a Chair, CEO and Independent Directors, can make for great performing businesses. Independent Directors and a Chair need to bring to the table a sense of inquiry based on their broader experience outside a particular business. They need to offer insight that helps a CEO ask the right questions inside a business, to really add value to what comes from executives inside businesses. Boards that don't really add any value and just become extra workload and ticking boxes don't serve a good purpose. Ultimately boards need to add clear value whether it is a view on the long term thinking, bringing a shareholder perspective or just asking the right questions of the CEO and executives at the right time to make sure you're getting the best outcome, the best business strategy and the best thought processes applied to the complex issues involved in running businesses day to day. At the same time they should not lose sight of the long term for the sake of looking good in the short term.

For Chairs and Directors in particular, this involves reading the external environment on issues such as making sure there is diversity on boards. There are now also regulatory expectations in that area so if you're not picking that shift in the external environment, you are clearly not staying in touch with contemporary issues that you need to and, similarly, I think the impact of technology on businesses is in many sectors completely reshaping the competitive landscape. When it comes to getting revenue into businesses, directors have an obligation to stay abreast of what is happening in the external market again so they can bring that to their questioning of business strategy and awareness.
JS: What are the key infrastructure issues facing the Australian economy?
AS: Government has traditionally been the major player in the pathway to infrastructure development in Australasia but increasingly government needs private sector support, thinking and cash to undertake major infrastructure projects. There are challenges in that because cultures inside government are often highly risk averse, not very commercial and often not really on top of the way to negotiate a great outcome where the structure is a public-private partnership or even to outsource to the private sector.

There is a bit of a skills mismatch which is a challenge at the moment and we are seeing it in government either from the over-pricing of assets for sale, under-pricing projects they are looking to do or over 'specing' projects and, as a result, blowing out budgets.
JS: What is your view on the rate of change in technology and the changes occurring in consumer behaviour?

> "The impact of technology on business is reshaping the competitive landscape"


Julie Steiner

Ann Sherry with P&O Cruises Australia President Sture Myrmell

AS: The world of the consumer is moving very fast and there are many businesses that have been successful over a long period of time that are now struggling either because they've been disintermediated by technology, or because patterns of consumer behaviour have fundamentally changed. Having run consumer businesses for such a long time I know that unless you are watching what is happening in the external market, unless you've got your finger on the consumer pulse, it is very easy to believe that your existing strategy will serve you long term, only to find yourself in a declining business rather than a growing business.

That is quite challenging for long established businesses, closed businesses, and for businesses that say they are customer focused but in fact don't talk to their customers enough or don't have ways of listening to their customers.

Technology has opened up both opportunity and threat because it makes it that much easier for your customers to talk to you but also it means there are competitors in every sector seeking to get in between you and your customer. They are also looking for weak links in businesses. The classic example is Uber and traditional taxis. Uber saw an opportunity in a highly regulated industry where customers weren't happy, the service was old fashioned and the quality of the service had reduced over time. Suddenly, you have got a different mechanism with more motivated drivers, reliability, visibility, so that the whole Uber promise touches all the weak links of the taxi industry in various parts of the world. This is one of those areas where you have to be constantly on the lookout for the service failures in your own business and the opportunities that others might be seeing.

JS: What is your view on the status of diversity in Australian boardrooms?

AS: Diversity in Australian boardrooms is happening too slowly but there is some momentum at the moment. This is partly because some companies have moved much faster than others and as the world turns quite quickly there is a lot of positive focus on companies that have much better gender diversity than others. These companies have stopped talking about 20 per cent or 30 per cent; they have gone straight to 50 per cent. They are now thinking not just about gender diversity but about ethnic and other areas to reflect Australia of the 21st century and beyond rather than Australia of the 1950s. →

There is no lack of talent among women but you can't have merit-based procedures if everyone looks the same. Too often people have adopted the language without changing the culture. Companies need to get under the cultures that shut women out. There are three things that still stand in the way. People don't give up power easily. Secondly, board members look for people they already know. So, the 'clubiness' on boards is real. Board members tend to look to people that they've worked with either in an executive role, or on another board, and you can end up with the same group of people going round and round.

Finally, there has really been no requirement to choose diversity. ASX guidelines on diversity have shown that change can be achieved. No amount of government policy or general conversation about diversity created change. It needed a regulator to say that it has to be done and if you don't do it we're going to name and shame. The guidelines now have every board talking about their succession plan and where they need to go to find new directors. At least there is now a conversation about diversity on boards.

> I figured I needed to put my money where my mouth was... and be part of change

JS: You have worked both in the public and private sectors, in trades unions and big businesses. What significant things have you learned from that diverse history?

AS: Working across such a range of activities means you learn a lot, although there are lots of common things with all my boards, about customer, P&L and good business practices. You learn how businesses in different sectors work and the thinking that drives them.

I had previously been critical of the private sector from where I sat in →

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government. So, when I was offered the chance to get into the system and try to change it, I figured I needed to put my money where my mouth was. There are very few opportunities to come into organisations at a senior level and be part of driving a change programme. So that was incredibly appealing. I learnt that even well-established institutions can change, and the culture change that you bring to an organisation is what makes them relevant.

I have grabbed opportunities when they came my way and I have taken more risks than most people. With that comes the opportunity to take learnings from sector to sector. In fact, I probably have a higher tolerance for risk than most people and I've learnt that taking a risk does pay dividends. At every point, whether moving geographically or from the public sector, the financial sector to the cruise industry, people have asked, 'why would you do that? If you stay here the prize is yours'. The question is whether you want to try something different and grow from a personal and career perspective as a result.

Embracing change enables you to learn whole new sectors and you find the issues that are similar that you can build on and you find the things that are different to which you can bring fresh eyes and approaches. As an individual you learn so it gives you stretch because it is both stimulating and interesting.

When I worked for a trade union I spent most of my time cleaning up after poor decisions made by executives in businesses where we had members. I discovered a lot about the result of poor decision making. I learned a lot, particularly that if you don't treat people fairly or, if you are capricious or dishonest in the way you lead, there are consequences inside your organisation.

That is what gave the trade union I worked for many new members and plenty of work. The key learning was that the more you invest in being better at leading well, speaking honestly and carrying people with you in your organisation, the better your business will be and the less likely your people will feel they have to go somewhere else for help. ■

ANN SHERRY CV

Ann Sherry AO is currently Executive Chairman of Carnival Australia, the largest cruise ship operator in Australasia and a division of Carnival Corporation & Plc. Carnival is the world's largest cruise ship business. She joined in 2007 as CEO and has transformed the industry and growth has been double digit each year since 2007.

Prior to this, Sherry was with Westpac for 12 years and was CEO, Westpac Banking Corporation, New Zealand and also CEO, Bank of Melbourne. She was a driver of cultural change, community engagement and customer focus in commercial and retail banking.

Before joining Westpac, Sherry was First Assistant Secretary of the Office of the Status of Women in Canberra, advising the Prime Minister on policies and programmes to improve the status of women and was Australia's representative to the United Nations forums on human rights and women's rights.

In addition to her executive role, Sherry holds a number of non-executive roles including Sydney Airport, ING Direct (Australia), The Palladium Group, Australian Rugby Union and Cape York Partnerships.

In 2015, Sherry was named as the overall winner of the Australian Financial Review and Westpac 100 Women of Influence Award.

Fit for purpose

In 2011 Starbucks famously appointed a millennial (a 29-year-old social media strategist) to its board, a move that would have been unheard of a decade or so before. With the world changing at a startling pace, true diversity at corporate board level has never been more essential. It is critical that boards take a deep look at what a high-performing, agile board will look like in 2017 and beyond. So what are the key questions that both corporates and search firms should ask when assembling a board capable of building a sustainable, 'healthy' organisation into the future?

What does an agile and high performing board look like?

An agile, high performing board is a diverse mix of people who are committed to making sure the organisation is perfectly poised to achieve great things. But this board also has a firm grasp on what is realistic and possible for the company. This board is rigorous and hard-working but also visionary. It comprises people with different personality types, backgrounds, cultures, genders, races and even geographies.

Do we need a millennial on the board?

There is no simple answer to this question. Millennials are the largest generation the world has ever seen, they are the biggest consumer force and they see the world quite differently to Generations X, Y or the baby boomers. In my view, a millennial is an excellent inclusion on a board, but they need to get there on merit just as much as older board members do. Many millennials have a strong entrepreneurial bent and are drawn to ventures which are outside of the corporate space. They may well not fit in a traditional corporate board with its structure and rigour. On the other hand a millennial who has shown deep commitment to an organisation and who has proved their mettle would make an excellent addition to a board. So the goal would be not to make a panic appointment of a millennial because you feel this is the right thing to do. Millennials must be appointed purely on merit.

How important are 'rock star' board members?

There is a strong trend in the South African market especially, for certain successful business

ALAMY

people to become ‘celebrity’ board members, sitting on numerous boards and raising the profile of that board. The thinking is that their reputation will bring credibility and experience to the company. The issue here is that giving one corporate board the deep attention it needs is time consuming – deeply examining the board pack before meetings, keeping a proper eye over competitors and macro circumstances that impact the industry, getting to know other board members so you work as a team all take time. Doing this is virtually impossible if you sit on numerous boards. In cases like these, it is important to weigh up how much value a person’s reputation and experience can deliver to the board if they are not engaged deeply in that company.

How can you make a geographically diverse board work?
I am a firm believer in having board members from different regions sitting on a board. They bring a diversity of experience and insight which is just not possible if all members are from the same region. So a South African mining company (for example) could certainly consider appointing an expert from Russia’s mining industry to the board. But to make this work, I believe that some ‘board bonding’ before an official board meeting is highly advantageous. A couple of days’ team building will allow the members to approach the meeting from a perspective of feeling like a well united team that can make the best decisions on behalf of the company.

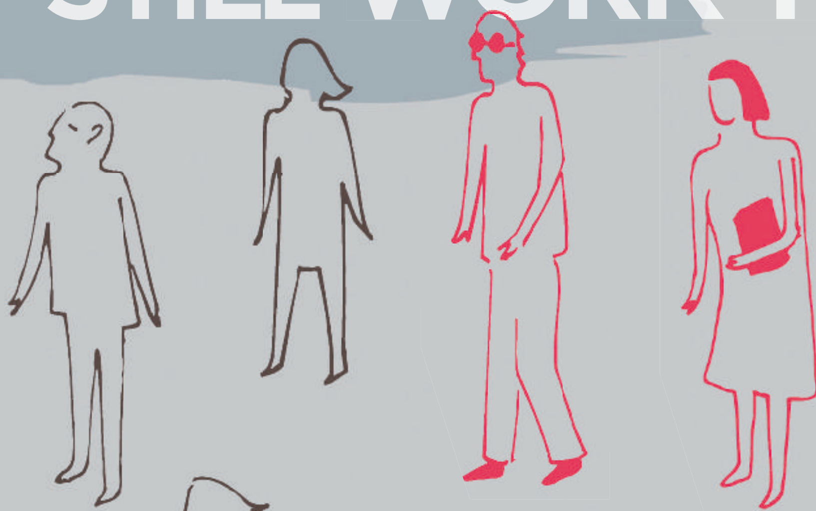
Who is best placed to recruit board members?
An executive search firm brings a far more balanced, strategic approach to recruiting a board. If the corporate or board does the recruiting themselves they may hire people who are in their inner circle or who have the same experience as them. In cases like these the issue is that they end up with a board consisting of, for instance, 12 introverted IT specialists. They may lack the ability to see things from the new, fresh perspective necessary to build a sustainable organisation into the future. A search firm deeply understands the industry and business. And it understands exactly how a diverse range of personality types, backgrounds, genders, cultures and races can combine to create a magical blend of views, ideas and innovations that allow a business to do great things. And that really is the goal of all boards. ■

LEON AYO, CEO of Odgers Berndtson Sub-Saharan Africa, cites the top questions that should be asked when assembling a board capable of building a sustainable, ‘healthy’ organisation into the future


INCL

Creating environments where individuals are valued for their talents, beliefs, backgrounds and ways of living is a boardroom imperative. Here the Odgers Berndtson Global Inclusion and Diversity Council looks at the global trends

USION: STILL WORK TO DO



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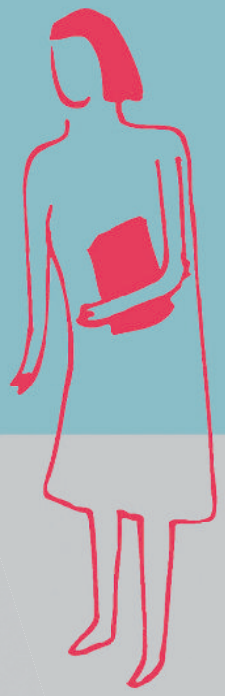
In many countries the diversity and gender debate have become synonymous – and there are good reasons. According to Credit Suisse's Gender 3000: Women in Senior Management report companies with more women on their boards generate more than 26 per cent increased return on equity, while an MSCI survey (which looked at more than 6,500 global boards) found that male-heavy boards carry a higher risk for investors and are more likely to be hit by scandals.

However, genuine inclusion has a broader impact than any one aspect of the current diversity debate. If led by the board and the CEO, inclusion should deliver greater customer orientation, diminished groupthink, increased colleague satisfaction, genuine brand value and improved decision making. Statistics readily demonstrate improved diversity and companies quite rightly trumpet their successes.

But creating a culture of inclusion – where even the least dominant individual feels they have a voice and management at all levels own the issue – is a more subtle achievement, one that requires a sustained environment of openness, support and bravery.

Boards are facing the 'trust gap' as colleagues are reluctant to self-identify around some of the more invisible aspects of the 'I&D' discussion – such as mental health. This is a critical discussion for boards to address and yet it is often put in the 'too difficult' box.

Nevertheless, organisations such as Barclays Bank Plc in the UK are enabling individuals to start the discussion. Their 'This is Me' storytelling campaign shows people talking openly and freely →



about disability and mental health. These issues don't define the people or prevent them from doing a great job with the right support – they are just an intrinsic element of them, for part or all of their lives.

It takes global organisations like this to be torch bearers for inclusion, derived directly from core business objectives. GlaxoSmithKline, for example, is committed to providing an inclusive and diverse workplace at all levels in the organisation across the world. To ensure best practice they are currently reviewing their approach to talent acquisition – which includes assessing the ability of its executive search partners to deliver truly diverse talent.

As boards look to the future of their organisations – from millennial graduate applicants to board directors – inclusive cultures which bond customer, colleague and societal aspirations together will be at the heart of future success.

UK

The recent findings of the Parker Review into the Ethnic Diversity of UK boards revealed that out of 1,087 director positions in the FTSE 100, *only* eight per cent of positions are held by directors of colour, of which 1.5 per cent are UK citizens, despite the fact that 14 per cent of the total UK population is from a non-white ethnic group (up from 2 per cent in 1971). Seven companies account for more than one-third of directors of colour in the FTSE 100, whilst 53 of the FTSE 100 do not have any directors of colour at all.

Furthermore, five years on from the Davies Report on women's representation on UK boards, it was found that numbers had more than doubled. The Report stated: "There are more women on FTSE 350 boards than ever before, with representation of women more than doubling since 2011 – now at 26.1 per cent on FTSE 100 boards and 19.6 per cent on FTSE 250 boards. We have also seen a dramatic reduction in the number of all-male boards. There were 152 in 2011. Today there are no all-male boards in the FTSE 100 and only 15 in the FTSE 250."

Melanie Richards, Vice Chairman of KPMG in the UK, and one of the authors of the Report's 2015 update, said: "There can be no doubt that Britain's boards have undergone a significant shift over the last five years and the FTSE 100 is to be congratulated for boosting the number of women in its boardrooms to more than 25 percent, with the FTSE 250 having made great progress too. This achievement is just the first step in an important journey and there remains substantial work to be done. We must continue our focus on gender and look at the true diversity of those leading our businesses. In order to remain relevant to our clients and communities, we need leaders who come from a wide range of backgrounds, each bringing different skills and views to the table, creating boardrooms that truly mirror our society. Without these different outlooks and diversity of skills and experiences, our businesses will simply not thrive in this fast paced changing competitive world. Inclusion is a pivotally important item on our agenda at KPMG and gender is a critical focus of our strategy. We are delighted to be supporters of the Davies Review and will continue to champion their work to redress the gender balance in

> Inclusion is a pivotally important item on our agenda at KPMG

Britain's boardrooms."

But what of wider inclusion? Antonio Simões CEO at HSBC should be applauded for increasing the visibility of LGBT issues at HSBC. He works with its Pride networks and chairs the UK Diversity & Inclusion (D&I) Committee. Lord John Browne dubbed him "a poster child for diversity" in his book *The Glass Closet*. Claudia Brind-Woody Vice-President and Managing Director, global intellectual property licensing at IBM is one of the most senior out executives at the company and co-chairs its Global LGBT Executive Taskforce, taking the lead in revolutionising training on LGBT visibility and rights. She serves on LGBT boards and is an active speaker at LGBT events worldwide.

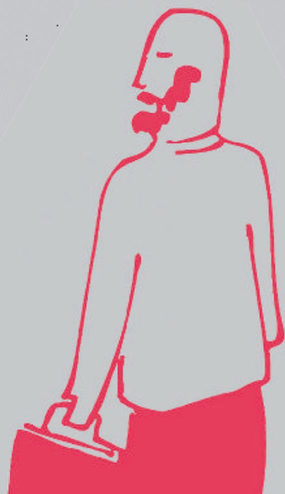
There is plenty of other evidence to suggest shifts in attitude in the UK. Out Now Consulting's LGBT2030 survey points to the fact that within the UK economy, $1bn per annum could be saved in attrition costs by creating/driving a more inclusive approach for LGBT colleagues. While McKinsey's Diversity Matters report states that ethnically diverse boards are 35 per cent more likely to outperform their peers.

Canada

Canadian Prime Minister Justin Trudeau has promoted gender parity in his cabinet and the corporate inclusion debate is building through initiatives like the Ontario Securities Commission "comply or explain" policy.

Meanwhile last November Ryerson University in Toronto announced a $500,000 gift from TD to expand the reach and programming of its DiverseCity onboard, an internationally recognised programme of governance training and board-matching to strengthen diversity on the boards of Canadian not-for-profit and public sector organisations.

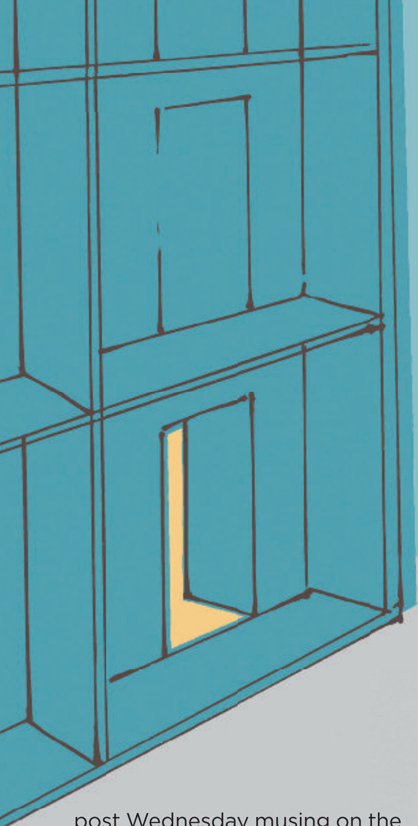
Ryerson's board-matching programme aims to expand its reach to include all women and the LGBTQ+ communities. The programme has formed new relationships with the Aboriginal/Indigenous community to increase their inclusion on governance boards, a representation that decreased from 1.3 per cent in 2015 to 0.6 per cent in 2016, according to the Canadian Board Diversity Council (CBDC). The CBDC reports that overall, visible minority representation on boards declined from 7.3 per cent in 2015 to 4.5 per cent in 2016. The programme will expand to persons with disabilities in 2017.



USA

Shortly after the US election result, Bloomberg.com observed: "Chief executive officers at some of the largest U.S. companies, from General Electric Co. to Apple Inc., are reassuring employees they support workplace diversity as a salve to anxieties caused by the bruising presidential election.

"Jeffrey Immelt affirmed GE's commitment to 'people of all races, genders and sexual orientations' in an internal blog →



> Gender inequity in pay and employment remain a feature of Australian society

post Wednesday musing on the election. That echoed Apple CEO Tim Cook's message to workers that the tech giant welcomes everyone, 'regardless of what they look like, where they come from, how they worship or who they love'. Oscar Munoz of United Continental Holdings Inc. said in a message to employees that they represent 'every creed and conviction, background and belief'."

But what of other crucial factors such as age? Silicon Valley has a reputation for ageism, with companies coveting younger employees. However, elsewhere in the US, a growing number of organisations – the National Institutes of Health, Stanley Consultants, and Michelin North America, among many others – are embracing a seasoned workforce and have programmes designed to attract and keep workers past 50.

Companies with internship programmes for older workers now include PwC, Regeneron, Harvard Business School, MetLife and McKinsey. Many companies are also courting highly qualified workers who dropped out of the workforce to raise families; Goldman Sachs, Morgan Stanley, Deloitte and Accenture all have programmes aimed at attracting re-entry mid-career workers.

South Africa

The Diversity and Inclusion (D&I) agenda in South Africa has largely focused on what is referred to as 'Transformation'. This has been enshrined into law through the "Broad Based Black Economic Empowerment" (BBBEE) legislation.

BBBEE was introduced to South Africa in an attempt to correct racial injustices that were fermented during and after the apartheid years. However, now that there is a fast growing and thriving black middle class, the D&I agenda has broadened and is much more cognisant of the other strands of diversity. South Africa does embrace gender diversity and women are well represented in the boardroom. With a young population there is often a mandatory retirement age of 60 years which seems may fit healthy 'baby boomers' reluctantly leaving the work force. Given the improvement of healthcare and life expectancy, older workers have increased capacity and indeed economic need to remain in the work force as long as possible.

The LGBT group in South Africa is increasingly at the forefront of the D&I agenda and is perhaps the most controversial area and certainly where the least progress has been made. Often, traditional African cultures (across all race groups) are reluctant to embrace this with many young LGBT individuals being socially ostracised.

Australia and Singapore

The public discourse in both public and private sector organisations is still heavily weighted to gender and there is still a great deal of work to be done. Gender inequity in pay and employment remain a feature of Australian society and can impair labour productivity. Lower female labour force participation rates continue to be a major issue, resulting in less than optimum use of women's skills.

Leading with inclusion rather than diversity is a subtle but powerful shift in how boards are beginning to think in the region.

In Singapore, this is still very much 'work in progress', with a slow climb. At the end of June 2016, women held 9.7 per cent of directorships on listed companies in Singapore, up from 9.5 per cent in 2015, 8.8 per cent in 2014, 8.3 per cent in 2013 and 8 per cent by the end of 2012. ■

SCHOOLS FOR SCANDAL

DAVID CRAIK drains the swamp to find some rather unpleasant boardroom scandals. They might be familiar but they still remain salutary lessons for us all

S – Dick Fuld (Lehman Brothers)
C – Hisao Tanaka (Toshiba)
A – Patricia Dunn (HP)
N – Fausto Tonna (Parmalat)
D – Mike Milken (Drexel)
A – Andrew Fastow (Enron)
L – Asil Nadir (Polly Peck)

The company boardroom is synonymous with images of grandeur from polished mahogany tables, to cut glass tumblers and men, yes mostly men, sitting in front of a vista of skyscrapers and towers.

The board has a serious role worthy of the setting. It monitors company performance, makes strategic decisions and sets targets, manages risk, ensures regulatory compliance and manages stakeholder communications.

Mostly it does this work smoothly and competently but, as in other areas of life, it is also prone to moments of scandal which wrecks careers and companies.

LEHMAN BROTHERS

One of the biggest profile disasters was the bankruptcy of US investment bank Lehman Brothers in 2008. Its bankruptcy filing, with $639 billion of assets and $619 billion of debt, was the largest ever recorded and greatly exacerbated the then nascent global financial crisis by rocking equity markets in the US, Europe and Asia.

Lehman's demise was triggered by its involvement in the subprime mortgage market which floundered as part of the collapse of the US housing market in 2007. Lehman, founded in 1850, had acquired a number of subprime lenders in the early years of the millennium whose basic business model was to offer mortgages to people with low credit ratings.

When the number of defaults on subprime mortgages began to soar Lehman's executive team told investors that they would have little effect on earnings and that the risks, both to it and the US economy, were well contained.

Indeed, despite the worsening credit crisis and the continuing slump in the housing market, Lehman continued to underwrite more mortgage backed securities.

Eventually, in June 2008, it reported a second quarter loss of $2.8 billion. It said it had cut its exposure to residential and commercial mortgages but it was too late. Its creditors cut credit lines and hedge fund clients began to pull out.

Attempts to seal a takeover deal failed and in September it declared bankruptcy with the loss of around 27,000 jobs.

The profit and growth culture of the company was believed to have been a key culprit in its demise. Chief Executive Dick Fuld and the board were accused of failing to take into account the full risks of subprime lending, preferring to rake in millions of dollars of salary, bonuses and options during the housing market bubble.

Chairman of the House of Congress's oversight committee Henry Waxman said after the collapse: "You made all this money taking risks with other people's money".

Fuld defended himself stoutly. "It was all about team. My people were in it together. Regardless of what you heard of Lehman Brothers' risk management, I had 27,000 risk managers, because they all owned a piece of the firm."

DREXEL BURNHAM LAMBERT

A similar disconnect between medium and long-term risk and profit chasing had come two decades before, in 1990, with the bankruptcy of investment firm Drexel Burnham Lambert. At the end of 1988 the group was performing well with $1.4 billion of capital and 50% of junk bond underwriting. However, within a year its market share had plummeted and it was losing tens of millions of dollars a month.

The culture of the group was a belief that they could, according to a *Fortune* magazine piece at the time, "leverage themselves and their clients to the hilt without preparing for the day debt would go out of fashion". One former officer told *Fortune*: "You see, we thought we were invulnerable".

CEO Frederick Joseph and the board of directors were not hot on employee supervision meaning that staff such as head of high-yield bonds Mike Milken were accountable to no-one.

This partly led to Milken, who was said to sit in the middle of an X-shaped desk in California, trying to milk the system and ended in him being indicted for racketeering and securities fraud in 1989.

A former colleague said at the time that the West Coast office was run as "structurally antisocial entrepreneurship bordering on anarchy".

Even after this blow the group still failed to implement adequate management control and a series of warnings from staff that a liquidity crisis was set to damage the firm were ignored.

TOSHIBA

A similar disconnection between board, management and employees was uncovered at Japanese conglomerate Toshiba last year. Chief executive Hisao Tanaka fell on his sword after he admitted knowledge of the company inflating profits by £780 million dating back to 2008.

"I see this as the most →

SHUTTERSTOCK/ALAMY/PRESS ASSOCIATION

damaging event for our brand in the company's 140-year history. I don't think these problems can be overcome overnight," he said after bowing in apology at a press conference.

His predecessors, vice chair Norio Sasaki and adviser Atsutoshi Nishida also stepped down.

An independent panel looking into the issue said there existed a corporate culture at Toshiba where it was impossible to go against the boss' will". It described a systematic involvement including by top management and a deliberate attempt to inflate the appearance of net profit.

Toshiba was under pressure following the global financial crisis and 2011's giant earthquake which led to the Fukushima nuclear power plant disaster.

NOBODY QUESTIONED THE BOARDS OF THE SCANDAL HIT COMPANIES

But Koichi Uedo, head of the panel, said there were no excuses. "A company representing Japan to be doing something like this institutionally was shocking," he said.

ENRON

Accountancy plays a big role in boardroom scandals. One of the most infamous is that of US energy firm Enron. A Wall Street darling in the 1990s it became bankrupt in 2002 after it began to use mark-to-market accounting to cover up and write off huge financial losses at its trading business and other operations. It also hid large amounts of debt and toxic assets. Investigations into Enron's practices soon followed which resulted in the company having to restate earnings back to 1997.

Executives were charged with felonies such as insider trading and securities fraud. The scandal decimated $74 billion of shareholder funds and led to thousands of job losses. Its auditor Arthur Andersen also had to close its doors.

HEWLETT PACKARD

Another US scandal which sounds straight from the pages of a John Grisham novel was the Hewlett Packard spying affair of 2006. The computer group, under the direction of chair Patricia Dunn, hired private investigators to find the source of a boardroom leak. Board members, employees and journalists were trailed by detectives who raked through bins and used a technique called pre-texting where they impersonated individuals to obtain phone records.

Dunn claimed she did not know the methods the detectives were using but later that year HP said she had resigned because her presence on the board was creating a "distraction".

Chief Executive Mark Hurd said the motives behind the investigation were appropriate though the techniques used were "very disturbing". He vowed to transform the board into one "shareholders can be proud of".

For any company, not just HP, to be able to deliver this the genesis of dozens of other debacles over the decades must be fully understood.

POLLY PECK

Who remembers Polly Peck International and its owner Asil Nadir who stole around £29m from his companies and its shareholders in the early 1990s? Nadir was so powerful he could move money around the group without approval from any other director. It landed in his bank account to spend on property, golf, prize cattle and sheep.

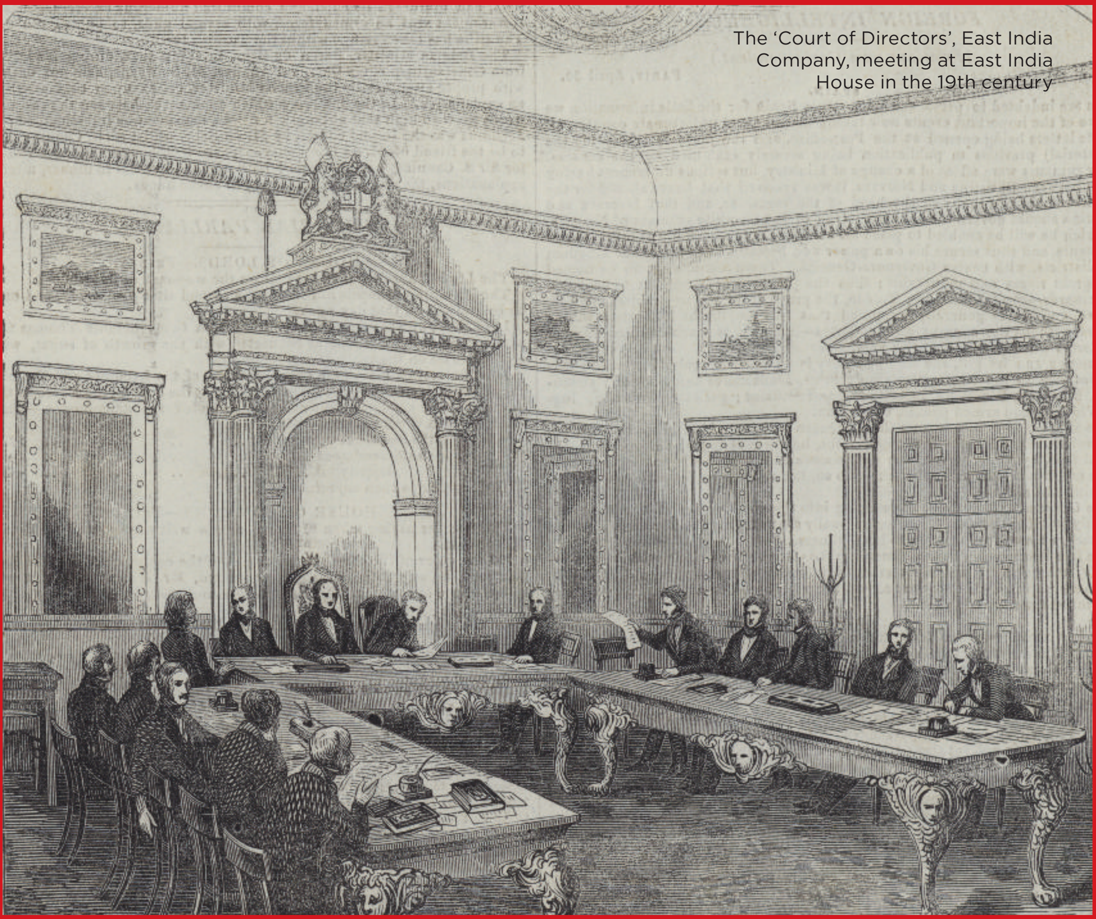
PARMALAT

What of Italian food group Parmalat whose directors concealed a $14 billion black hole in its finances in the early 2000s through a series of accounting techniques? Chief Financial Officer Fausto Tonna chillingly telling reporters before going to court: "I wish you and your families a slow and painful death".

IS THERE A CENTRAL THEME?

There is undoubted arrogance involved. The feeling, perhaps gained through the insularity of the board, that anything they do is permissible. They have the power and believe they have the authority, nous and intelligence to use it. Why play by normal rules? For that to fester it means a breakdown in communications with the rest of the business and external stakeholders. Nobody questioned the boards of the scandal hit companies because either there was a culture of not doing so or there were no mechanisms to do so.

As companies become more global the task of managing different cultures and expectations becomes more difficult. But boards need to keep applying checks and balances both on their companies and themselves to ensure that investors, stakeholders and the public can believe in the maxim that big business can do good. ■



The 'Court of Directors', East India Company, meeting at East India House in the 19th century

HISTORY OF THE BOARDROOM

People have been gathering together for centuries to delegate authority and ensure the workings of society from growing food to education, health and defending land is carried out efficiently and effectively. As businesses for profit began to evolve they too developed a need for a group of 'elders' or leaders to hire workers, set direction and oversee performance.

The structure of the boardroom has however evolved differently country by country.

According to Franklin Gevurtz from the McGeorge School of Law large European businesses, such as England's East India Company and the Dutch East India Company, had boards of directors in place from the early 17th century. These, differing in membership size from the mid-teens to 60, were made up of merchants who had the power to set strategy, manage performance and annually elect a new 'governor'.

As European colonisation grew so did the concept of the board. The London Company, which founded the Virginia colony in today's US had a governing board. The Bank of the United States, according to Gevurtz, "illustrated the tendency of former colonies to copy board governance from European institutions" with its 25-person board modelled on the Bank of England's structure.

In contrast in the 16th and 17th centuries Japan had a system of 'merchant houses' which sold commodities such as rice and wood and were involved in money lending. They did not have a board. Ultimate authority was instead in the hands of the head of the house to "whom all employees and house members owed a duty of total obedience".

In the mid-19th century however Japan, which to that point had been an isolated feudal society, began to look westwards for new ideas on everything from armoury to technology and institutions. The concept of a joint-stock company which raised money by selling stakes to investors proved particularly interesting. In time this led to the adoption of the board of directors as a governing institution.

Other major historical boardroom developments include the creation of the 'dual board' system in Germany in the 19th century. This comprises a Management board which covers everyday management issues and a Supervisory board looking at long-term decision making and strategy. Other countries with this structure include Finland and the Netherlands.

7 DEADLY SINS

KIT BINGHAM lists the seven characteristics that can make any NED or Independent Director a boardroom liability...

1 THE CHATTERBOX

The non-executive in love with the sound of their own voice, who absorbs more than their share of airtime, sucks the oxygen out of the boardroom and is rarely heeded by colleagues.

2 THE MUTE

As flawed as the director who speaks too much is the director who says nothing. Directors are invited to join a board because of the contribution they can make. But even the sharpest strategic insight or operational nous can't add value if it remains buttoned up inside. So speak up. (Just not too much).

3 THE STUCK RECORD

Nothing frustrates board colleagues more than an Independent Director who has never escaped their executive career. Comments along the lines of 'in my day' or 'well, the way we always did it at my last company' prompt muffled groans around the board table.

4 THE GRANDSTANDER

A board operates on the basis that executive and non-executive members work collectively to set strategic direction and solve problems. But there's a breed of non-executive which doesn't want to belong to a team, but just wants to show how clever they are. These directors do not enjoy long and successful portfolio careers.

5 THE LAZYBONES

It is immediately obvious to board directors which of their colleagues has read, digested and thought about the board papers. And which have skimmed them on the way to the meeting. Don't be the latter.

6 THE NO-SHOW

"Actually, would it be okay if I joined the June board meeting by phone?" No, it really wouldn't. Don't take the job if you can't make the meetings. Woody Allen once said that "80 per cent of life is showing up". For independent directors, make that 100 per cent.

7 THE FAIR WEATHER FRIEND

At times of crisis, good boards pull together. Bad boards fall apart because individual directors are more concerned with the consequences for them and their reputation. Great directors put the business first. Bad ones think about themselves. ■

Kit Bingham is Partner and Head, Chair and Non-Executive Director Practice at Odgers Berndtson, UK

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When reality dawns

ELAINE BOLTZ says boards should be actively improving their knowledge of – and recognising the potential for – augmented and virtual reality

The next 'it' technology is on the horizon and the usual hype has begun. Augmented reality (AR), the layering of digital information on a real environment, and virtual reality (VR), an immersive and interactive digital simulation of a 3D or 4D environment, took significant leaps forward in 2016. Facebook's Oculus Rift, HTC Vive, Samsung Gear VR, Sony Playstation VR, and Microsoft Holovision are all competing for commercial sales in VR. And of course, Pokémon Go, with over 100 million downloads and a frenzy of obsessed players made augmented reality a global entertainment phenomenon.

But while the gaming industry seems to be in the first wave of change, other businesses shouldn't be ignoring the potential in virtual experiences. Like we experienced with the PC, the internet and the mobile revolutions, the long process of determining the business and social implications of yet another new technology has begun.

LEAR AT THE FOREFRONT

The implications of AR/VR on business will eventually foster fundamental shifts in how we interact and do business. Last year, Lear Corporation signalled their view of AR/VR's importance by adding Mary Lou Jepsen, the head of Facebook's virtual reality unit, to their board of directors. As business leaders and board members, we need to bring what we've learned about the importance of disruptive technology, innovation and adaptability to how we address the new world of AR/VR. Given the pace of change, it makes sense to begin that process now.

It's fun to dream up the far-reaching potential of a world where AR/VR technology is omnipresent. If we can experience powerful social interaction in virtual worlds, will the number of bars, coffee shops and restaurants decline dramatically? If we can more easily and effectively collaborate virtually, will commercial real estate, business travel and commuter transportation demand drop significantly? Will future travel consist of a virtual vacation that 'takes' us to a location without airline hassles or the need for hotel beds? And will we need so many outfits and accessories if avatars take over social interactions or will virtual clothing become more important than what's actually hanging in our closets?

This is a fun Silicon Valley parlour game, but we shouldn't let this speculation dismiss the impact AR/VR could have across business in the next few years. A number of businesses are already using AR/VR to unlock value in very pragmatic ways and we are starting to see some smart adoption that hints at this technology's future potential:

• Earlier and more accurate prototyping: Ford vehicle designers sit in car models generated through virtual reality to identify issues and problems early in the design process. Architects and construction firms are doing the same. UK retailer Tesco even used →

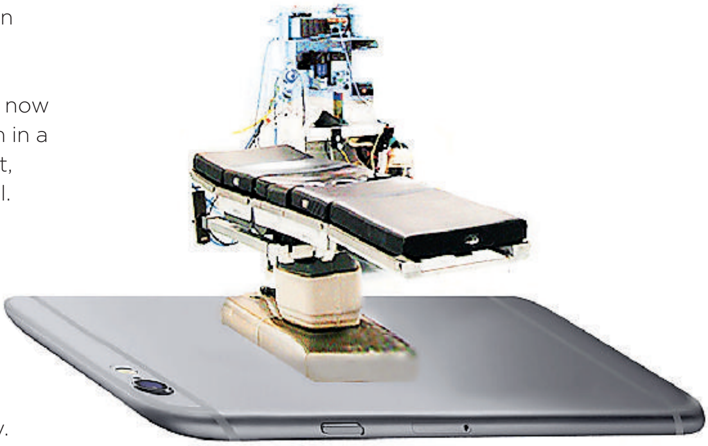
ILLUSTRATIONS: MATTHEW RICHARDSON

VR in consumer research to redesign and improve store layout.

• Training, especially in high-stakes situations: Surgeons-in-training can now wear a VR headset that places them in a surgical setting with a virtual patient, 'feeling' the resistance of the scalpel. Sports teams are working with VR developers to enable players to repetitively practise team strategies and tactics without as much physical toll and lower chances of injury. Mental health researchers are looking at VR for phobia patients in exposure therapy.

• Easier, real-time access to rich information: The Q-Warrior Helmet by BAE systems uses AR to provide soldiers with "heads-up, eyes-wide, finger-on-the-trigger" situational awareness and transmit detailed instant positional information. Software developers are in final testing of 'visual picking' systems that tie into warehouse management systems to improve workers' accuracy in distribution centres. Medical practitioners can use AR to locate the right vein for injections or superimpose surgical planning data onto organs and update those plans during an operation as situations change.

• Increasing access and capacity: The National Basketball Association (NBA) broadcast its first live VR game in 2016, testing the potential to eventually offer more 'seats' to sold-out events or to international fans. YouTube introduced its Live 360 video streaming and spatial audio by offering viewers virtual attendance at Coachella [an annual music and arts festival held in Indio, California].



> So, how do we as business leaders and board members address this virtual world?

• Provide richer selling experiences: GE provides demonstrations of its subsea oil technology with a virtual submarine experience to allow potential customers and engineers to see its products in action. In retail, consumers can virtually design kitchens or see furniture in their own home, while apparel retailers are testing virtual fitting rooms, superimposing outfits and sizing data on customers' images in "magic mirrors".

These examples hint at the potential, but experts agree we are still in AR/VR's infancy. We don't yet have many of the prequel items for widespread adoption: platform consolidation, an accepted interaction language (think of Windows for PCs or touch-screens for smartphones), cost

reductions, and creation of must-have 'killer apps'. And there is still the issue that using AR/VR makes some users nauseous.

BE PREPARED...

It is far too early to accurately assess where this technology is taking us. The impact and pace of change will likely be different across demographic segments, geographies, industries and use cases. However, if we've learned anything from decades of disruptive digital technology breakthroughs, we shouldn't dismiss these changes outright. By now, we've seen too many industry leaders toppled by unforeseen threats and business models to ignore the potential of a new technology. At the same time, we've also seen tremendous value wasted by chasing bright shiny objects that don't have meaningful impact.

So, how do we as business leaders and board members address this burgeoning virtual world? A first step is to ask the right questions and inventory our organisation's capabilities to deal with more technological change. Here are some key questions every board should be asking:

• How could the combination of a virtual world and the physical one impact our current competitive advantages or create new ones? Can AR/VR be leveraged in regards to major cost centres or customer segments and what use cases (training, selling, prototyping, etc.) could be the most meaningful?

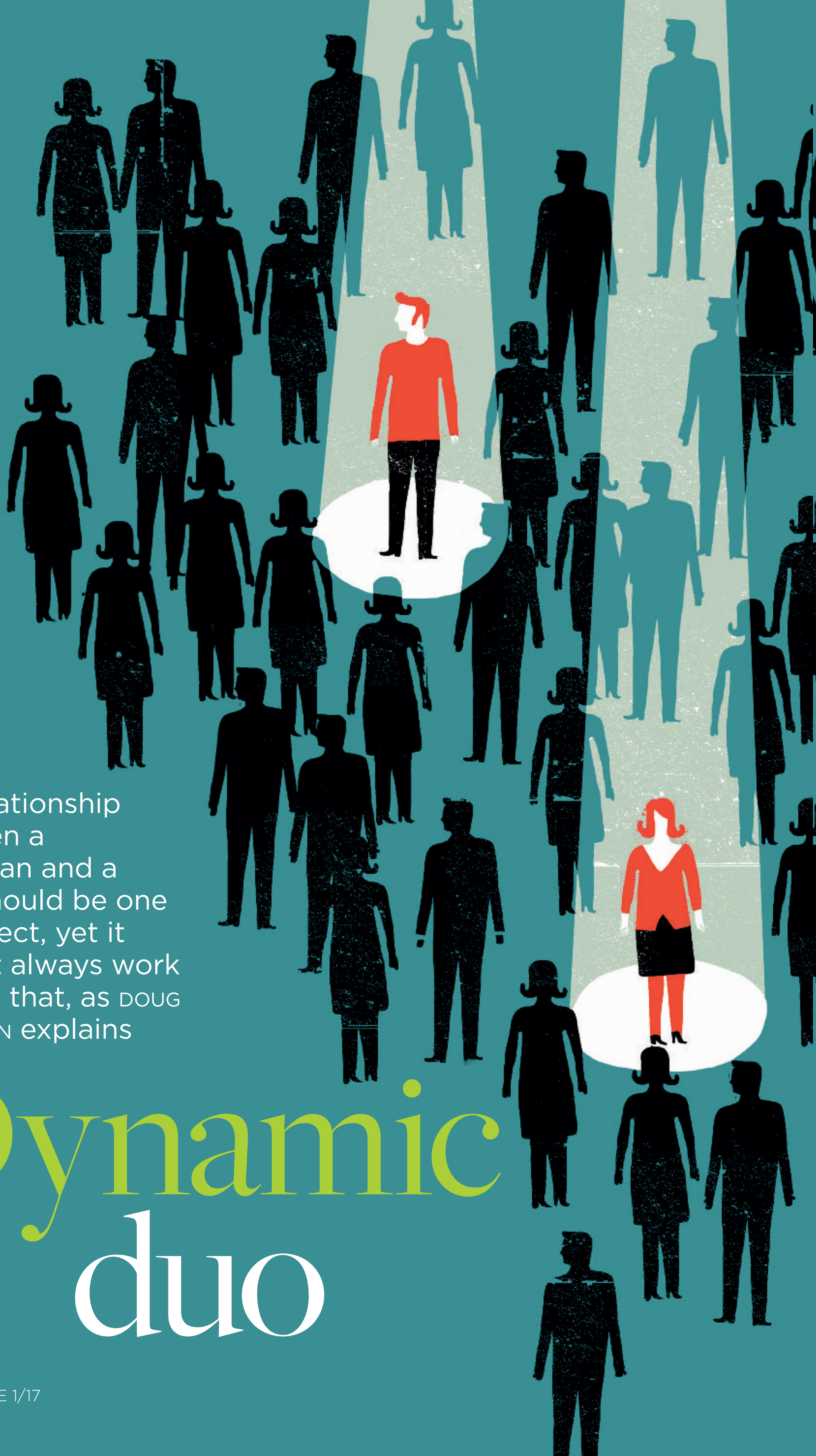
• Are we effectively tracking AR/VR development in our sector and others similar to ours? Are we able to identify emerging threats or competitors in this area and envision their impact at scale? Can we tap into a network of suppliers, partners or customers that are more AR/VR literate and give us more insight into coming changes?

• Do we have the right processes, analytical capabilities and governance to think through implications and inherent risks to our business model? Do we have the right level and number of discussions around this or any potentially disruptive technology?

• What should our resource prioritisation be toward this new area? As this technology evolves, what legacy assets would most disadvantage us (systems, physical assets, workforce)? What does that mean for how we fund and maintain these assets?

• How innovative and adaptable can we be? What lessons can we learn from our organisation's response to technological shifts that we can apply to this new technology? Do we have a 'test and learn' environment and the ability to execute quickly against rapid business change in areas of technology? ■

Elaine Boltz is former President of Digital for TJX Companies, a global retailer. She is a member of the board of directors of Brinker International (an American multinational hospitality industry company) and the digital arm of America's National Retail Federation



The relationship between a Chairman and a CEO should be one of respect, yet it doesn't always work out like that, as DOUG MORRISON explains

Dynamic duo

Nothing creates more unease among company shareholders than a shock announcement betraying the fact that all is not well in the boardroom, which is why the US bookstore chain Barnes & Noble recently caused such a stir on Wall Street.

In a terse statement in August last year, the company announced the departure of Chief Executive Ronald D. Boire after less than a year in the job. Leonard Riggio, the company's founder and Executive Chairman, immediately assumed CEO duties, and the board has since appointed a Chief Operating Officer but, notably, not another CEO.

ALAMY

The statement announcing Boire's exit was a triumph of brevity over corporate spin, saying only that he was "not a good fit for the organization", which left some wondering: why was this veteran retail executive hired in the first place? It begs another question: would the outcome have been more positive for all concerned if Barnes & Noble's board were led by an independent chairman rather than the founder?

Barnes & Noble is hardly alone in corporate America. It is still common there for one person to be CEO and Chairman whereas in the UK and Germany, for instance, the roles tend to be split, and that is certainly the preferred structure among institutional investors. According to the global governance principles promoted by the International Corporate Governance Network (ICGN), the Chairman should be independent and non-executive, and there should be a clear division of responsibilities between that Chairman and the executive management. The Chairman runs the board; the CEO runs the company.

ICGN is an investor-led body with nearly 650 members from 47 countries, representing US$26 trillion under management. In short, it has clout. "The type of message that is embodied in our principles is having an impact in the US and other parts of the world although in some cases there is resistance," says ICGN's Policy Director George Dallas.

If nothing else, Boire's brief stint at Barnes & Noble underlines the importance of a harmonious Chairman-CEO relationship in big companies, and the uncertainty and scrutiny that follow when it breaks down.

"The key is to establish a relationship of respect that isn't cosy," says Kit Bingham, Partner & Head of the Non-Executive Director Practice at Odgers Berndtson in the UK. "The CEO is driven by shorter-term performance measures and it is the Chairman's job to think about the future of the company as a whole, perhaps to think longer-term and bring the board along with that vision."

Bingham adds: "A Chairman who thinks his job is to tell the CEO how to run the business is a bad Chairman. But a Chairman who lets the CEO get on with it and is able to provide counsel, direction, wisdom, coaching advice along the way is extremely valuable."

As Bingham indicates, if the Chairman-CEO dynamics work well, then a company's performance, short and long term, will surely improve. And yet there is little empirical evidence of the link. As long ago as 2006, the Journal of Management Development published a paper by Cranfield School of Management academics on this "under-researched area". They concluded that "the Chairman-CEO relationship is pivotal for an effective boardroom".

Their paper was entitled 'Chairman and CEO: that sacred and secret relationship'. Since then, globalisation of capital and a greater scrutiny of boardroom remuneration on both sides of the Atlantic mean the relationship is more sacred than ever among big, multi-national companies. Adds Dallas: "If there are governance or relationship issues between people who should be getting along with one another it can, and probably will, affect the quality of decision-making, relationships with employees and stakeholders who are important for the company's long term direction." ■

FIVE FOR 2017

Observe selects five of the most impressive CEOs we should watch out for in 2017. Each brings energy, vision, innovation and determination to their organisation in a time of major change

ILLUSTRATIONS: PAUL RYDING

DEBRA CREW

CHIEF EXECUTIVE OF REYNOLDS AMERICAN. UNITED STATES

US Army Captain and Military Intelligence Officer, 1993 to 1997 • Chief Marketing Officer Mars, 2008 to 2010 • President Americas Beverages Pepsico, 2012 to 2014 • Chief Operating Officer RJ Reynolds Tobacco, 2016 to 2017 • President/ Chief Executive Officer Reynolds American, January 1, 2017 to present

Debra Crew became the first woman to succeed another female as Chief Executive of a Fortune 500 company when she took up the reins of the tobacco group Reynolds American on New Year's Day 2017.

The group, whose brands include Camel, Kent and Newport, had previously been led by Susan Cameron who has had two tilts at the top job since 2004.

Analysts said the appointment of the 45-year-old Crew had been expected as she had overseen $8.6 billion of the group's $10.7 billion in net sales last year as Chief Operating Officer of its largest unit RJ Reynolds Tobacco.

Cameron said of Crew: "When we looked at succession, I didn't just interview Debra or just women. We wanted the best choice and during the process, Debra absolutely soared to the top of the list. She quickly mastered the details and dynamics of our industry and has helped drive innovation throughout our businesses. This together with her 20 years of experience and leadership in consumer products companies makes her the ideal fit to lead Reynolds American."

As with other tobacco firms Crew will be faced with the challenge of declining cigarette and cigar sales particularly in developed societies because of health fears. The industry also faces challenges from e-cigarettes and vaping products, tax hikes and stricter government legislation around the globe on plain packaging.

"Our strategy has been to really look at leadership and our growth through a lot of next generation and smoke-free alternatives for adult tobacco consumers," Crew has said.

VIJAY SHEKHAR SHARMA

CEO OF DIGITAL PAYMENTS PROVIDER PAYTM. INDIA

Founder of One97 – the parent company which owns the Paytm brand, 2000 • Founded Paytm, 2010

Vijay Shekhar Sharma describes himself as both a capitalist and a hippy on his Twitter page. The founder of mobile wallet provider Paytm clearly doesn't think the two are mutually exclusive.

The capitalist side is pretty obvious. Paytm has become the go-to cash alternative for small merchants such as rickshaw drivers and consumers in India downloading its app to pay bills, book movies or flight tickets or stock up on tea and petrol.

That is despite many in the huge, developing nation not owning a mobile phone or understanding the digital world. "For many of them, it is not just a leap frog but a triple leap frog," Sharma, known for his ebullient personality, has said.

User numbers are strong at around 177 million with Paytm adding 20 million after the demonetisation announcement by Indian Prime Minister Narendra Modi last November. Modi said the Government would scrap 500 and 1000 rupee banknotes, which account for around four-fifths of the nation's paper money, to stem endemic corruption.

New notes have since been produced but the demand for digital payment solutions is still expected to grow.

Sharma is using this interest to help him develop a payments bank business – Paytm Payments Bank. It will have no branches but mobile wallet holders will be able to open an account digitally – some for the very first time. Financial extras such as insurance, debit cards and loans will also be available.

Sharma aims to turn the bank into the nation's market leader even outpacing the State Bank of India and creating India's first $100billion company by value. Now, Sharma, who has been known to start singing Coldplay songs during press interviews, taps into that hippy side of his. "I am dreaming with eyes wide open," he has said. "We will change the way banking is done. We aim to build a cashless economy. No cash, no corruption." →

> "We will change the way banking is done. We aim to build a cashless economy"

GEISHA WILLIAMS

CURRENTLY PRESIDENT OF ELECTRIC OPERATIONS AT PACIFIC GAS AND ELECTRIC. FROM MARCH 2017 SHE WILL BECOME PRESIDENT AND CEO OF THE WHOLE OF PG&E. UNITED STATES

Bachelor Degree in Industrial Engineering from the University of Miami and an MBA from Nova Southeastern University • Senior Vice President of Energy Delivery at PG&E – December 2007 to May 2011 • Executive Vice President of Electric Operations at PG&E – June 2011 to August 2015 • President of Electric Operations at PG&E – August 2015 to Present

Geisha Williams will become not only the first female Chief Executive of PG&E when she takes on the top role on March 1, but the first female, Hispanic CEO of a company PG&E's size.

Williams, who was only five years old when her family left Cuba for the US in 1967, has driven the group's push into clean energy helping it to secure nearly 30 per cent of its supply from renewable sources. Williams will be tasked, despite an expected decline in political support for renewables following the election of President Donald Trump, to build on her work stoking more consumer demand for rooftop solar energy and electric vehicles in the next few years.

She will also have to repair trust in the group after a Federal Court ruled in August that it had obstructed an investigation and violated safety laws in the 2010 San Bruno gas pipeline explosion killing eight people.

"We will never forget the lessons of San Bruno," she has said. "It's really caused us to focus on safety with a laser-like sort of manner. There's always more work to be done."

Williams has previously thanked former boss Clark Cook for making her believe that leadership roles for women were possible in the traditionally male dominated utility sector. "He took me aside and asked me what my long-term career aspirations were. I have to say, they weren't very lofty. I was thinking, perhaps, if everything worked out I could be a manager," she has commented. "He said 'No. Think big. Somebody has to run this place. Why not you? I remember being so inspired by that. He made me think I could do it."

She has encouraged other women in the sector to be courageous. "The sector needs more women. The next generation should take that as a challenge. Go where others have not. Fear holds us back sometimes, fear of the unknown, fear of failure, fear of going into a department that is in turmoil. We worry we don't have every single skill we need, and we hold back or opt out. But we need to be bold because success breeds success." →

TAN WANGENG

PRESIDENT AND CEO OF CHINA SOUTHERN AIRLINES. CHINA

Director General and Secretary of Chinese Communist Party Committee of Northeastern Regional Civil Aviation Administration – 2000 to 2006 • Executive Vice President of China Southern Airlines – 2006 to 2009 • President of China Southern Airlines – 2009 to present

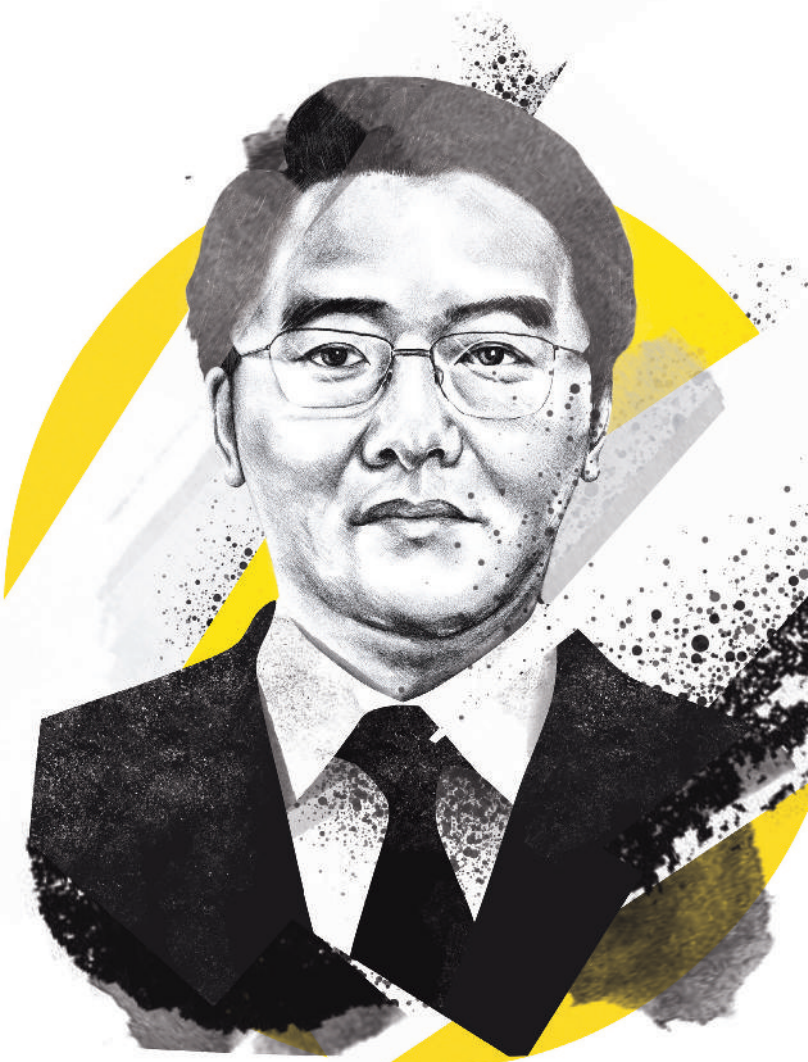
Since 2009, Tan Wangeng has helped pilot China Southern Airlines to steeper and steeper growth. Operating revenue has risen from 76,495 million Renminbi (RMB) to 111,652 million RMB with passenger numbers up 7.4 per cent in the last five years and cargo up 6.2 per cent.

International growth has been at the heart of his strategy with revenues and passenger numbers far outpacing domestic and regional numbers. In 2009 international operations accounted for 18 per cent of its available capacity, now it is 30 per cent. One of the main drivers of this is the so-called Canton route – Europe to Australia via Guangzhou.

"Historically more than 80 per cent of our traffic was domestic. Few people from outside of China had travelled with our airline," he has said. "We have launched many international routes in recent years. We used to have only two destinations in Europe – Paris and Amsterdam but now we also offer London, Frankfurt, Moscow and Tbilisi. The focus is not just on the Chinese communities in these cities but on the general market. Our international capacity is growing and that means our international brand is growing too. It is time for the voice of Chinese airlines to be heard on the world stage."

Developing more US routes, alongside taking advantage of surging cross-border e-commerce movements and improving staff training, is on his to-do agenda at present.

He doesn't believe this global strategy is at threat from the two major political events of 2016 namely the Brexit vote in the UK and the election of President Donald Trump. "The benefits of the vast inter-linking of global trade networks and the benefits it has brought shouldn't be wound back even though there have been political shifts in Europe and the US. I believe that even in this context it won't reverse the trend of economic globalisation", he has forecasted. →



> "It is time for the voice of Chinese airlines to be heard"

HEIKKI TAKALA

PRESIDENT AND CHIEF EXECUTIVE OF AMER SPORTS. FINLAND

Born Finland, 1966 • Masters of Science degree in International Business from Helsinki School of Economics and ESADE in Barcelona • Procter & Gamble – several leadership positions in brand management, marketing, sales and commercial strategy between 1992 and 2010 • Amer Sports – appointed as President and Chief Executive on April 1, 2010

At Amer Sports' Capital Markets Day last September Heikki Takala strode on stage wearing a stylish winter coat and carrying a sports bag containing his tennis racket and a pair of cycling shoes.

Had he mistaken the presentation for his local gym? No. Instead Takala was making a serious point to his audience about the changing nature of today's sportswear consumer.

"I am today's consumer," he said. "I do many things. I don't stick to one single sporting activity and I mix my sports life with my personal life. I wear the things I wear for sport. I buy anywhere, anytime, whenever I want and I want to tell my stories and achievements to my friends, family and colleagues."

Having such a keen appreciation and knowledge of his market has been one of the key drivers in sporting goods group Amer's spectacular growth since Takala took on the Chief Executive baton in 2010. Since then Amer, which owns internationally recognised brands such as Sunnto and Wilson, has driven annual revenues from around €1.7 billion to €2.5 billion in 2015.

Takala, who wanted the group to be less reliant on the weather dependent winter sports equipment market, has overseen a tripling in sales of apparel and footwear, developed a thriving e-commerce business and ramped up international expansion in China and the US. He has also championed innovations such as avalanche airbags and digital connected devices including an American Football which can measure distance, speed and spiral efficiency.

Takala wants to prioritise these main areas as he aims to soar to annual revenues of around €4 billion in the next five years. "We invest every year back into the business to ensure that tomorrow is good and better than today," he says. With his optimism, however, comes realism. "If a unit has underperformed we are disciplined and we are patient. We seek to fix them and if we can't do that, we bite the bullet and eliminate the bleeders," he has warned. ■

Lars Lagerbäck, former manager of the Icelandic and Swedish national football teams, talks to *Observe*

WHY I TOOK THE JOB

Why did you take on the role as manager of the Iceland national football team?
We have a good cooperation in the Nordic countries and I knew a lot of people in Iceland from my time as Sweden manager. When I looked at the Icelandic players together with what I had experienced playing against Iceland I thought it was a really interesting challenge. The key motivator for me was to see what you can do with a team that hadn't performed so well up until then. I brought in my experience and so perhaps we were more professional than before.

What are the key attributes to being successful?
The big difference is that you have to be really careful about how you prioritise; you only have the national team players for a short period of time [ahead of games]. If you're a bit of an underdog and playing against a team with greater individual skills then you have to organise the team really, really well both off and on the pitch.

What drives you on?
I have no problem getting up in the morning! When you're in top sports it's the feeling of winning matches that motivates you. I've been in the business for almost 40 years and I really like seeing what you can do with a group of people, players and staff. If you see things improving and see players doing things in the match that you had practised a lot that's the big satisfaction – together with winning of course!

How would you describe your management style?
I believe very much in participation. I like to work with very few rules. I say to the players that if you're not doing everything 100 per cent professionally you won't be in the national team. We try to work with a set of 'living standards': how we should live on and off the pitch, how we should play and so on. But it's not democracy; in the end it's me who makes the decisions, although I do try to interact with the players as much as possible.

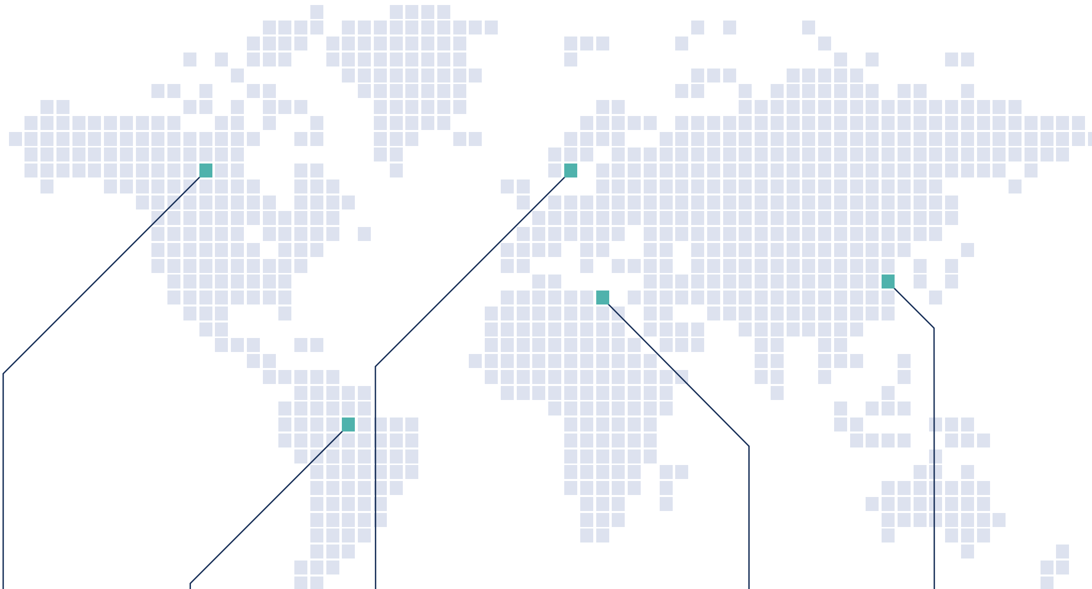
Tell us about *that* game in the Euro 2016 finals when Iceland beat England?
When you're in a finals like that, I always try to work to strengthen my own and the players' mental strength. Maybe the England team was over-estimated and there was big pressure on them. I played England six or seven times with Sweden and we never lost. You use triggers like that. The longer I have been in the business the more I realise you should never underestimate the mental part of a football game.

Do you ever contemplate failure?
I am realist. I always say to my players you always have a realistic chance of winning and how big it is you never know. I never approach a game and think we'll lose. I know if we play the best teams in the world we can lose but we always have a chance.

Work/life balance?
I am a rather secure person. I don't mind what the media and others say but you are travelling a lot and it's a kind of special social life away from friends and family. But I think I balance it rather well. I don't look back and regret anything. I have been privileged and lucky in my life. I'll never end up bitter! ■

Lars Lagerbäck managed the Swedish national football team between 1998 and 2009 and Iceland from 2011 until 2016 when he retired. He is now a TV pundit in Sweden and an advisor to the Swedish national team.

ALAMY



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