

***“What practical steps can be taken to improve
the monitoring & strategy setting functions of the board?”***

outline of presentation by

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Opening Statement:

- ❑ Most corporate failures can be traced to deficiencies concerning strategic direction, management, and monitoring.

Strategy Setting:

- ❑ Roulette or chess?
- ❑ One man autocratic gut feel approach must give way to a democratic process of strategic planning, relying on the collective wisdom of the board.
- ❑ Most boards review and approve major strategy decisions but they rarely shape them.
- ❑ A board with a diverse background can add more value in shaping the right strategic direction.
- ❑ Annual strategy planning sessions between the board and management pays a high dividend and is becoming more widely practiced.
- ❑ However, common pitfalls are:
 - ❑ vision confused with mission leading to directionless strategies,
 - ❑ focus not on the value creation but revenue increase,
 - ❑ objectives intertwined with strategy and implementation to the extent that they do not know where to start,
 - ❑ the process did not lead to new and improved strategies which caused rejection.
- ❑ Outside consultants can help avoid the pitfalls, facilitate the strategy planning process, and ensure there are no stones left unturned.
- ❑ Simplicity is essential, use the “plan on a page” frame work.
- ❑ Boundaries between the roles of the board in strategy formulation and the role of management in creating a business plan must be very clear.
- ❑ The board should balance its time and effort between compliance (past & present) issues to making decisions on strategic issues that will shape the company’s future.
- ❑ The 5 questions/tests for directors to assess the integrity of strategic proposals;

1. Comprehension?
2. Appropriateness?
3. Sustainability?
4. Feasibility?
5. Accountability?

Monitoring:

- ❑ Once the strategic direction and the business plan have been set, the role of the board should switch to monitoring & supervision.
- ❑ Critical to identify and limit what operational information the board needs to perform this role.
- ❑ The audit committee is a vital organ of the board to ensure that the audit process is working properly.
- ❑ Key role of the board that is often overlooked is the assessment and monitoring of risks.
- ❑ The underlying cause of the Thai economic crisis was the lack of assessment and management of risks in the private sector.
- ❑ The board should understand the types of risks facing the organization and:
 - ❑ ensure that there is the overall process of risk analysis and risk evaluation,
 - ❑ ensure the implementation of the culture, processes and structures that are directed towards the effective management of potential exposures.
- ❑ Directors on the board of publicly listed companies have an added challenge to monitor that there is no exploitation of minority shareholders.

Conclusion:

- ❑ Strategy formulation is an essential responsibility and most value added role of the board.
- ❑ The 2nd most important role of the board is to monitor and supervise the conduct of business in the best interest of all shareholders.
- ❑ To succeed in the future, companies must be lean, mean and clean!