SID Singapore Institute of Directors

The Directors' BULLETIN

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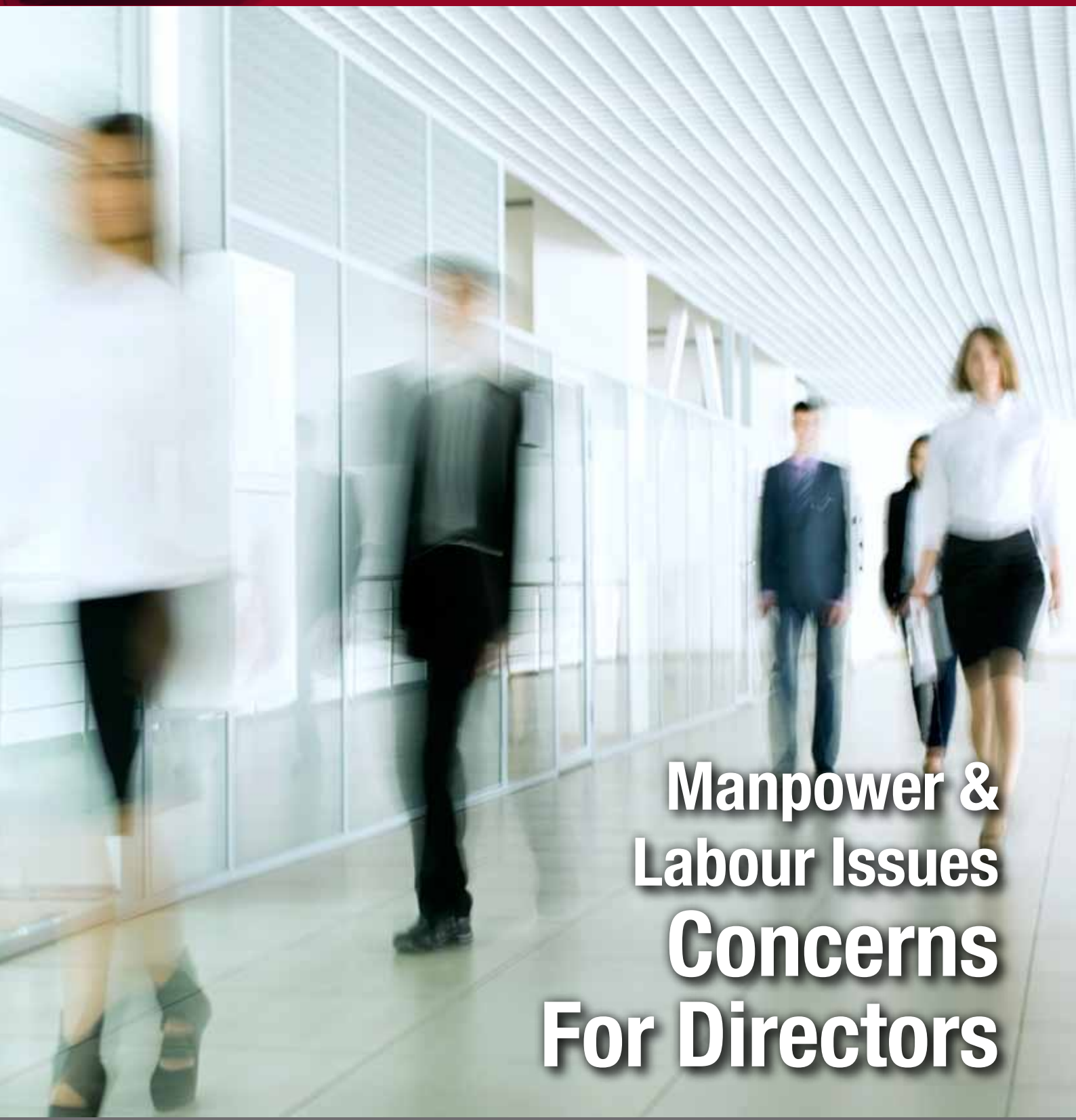

Manpower & Labour Issues Concerns For Directors

Singapore Institute of Directors

Mission

To foster good governance and ethics in corporate leadership.

Vision

To be the national association advancing the highest level of ethical values, governance, and professional development of directors.

Formation

Since its formation in 1998, SID has continued to play a crucial role in the development of good corporate governance practices and as a hub for the professional training and education of directors.

Membership

With more than 1,800 members today, SID is well regarded as the national professional body for company directors serving the local corporate community. Its membership comprises prominent individuals from listed companies, corporate leaders, lawyers and accountants. Adding to the Institute's influence and strength is the growing number of corporations which have joined the Institute as corporate members.

Governing Council

The affairs of SID are managed by a Governing Council, comprising members elected from the general membership, and supported by a Secretariat. The 20-member Governing Council of reputable business leaders and professionals plays a pro-active role by working closely with regulators (ACRA, MAS, SGX), professional bodies, academia and others to foster forward-looking board practices, directors' competence and independence; and respect for all stakeholders' rights.

Research And Thought Leadership

The Institute has provided thought leadership on corporate governance and directorship issues in Singapore. It played a key role in drafting the Code of Corporate Governance in 2001 and made substantial contributions to the revised code in 2012.

To encourage best board practices, it was also responsible for launching the first Singapore Best Managed Board Award and later the Best CEO Award, which are now presented at the annual Singapore Corporate Awards organized by the Business Times.

Apart from The Bulletin which it publishes regularly to keep directors abreast of current issues, the Institute also researches and issues Statements of Good Practice to guide and inform directors of best practices in areas such as appointing new directors, the role of the audit committee, addressing conflicts of interest and related matters.

The Institute conducts regular surveys on board practices of Singapore-listed companies. The "Singapore Board of Directors" survey will be available in late 2013.

Professional Development

SID conducts a series of training programs for the development of its members and to increase the pool of individuals qualified to serve as directors in listed companies.

SID's foundational courses include the 5-module Effective Board Leadership Programme and the 5-module Listed Company Director Programme, and the 6-module SID-SMU Directorship Certification Programme.

In addition, SID holds seminars and forums on a range of subjects relevant to directors. It will soon be launching a "Chairmen's Conversation" series for board and committee chairmen.

SID's flagship seminar is the annual SID Directors Conference featuring renowned international and local speakers on trends and issues impacting directors and governance.

Other Programmes

SID regularly organizes members' networking events including an annual golf tournament.

SID's Board Appointment Service seeks to help companies search for suitable director candidates from SID's database of members.

A directory on SID website seeks to provide one-stop information for companies looking for professional advice on governance related matters.

For more information, please visit www.sid.org.sg or contact the Secretariat at (65) 6227 2838

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FROM THE EDITOR

Welcome to the fourth issue of the Director's Bulletin.

Given the focus on manpower needs and the tweaks that have been made and continue to be made in this regard in Singapore, and the enhanced and culture changing drive for productivity, this issue of the Bulletin focuses on manpower issues generally.

Along with the second round of proposals that have come forth from the Ministry of Manpower, there are two additional articles that review the importance of productivity and how to seek to enhance productivity amongst the workforce generally. One article throws its focus on the need for a mindset change to achieve this – the eternal song about having a cultural shift. Yet with productivity and manpower, this is a cultural shift that certainly can occur.

The series of articles also touch on the increasingly pervasive issue of gender diversity and not merely diversity. Aptly, we have a note from the Diversity Task Force that has been formed to look at Gender Diversity on Boards. Whilst many of us continue to lean on the side that board seats, as with any other position, ought to be one entirely driven by individual merits and the ability to effectively contribute to the board, history reveals that the occasional reminder to look beyond a known circle for potentially good and effective directors ought to be welcomed.

The next group of articles touches on the remuneration concerns relating to directors, with a particular focus on non-executive directors' fees. We have also included an updated Institute's Statement of Good Practice on Fees Payable to Non Executive Directors.

Articles aside, this issue also provides snapshots of the Institute's Annual Golf Event as well as the recently concluded Singapore Corporate Awards. Specifically on the Golf event, the institute would like to thank all sponsors, supporters and importantly all participants who took time out to have a good fun filled day. Additionally, you see yet again that the Institute continues to be very active in pulling together a myriad of events, dialogues and seminars for your benefit. We hope you will participate actively in these events.

Allow me at this juncture to exercise editorial discretion and refer to one article that appears in this Bulletin with a bit more depth. This is a short piece that we have put together as a mini-tribute to our long serving council member, President and finally as Chairman of the Institute. He is none other than John Lim, aka Mr Corporate Governance. John is a man driven by passion with a deep belief in corporate governance principles. He has in his time with the Institute left a legacy that all can learn and grow from. Thank you John for your numerous contributions.

Finally, a gentle reminder that the Institute's 4th Annual Directors' Conference will take place on 11 September 2013. The event this year is looking to be more intensive given the multifarious and high powered panels we have with their not always similar and strong views on the topics that they will be speaking about. Audience participation, we hope, will continue as in previous years and especially last year, where there was much banter amidst the intensive sharing. We also have many more sponsors and supporters this year. We look forward to seeing all of you at the conference.

I end by thanking all of our contributors to this issue of the Bulletin. Our next issue of the Bulletin will focus on the Conference proceedings. If you have thoughts to share, please do send them in to the secretariat by the end of September.

Kind regards,

Kala Anandarajah
Editor

CHAIRMAN'S MESSAGE

Dear Fellow Members

It is my honour to write this message since assuming the chairman's position this past July.

Some members have asked me: "Congratulations, but why the sudden change in leadership at SID?"

Actually, it was not sudden. The leadership transition was part of a process that had started with a Council retreat initiated by then-chairman John Lim in May 2012. Among the several matters we dealt with on that retreat were the questions of leadership renewal and what our response to the changing corporate governance environment and demands should be.

Indeed, since that retreat, we have effected changes to the SID Constitution with regards to Council composition, tenures and nominations. The current Council is a diverse one, with seven new members (out of 20) added at the last AGM. We also now have our first lady vice-chairman, Yvonne Goh.

Other members have asked: "So what is going to be new? What is the next level for SID?"

Well, my fellow Council members and I are grateful for the opportunity to build on the foundation and legacy that John Lim, Chew Heng Ching and other early corporate governance pioneers have left us. Many forget that SID started as a private sector initiative in 1998. As I understand it, it was hard work in the early days gaining support on the esoteric subject of corporate governance from directors, corporates and the government. But look at where we are now. Today, we have more than 1,800 members, and enjoy widespread recognition of our role in fostering good corporate governance.

The next level must be to achieve the vision we had set for ourselves at the 2012 Council retreat: "To be the national organisation advancing the highest level of ethical values, governance, and professional development of directors."

To get there, we are launching and refining a number of programmes and initiatives. Broadly, these include expanding SID membership, enhancing professional development, introducing continuing professional education, developing advocacy and thought leadership, improving our branding and positioning, and strengthening the secretariat.

Details of these initiatives should be forthcoming in future issues of this publication, so, watch this space.

Warm regards,

Willie Cheng
Chairman

SID Governing Council 2013/2014

Chairman	: Mr Willie Cheng		
First Vice-Chairman	: Mr Adrian Chan Pengee		
Second Vice-Chairman	: Mrs Yvonne Goh		
Treasurer	: Mr Soh Gim Teik		
Immediate Past-Chairman	: Mr John Lim Kok Min		
Council Members	: Ms Kala Anandarajah	Mr Kee Teck Koon	Mr Chaly Mah
	Mr Basil Chan	Mr Kevin Kwok	Mr Andy Tan Chye Guan
	Mr Robert Chew	Mr Lim Chin Hu	Ms Tan Yen Yen
	Mr David Conner	Mrs Elaine Lim	Ms Yeo Lian Sim
	Mr Daniel Ee	Dr Ahmad Mohd Magad	Mr Yeoh Oon Jin

SID's Course And Events Calendar 2013/2014

Courses/Events	Course Dates	Time	Venue
SID Directors Conference 2013	11 September 2013	0900 - 1730	Marina Bay Sands
LCD Module 2 - Audit Committee Essentials	17 September 2013	0830 - 1230	Marina Mandarin Singapore
LCD Module 3 - Risk Management Essentials	18 September 2013	0830 - 1230	Marina Mandarin Singapore
SID - Ernst & Young: Workshop on Governance, Risk Management and Compliance	24 September 2013	0830 - 1100	M Hotel Singapore
SID - RHTLaw: Managing Shareholder Activism	27 September 2013	0830 - 1230	Marina Mandarin Singapore
SID - PwC: Evidence Act Session for Directors	30 September 2013	1100 - 1300	Marina Mandarin Singapore
SID - KPMG: Breakfast Talk on Accounting Standards	2 October 2013	0830 - 1100	To be advised
LCD Module 1 - Listed Company Directors Essentials In Yangon, Myanmar	4 October 2013	0900 - 1630	Traders Hotel, Yangon
EBL Module 1 - Effective Board	9 October 2013	0830 - 1230	Marina Mandarin Singapore
EBL Module 2 - The Board & Fund Raising	9 October 2013	1230 - 1730	Marina Mandarin Singapore
EBL Module 3 - Enterprise Risk Management	10 October 2013	0830 - 1230	Marina Mandarin Singapore
EBL Module 4 - Financial Literacy & Governance	10 October 2013	1230 - 1730	Marina Mandarin Singapore
EBL Module 5 - Investor & Media Relations	11 October 2013	0830 - 1230	Marina Mandarin Singapore
SID - KPMG: Breakfast Talk on Accounting Standards	16 October 2013	0830 - 1100	To be advised
LCD Module 1 - Listed Company Directors Essentials	17 October 2013	0830 - 1700	Marina Mandarin Singapore
SID - SMU Executive Skills for Board Member Module 2: Assessing Strategic Performance	21 – 23 October 2013	0900 - 1700	SMU Campus
LCD Module 4 - Nominating Committee Essentials	22 October 2013	0830 - 1230	Marina Mandarin Singapore
SID - KPMG: Breakfast Talk on Accounting Standards	23 October 2013	0830 - 1100	To be advised
LCD Module 5 - Remuneration Committee Essentials	24 October 2013	0830 - 1230	Marina Mandarin Singapore

Courses/Events	Course Dates	Time	Venue
SID - PwC: Highlights on Anti-Bribery and Corruption	29 October 2013	1100 - 1300	To be advised
SID - KPMG: Breakfast Talk on Accounting Standards	30 October 2013	0830 - 1100	To be advised
SID - SMU Executive Skills for Board Member Module 3: Finance for Directors	4 – 6 November 2013	0900 - 1700	SMU Campus
SID - IIAS: 20 Questions Every Audit Committee Should Ask	6 November 2013	0830 - 1230	To be advised
SID - Stamford Law: F&N Case Study	15 November 2013	1100 - 1300	To be advised
SID Annual General Meeting	20 November 2013	1100 - 1230	Capital Tower
2 Day Listed Company Directors Essential Programme (Mandarin) in Beijing, China	21 – 22 November 2013	0830 - 1730	To be advised
Board Chairmen's Conversation	22 November 2013	1215 - 1345	The Lighthouse Restaurant
SID-RHT: Business Fraud	4 December 2013	0830 - 1230	To be advised
Audit Committee Chairmen's Conversation	9 December 2013	0830 - 1100	To be advised
LCD Module 1 - Listed Company Directors Essentials	16 January 2014	0830 - 1700	To be advised
Members' Networking Event	24 January 2014	1700 - 1930	To be advised
Audit Committee Chairmen's Conversation	5 March 2014	0830 - 1100	To be advised
LCD Module 1 - Listed Company Directors Essentials	6 March 2014	0830 - 1700	To be advised
SID Lunch Presentation on Social Media	14 March 2014	0830 - 1230	To be advised
LCD Module 2 - Audit Committee Essentials	20 March 2014	0830 - 1230	To be advised
LCD Module 3 - Risk Management Essentials	26 March 2014	1230 - 1730	To be advised
LCD Module 4 - Nominating Committee Essentials	3 April 2014	0830 - 1230	To be advised
LCD Module 5 - Remuneration Committee Essentials	16 April 2014	1230 - 1730	To be advised
EBL Module 1 - Effective Board	17 April 2014	0830 - 1230	To be advised
Members' Networking Event	25 April 2014	1700 - 1930	To be advised
Board Chairmen's Conversation	30 April 2014	1215 - 1345	To be advised

Course schedule is subject to changes. Please refer to SID website at www.sid.org.sg for the latest updates.

A Tribute To SID's Immediate Past-Chairman, John Lim

The remarkable progress made by SID in promoting the principles of sound corporate governance can be attributed largely to one man, Mr John Lim, who recently stepped down as Chairman of SID. John had been with the Council since 1998, first as Honorary Secretary, then President and finally as Chairman in 2009. He stepped down as Chairman in June 2013, passing the baton on to Willie Cheng. Here, in these pages, is a tribute to the man whose distinguished service in the past decade has made SID what it is today.

Appreciation Dinner For John Lim

On 17 July 2013, the Institute held an Appreciation Dinner for Mr John Lim. The dinner was attended by SID Council Members, past Council Members, Honorary Fellow, Prof Walter Woon and the Secretariat.

"In the last 15 years, John Lim has made outstanding contributions to SID and in the promotion of good governance among listed companies. The Council's decision to pick him to succeed me first as President and subsequently as Chairman of the SID was the right one. Thank you John for a job well done!"

Chew Heng Ching, Founding President and First Chairman, SID

"John has a consummate grasp of all corporate governance issues at his fingertips. He is a giant in the field and has earned the respect and admiration of corporate governance practitioners not just in Singapore, but also around the region. I have learnt very much from him."

Adrian Chan, Vice Chairman

"A gentleman with a good sense of humour."

Yvonne Goh, Vice Chairman

"John, as a SID founding member, has been very passionate about SID in general and Corporate Governance in particular. During his tenure as the Institute's Chairman, his consultative approach coupled with his deep interests in SID's role made it difficult for the then-Governing Council to accept his decision to step down. He will be sadly missed by all of us."

Keith Tay, Founding Council Member

"A true leader in every sense of the word."

Soh Gim Teik, Treasurer

"It has been an enriching experience working with John. He is highly-skilled in bringing out the best of his fellow workers and in fostering a strong team spirit of commitment. Under his leadership, SID has played a key role in instilling among both listed and private institutions through seminars and training programmes, the need for having a strong Corporate Governance mindset. Due largely to his efforts, SID has achieved a high standing and good reputation at home as well as abroad."

Boon Yoon Chiang, Founding Council Member

"John is the quintessential gentleman. Gentle, gracious, respectful, patient, never losing his cool and never at a loss for words. He seeks and fosters consensus, and is able to balance diverse interests. He's always persuading and persuasive – that's how he roped me in."

Willie Cheng, Chairman SID who succeeded John Lim

"John is first a gentleman and then Chairman SID. I believe, under John's watch, it is this distinctive style of leadership that has won for SID the reservoir of goodwill it has amongst all its various stakeholders today."

Kee Teck Koon, Council Member

"John is someone who has that particular quality of 'dignitas'. He is polished and professional, yet always sincere and true. I have enjoyed working with him, learning from him and being his friend. We will miss him at the SID."

Kevin Kwok, Council Member

"John is truly Mr SID. He has helped raise the standard of corporate governance in Singapore. I had the privilege of working with him on several committees and learn much from his work ethics, professionalism and dedication."

Lim Chin Hu, Council Member

Singapore Corporate Awards 2013:
Best Managed Board And Best Chief Executive Officer

BMBA Large-Cap Gold: (From left) Willie Cheng, Chairman of SID; Simon Israel on behalf of Singapore Telecommunications; and Minister K. Shanmugam

The Singapore Corporate Award ("SCA") 2013, organised by The Business Times, supported by Singapore Exchange and sponsored by Bank Julius Baer held its Gala Dinner in the evening of 7 August 2013 with Mr K. Shanmugam, Minister for Foreign Affairs and Minister for Law as the Guest-of-Honour.

Five awards were presented:

- Best Annual Report Award ("ARA")
- Best Chief Executive Officer ("CEO") Award
- Best Chief Financial Officer ("CFO") Award
- Best Investor Relations Award
- Best Managed Board Award ("BMBA")

The BMBA was co-organised by SID and Aon Hewitt while the Best CEO Award was co-organised by SID and Egon Zehnder.

Winners of BMBA 2013:

Market Cap of $1B and Above

- Gold — Singapore Telecommunications
- Silver — Sembcorp Industries
- Silver — Singapore Exchange
- Bronze — Keppel Corporation

Market Cap of $300M to Less than $1B

- Bronze — Tuan Sing Holdings

Market Cap of Less than $300M

- Gold — Mencast Holdings
- Silver — OKP Holdings
- Bronze — Qian Hu Corporation

BMBA Large-Cap Silver: Tang Kin Fei on behalf of Sembcorp Industries

BMBA Large-Cap Silver:
Lee Hsien Yang on behalf of
Singapore Exchange

BMBA Large-Cap Bronze:
Oon Kum Loon on behalf of
Keppel Corporation

BMBA Mid-Cap Bronze:
Ong Beng Kheong on behalf of
Tuan Sing Holdings

BMBA Small-Cap Gold:
Ng Chee Keong on behalf of
Mencast Holdings

BMBA Small-Cap Silver:
Or Toh Wat on behalf of
OKP Holdings (left), together
with Minister K. Shanmugam

BMBA Small-Cap Bronze:
Kenny Yap on behalf of
Qian Hu Corporation

Winners of Best CEO Award 2013:

- *Market Cap of $1B and Above*
  Mr Piyush Gupta, CEO,
  DBS Group Holdings
- *Market Cap of $300M to Less than $1B*
  Mr Lim Hock Chee, CEO,
  Sheng Shiong Group
- *Market Cap of Less than $300M*
  Mr Mohamed Salleh Marican,
  Founder and CEO,
  Second Chance Properties

Best CEO Award: (From left) Lim Hock Chee (Mid-Cap); Teo Eng Cheong, CEO, IE Singapore and member of the Best CEO Award judging panel; Piyush Gupta (Large-Cap); Mohamed Salleh Marican (Small-Cap); and Willie Cheng, Chairman of SID

2-day LCD Mandarin Programme In Beijing, China

On 27 and 28 June 2013 at the Kerry Hotel in Beijing, China, the Institute together with Singapore Exchange (SGX) organised a 2-day Mandarin programme consisting of 9 modules. This programme was designed for the China-based board directors and senior management of Singapore listed companies to enhance their individual and collective effectiveness as a board within the framework of good corporate governance.

This interactive programme included updates on SGX Regulations, insights on the value and benefits of strong investor relations practices for listed companies and Senior Representatives of SGX were present at the session to provide answers to questions raised.

The speakers were Mr Hee Theng Fong from RHTLaw Taylor Wessing LLP, Ms Wee Woon Hong from Opal Lawyers LLC, Mr Ng Siew Quan from PricewaterhouseCoopers LLP, Mr Bradley Ni from Aon Hewitt, Ms Jeanette Li and Ms Neo Hwee Kuan from the Singapore Exchange.

The event was attended by 29 participants. ■








SID Golf Tournament 2013

On Sunday, 9 June 2013, the shot gun tee off at 1.30pm marked the start of 32 flights of the SID Annual Golf Tournament. This year, the tournament was held at the Tanjong Course, Sentosa Golf Club and the event was graced by Mr Lawrence Wong, Acting Minister for Ministry of Culture, Community & Youth and Senior Minister of State for Ministry of Communications and Information.

Just like previous years, it was a fun-filled event for the 128 participants. Special thanks go out to all sponsors and participants for making the event a success and congratulations to all the winners too! ■

Results of SID Annual Golf Tournament

SID Challenge Trophy

- Overall Winner
  Bob Tan
- 1st Runner Up
  Loh Chin Hua
- 2nd Runner Up
  Adrian Wong

Keppel Challenge Trophy

Best Flight/Team Winner

- Patrick Ngiam
- Bernard Ngiam
- Benjamin Ngiam
- Dennis Tan

Keppel Challenge Trophy: Tong Chong Heong, Keppel Corporation (second left), together with the Best Flight team

John Lim (right) presenting the token of appreciation to Acting Minister Lawrence Wong (left).

SID Challenge Trophy - Overall Winner: Bob Tan (right)

Productivity, It's About Mindset

By Neo Boon Siong, Chairman, Nanyang Business School's Executive Education Programmes

Overview

Productivity has become somewhat of a Holy Grail here – essential for Singapore's economic future, yet seemingly elusive despite best efforts. The national push to raise productivity has been relentless, even if results have been patchy, and firms are feeling the pain of the restructuring.

In my work with business enterprises and leaders, I notice that what blocks progress in the quest for higher productivity might well be the mindset of business managers who may be, ironically, the very ones tasked to lead their firms' productivity drive.

I will explore how three such mindsets block productivity and competitiveness, and how they should be changed.

Enhancing Efficiency Is Not Enough

First, the aim of many productivity efforts is greater efficiency – doing things cheaper and faster. While efficiency and lower costs are welcome, they may not raise competitiveness if they lock a firm into the same outdated business activities and practices.

If a firm has to lower its prices to compete, it suggests that it may not have strong enough advantages that enable it to charge a premium.

Productivity is instead more about value-enhancement than mere efficiency.

The essence of productivity is innovative value creation for potential and existing customers. It involves developing new ways of delivering desired customer value and benefits; it is not simply about doing things cheaper and faster, but doing them better and differently, creating new value that let a firm charge a higher price for its products and services.

Value creation happens when a firm develops solutions that enable customers to better achieve their goals, do their jobs, satisfy their unmet needs and overcome their pain points.

The outcome of a successful productivity programme is not necessarily lower costs, but higher value-added – total revenue less costs of purchased inputs.

Higher value-added may be achieved by

paying higher wages to attract and retain relevant experience and skills that enable value creation and higher revenues.

Ironically, saving costs by paying lower wages may make it difficult for a firm to break out of an uncompetitive low-margin business. The priority ought to be on differentiating a firm's products to achieve higher value-added.

Size Does Matter

Second, many leaders implicitly want to maintain control of their businesses, even if this means the scale of their operations remains relatively small. They want to improve productivity – but not at the cost of losing their status as boss.

Small businesses may respond faster and more flexibly to market opportunities and threats, but often cannot afford the needed investments to be competitive on a sustained basis. Many small-and medium-sized enterprise ("SME") owners make marginal efforts to improve current operations and hope that these would be sufficient for survival.

SMEs often have difficulty attracting the talent they need to grow and move up the value chain. They are thus compelled to compete on price rather than value.

With their margins being so thin, it makes it more difficult tor them to invest in much-needed technology. They complain about high rents and wages and relocate to lower-cost areas, but they may be stuck in a low-productivity business model – and even a slow-death scenario – without realising it.

Customer-value creation that enhances productivity often requires the development of new capabilities, investment in new technologies and recruitment of new talent.

These investments are fixed costs, chunky and expensive. They can have significant payoffs in innovation and quality, and are justified if there are sufficient volumes for economies of scale to be realised.

Organic growth to a competitive scale within a reasonable time frame may be feasible for only some businesses.

Alternative strategies include:

- Buying related businesses if the firm can afford it;
- Merging with other firms if they can work together to reap potential synergies; or
- Selling the business to another firm, thus becoming a smaller owner of a larger firm.

These strategies have not been popular with SMEs because many business owners have an emotional attachment to their enterprises and find the boss' seat difficult to vacate.

The result: For many, survival becomes a continuing struggle.

If productivity is imperative, then business leaders should build competitive scale by simultaneously pursuing both organic growth and mergers and acquisitions.

It is not a failure to exit a business by selling it to a larger enterprise. Silicon Valley start-ups pursue this strategy actively and celebrate if they are able to become a more competitive business by being part of a larger enterprise.

SMEs need to confront the emotional block that comes from attachment to ownership control when the lack of scale is an impediment to productivity.

Economics of scale and scope can be achieved by creating a business structure that gives the firm the needed assets, skills, talent and networks to be competitive – even if it means the owner is no longer top dog.

Worker Training Is Not Enough

Third, many managers believe that inadequate worker training is the crux of low productivity. This may be true in only some cases.

In others, there is sufficient worker training through the many programmes available and generous government support. but the irony is that the new knowledge and skills learnt are sometimes not utilised because, after the training, workers return to work processes and systems that do not require those skills.

The design of work processes is the responsibility of senior managers. Unless work processes are redesigned for higher productivity, more training will only result in greater worker frustration and disillusionment.

Further, employees are often sent for training that reinforces the current business model, rather than teach the skills needed to implement a more productive one.

Unless company bosses reinvent their business models and redesign their processes for higher productivity, they will not know what new or different capabilities are required to achieve better performance.

Perhaps the biggest impediment to productivity is no longer worker skills, but the outdated mindset and strategic rigidities of business leaders. Learning and retraining are crucial for productivity, but it should start at the highest rather than the lowest levels of a business enterprise. ■

This article was first published in The Business Times on 7 May 2013.

Serving Up Higher Productivity

By SPRING Singapore

Overview

Singapore may be a food-lover's paradise, but it is not always smooth sailing for restaurant owners here. The tight labour market and rising costs make for a challenging operating environment. These are just two of the issues affecting the productivity of companies in Singapore's food services industry, according to a recent study by The Boston Consulting Group ("BCG").

"We have found that the value-added per employee is lower in Singapore than in peer cities like London, Hong Kong and New York," notes Mr John Budd, Partner and Managing Director at BCG. "This is the result of a number of issues that affect the industry's productivity and performance."

BCG's study identified four challenges faced by companies in Singapore's food services industry: 1) labour shortage; 2) rising food costs; 3) expansion issues; and 4) ensuring sustained performance improvements.

Mr Budd suggests that these issues can be addressed with a more data- and process-driven approach to management. "A lot of business owners in the food services industry manage on the basis of gut instinct, especially if they are only managing one store or restaurant. But as they expand they need some basis of formal operating procedures and data to manage their business."

He pointed out that this does not mean gut instinct should be completely excluded. "The best operators marry a good sense of the business – how to treat customers, how to anticipate business needs – with a good use of formal operating procedures and data.

Optimising Labour Performance

There are big gains to be made is in the management of manpower, which is key in Singapore's tight labour market. Optimising labour scheduling and implementing better performance management structures are two ways to increase the productivity of employees.

"Companies need to move beyond pencil, paper and broad assumptions when it comes to managing their labour force," says Mr Budd. For instance, companies stand to reap productivity rewards by reducing overstaffing during non-peak times and understaffing during peak times.

Performance management is another issue that can be challenging to tackle, especially as a business expands to multiple outlets. Hence, it is critical to develop standard procedures that can be applied across all locations, and make sure that they are adhered to.

"Having codified procedures in place to ensure that the restaurant is run consistently from one day to the next, from one store to the next, and effectively measuring that performance – this is how productivity can be improved," Mr Budd explains.

However, there is one more key element that cannot be ignored: feedback. "People need to see and hear how they are performing. You can put all the procedures in place, but the key is to go back and measure performance against these procedures and let the people know how they are doing, for sustainable outcomes," says Mr Budd.

Keeping A Lid On Costs

The rising cost of ingredients is another pain point – one that companies attempt to address by reducing input costs. For restaurant owners, this means trying to negotiate better prices and pooling purchases across outlets to gain economies of scale. However, there is another solution that is just as important.

"Restaurants tend to approach innovation by adding new menu items but they don't always look at the impact of doing so on operations, in terms of the overall costs."

Cost savings can actually be found by addressing the complexity of the menu and "building from the ingredients out", according to Mr Budd. Some ideas are to use similar ingredients across a restaurant's menu, or introducing a radically reduced menu that will allow for better purchasing and less wastage of food.

Getting Expansion Right

For businesses that get both their product and processes right, success often comes in the form of increased demand and the opportunity to open new outlets. While this is certainly a plus, Mr Budd suggests some areas that companies should focus on to maintain productivity while expanding.

"There are a lot of good practices that should be applied to concept expansion. First is understanding each individual location before considering expansion – and knowing why some will make money and some won't. We've worked with operators with varying levels of productivity across units, and they don't understand why this is the case because they just build additional units while 'hoping for the best'."

Businesses also need to understand what drives productivity and how it affects profitability, before concept expansion. One way is to centralise some of the operations, says Mr Budd, such as through commissary cooking that supplies multiple units, or preparatory work that can be done in a centralised location.

Lastly, in measuring the performance of multiple units, operators need to develop a de-averaged view of the market. "This means looking at each unit separately, rather than just the average for all units. This will allow you to identify strong and weak performers and see where improvements are required. Averages hide the individual characteristics of each business and don't allow you to home in on areas that need to be upgraded."

Sustaining Best Practices

Despite Singapore's relatively low productivity in the food services industry, it would be wrong to assume that companies are not making an effort to improve their performance. Instead, the reason may be this: despite implementing productivity-enhancing processes and policies, there is little follow-through on the necessary structures and training to ensure that productivity gains are sustainable.

"It's important to decide exactly how you want execution to work in your restaurants, and to build training procedures that allow that to happen. This is the first step. Training alone will not ensure the spread of best practices, so procedures to monitor performance and a feedback system to the employees are necessary," notes Mr Budd.

One way to do this is to provide real-time, daily feedback to each location on its key operating metrics. Such feedback will allow the employees at each location to understand what they are doing well, and where there is a need for improvement. It can also form the basis to develop incentives to drive productivity improvement. ■

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Public Feedback Opens For Second Phase Of Employment Legislation Review

By Kala Anandarajah, Partner and Marcus Lim, Associate, M/s Rajah & Tann LLP

Introduction

On 22 July 2013, the Ministry of Manpower ("MOM") announced that it has embarked on the second phase of reviews for the Employment Act ("EA") and the Employment of Foreign Manpower Act ("EFMA"). Although no proposed changes have been announced as of yet, the public may send their views or opinions regarding the second phase of reviews for the EA and EFMA to the MOM through mail or email by 30 October 2013.

We had written about the first round of feedback in Issue No. 02/2013 of the Bulletin. Here, we provide you with a brief overview of this latest development and perhaps to have you thinking about planning ahead with respect to human resource matters.

Overview Of The Second Phase Of The EA Review

By way of background, the first phase of the review of the EA was completed earlier this year on 14 March 2013. The review covered general issues such as extending the coverage of the EA, improving the general employment standards and benefits for employees, and increasing the flexibility afforded to employers under the EA.

Expanding on the issues covered in the first phase of the review, the MOM stated that the second phase of review of the EA will focus on issues relating to further protection for the well-being of vulnerable workers, particularly those in non-traditional work arrangements. This is because while the majority of working residents remain employed in traditional work arrangements with clear employer-employee relationships and permanent positions, non-traditional work arrangements are also becoming more commonplace. Thus there is a need to review whether further changes can be made to enhance protection for vulnerable groups of workers under such non-traditional work arrangements, in a manner that does not impede the creation of jobs for this category of workers.

These non-traditional work arrangements include workers who

engage in contract work, outsourcing work and freelancing work. In this section, we briefly outline some of the issues that the MOM has identified for these groups of workers.

Contract Workers

Contract workers generally refer to employees who are on fixed-term contracts of employment. Such contracts will automatically expire unless they are renewed.

Currently, contract workers do enjoy similar protections and benefits accorded to permanent employees, with some of these benefits newly introduced. These benefits include protection for timely salary payment and against unauthorised deductions, unfair dismissals, and entitlements to sick leave and public holidays. Female contract employees who give birth to a Singaporean child on or after 1 January 2013, and whose contracts expire before they can fully consume sixteen weeks of maternity leave, may be eligible for the Government Paid Maternity Benefit scheme. This is provided that they have been in employment for a total of at least ninety days in the twelve months preceding the birth of their child.

In addition to the existing benefits stated above, the following issues were highlighted by the MOM in its announcement:

- **Minimum service period to qualify for leave entitlements** – Presently, the EA provides for paid sick leave, annual leave, maternity leave and child care leave for employees only if they fulfil a minimum service period of three months. This qualifying period was intended to provide employers with some flexibility, as well as a reasonable timeframe to assess their employee's suitability for employment before taking on responsibility for their employee's leave benefits. However, the MOM noted that some employers have tried to structure their short-term contracts to be renewed with a break every three or fewer months to avoid their EA obligations to provide leave entitlements. This suggests that as part of their review, the MOM may assess whether employers can continue to avoid their EA obligations with respect to contract workers in such a manner.
- **Disputes over non-renewal of contracts** – Some employers may choose to employ contract workers even for jobs that are of a more permanent nature. As a result, these employers end up renewing the employment of such contract workers multiple times, engaging them for the same job or position. However, the EA does not oblige employers to renew such contracts, nor does it require employers to provide any form of notice to the contract worker of non-renewal. Consequently, when an employer chooses not to renew the contract, the contract worker may perceive such non-renewal as being unfair and a dispute may arise between the contract worker and his or her employer. Following from this, the MOM seeks to review how the rights of such workers in such a situation may be better protected.

Outsourced Workers

Outsourced workers refer to workers who are employed by a third-party contractor ("Contractor") to work for a client company ("Principal"), under an outsourcing contract. Common examples include workers hired by to provide cleaning or security services.

For this group of workers, the MOM stated that they are vulnerable to salary defaults because Contractors often compete on price and consequently, may lower bids unrealistically to win contracts. As a result, Contractors may be unable to sustain their businesses and may eventually default on paying their employees' salaries.

Currently, outsourced workers do enjoy basic employment rights under the EA, as well as additional protection with regards to salary defaults. This additional protection includes:

- Principals being required to compensate outsourced workmen up to one month of their salaries should the Contractor of such workmen default on paying them their salaries. However, this will only apply where the Principal has engaged the Contractor for work that is 'in furtherance of the interests of his trade or business', ie where the Principal and Contractor are in the same trade.
- Principals being summoned by MOM Commissioners to pay to the Commissioner any money owed to the Contractor. This applies where the Commissioner has found that the Principal's Contractor is liable for the payment of any sum owing to its outsourced workers.
- A tripartite advisory on responsible outsourcing. The MOM has worked with the National Trades Union Congress and the Singapore National Employers Federation to publish a short note encouraging certain best sourcing practices. Some of these practices include:
  - Specifying service contracts on the basis of service-level requirements rather than headcount.
  - Recognising other factors as an indication of service quality, such as having a good track record, existence of written employment contract with workers, and grading and accreditation level.
  - Provision of a decent work environment for workers.

Although the advisory note is not binding, the MOM considers it to be an existing mechanism through which the interests of outsourced workers are protected.

In its announcement, the MOM highlighted that it wished to complement the protection by imposing additional responsibility on Principals with regards to salary defaults. No specific details were provided as to how this will be executed. Nevertheless, it is likely that Principals will be required to take a more pro-active role with regards to the management of their Contractors and in particular how Contractors are assessed during the bidding process.

Freelance Workers

Freelance workers refer to persons who typically operate their own business or trade but do not employ any other workers. Such workers are typically not covered by the EA or the Work Injury Compensation Act because there is no employer-employee relationship between the freelancer and his or her client. In fact most countries do not include freelancers in the ambit of their employment laws.

Nevertheless, freelancers in Singapore do enjoy some degree of protection under current employment laws. These include:

- **Family-related leave benefits** – Freelancers are entitled to claim from the government, any loss of income as a result of ceasing to be actively working while consuming any family-related leave.
- **Workfare** – Freelancers are entitled to benefit from the Workfare Income Supplement scheme if they have made the requisite CPF Medisave contributions. Freelancers may also benefit from the Workfare Training Support ("WTS") scheme when they sign up for any WTS qualifying courses.
- **Contractual Disputes** – Freelancers are able to seek redress for late payment of service fees or any other contractual disputes through the Small Claims Tribunal or the Subordinate Courts.

Based on the MOM's assessment, the majority of arrangements between freelancers and their clients are mutually agreed upon satisfactorily. However, the MOM highlighted that one category of freelance workers are particularly vulnerable.

This category refers to freelancers who exhibit certain employee-like characteristics, which include:

- having only one client;
- having fixed working arrangements such as fixed working hours, or
- having to wear the uniform of the client's company.

Despite exhibiting the above characteristics, these freelancers would not be considered employees under the EA. Thus, their clients would not be obliged under the EA to afford the same benefits that would have been provided to employees. As a result, the MOM is likely to review how this vulnerable group of freelancers may also be accorded protection under employment law.

Low-wage Workers

Separately, the MOM has also identified vulnerable low-wage workers as another group that will come under the review. One of the issues identified for this group include whether written employment terms and electronic payment of such workers' salaries should be mandatory. This is to avoid disputes between such workers and their employers.

Overview Of The Second Phase Of The EFMA Review

By way of background, the first set of amendments to the EFMA came into effect last year on 9 November 2012. The amendments enhanced the government's ability to take enforcement action against errant employers, foreign workers and syndicates, more expeditiously and effectively. This included creating a new administrative penalty regime for some offences, new contraventions and increased penalties for existing offences, and providing the MOM Commissioners with more powers of investigation of suspected breaches.

In its announcement, the MOM stated that it will be reviewing the existing rules relating to the employment of foreign workers. The review will include specifically, circumstances under which foreign workers could be allowed to change employers. Currently, foreign workers may not be deployed to another employer or to work in a different industrial sector, other than the employer and industrial sector specified on the work pass card.

Concluding Words

Although the MOM has only just embarked on the second phase of the review for the EA and EFMA, there are some indications of the areas of legislation where the MOM is likely to propose changes to. Businesses and employers would be well-advised to take this opportunity to provide the MOM with their feedback on the areas of review, as well as to take these potential changes into account as they prepare for the work year ahead. ■

A Story Of Growth And Productivity

By Meritus Hotels & Resorts

The Meritus Story

Meritus Hotels & Resorts founded its roots from the former Mandarin Singapore, now Mandarin Orchard Singapore, which opened its doors in August 1971. Back then it was the first hotel of its scale and calibre to be built on Orchard Road. The hotel boasted over 1,000 guestrooms housed in twin towers, restaurants that quickly gained huge followings (including Chatterbox, home of the legendary Mandarin Chicken Rice), and the most spacious and versatile meeting and banquet spaces on Orchard Road.

The hotel has since become the heart of world-class Asian hospitality in Singapore, serving guests with its signature hospitality over the last four decades.

Leveraging the success of the brand name that consequently became synonymous with Asian hospitality, it was decided that this unique service culture be extended to the rest of the world, thus Meritus Hotels & Resorts was established.

Meritus Hotels & Resorts has evolved as a respected and recognised Asian hospitality brand, present in key cities and idyllic destinations in Singapore, Malaysia, Indonesia, People's and the People's Republic of China. New developments are underway, spanning fast-growing business and tourism hubs around the region.

The Meritus Ambassador

As old as the establishment itself, the Meritus Ambassador – also affectionately known as the "Mandarin Girl" – was born in 1971, even before Singapore Airline's "Singapore Girl" came into existence.

Elegant in her iconic red cheongsam, the Meritus Ambassador is at the forefront of the brand's signature hospitality, epitomising Asian Grace, Warmth, and Care – hallmarks of the Meritus Experience. She served teas and welcomed guests from all over the world.

To this day, she has remained to be the first point-of-contact at every Meritus hotel, providing personal, prompt, and intuitive service from arrival to departure. She has transcended time to become the widely-recognised icon of Meritus Hotels & Resorts. She is a Meritus Mark of Excellence.

The Brand Promise

Our value proposition revolves around the merits of true Asian hospitality being the finest in the world. We embrace our heritage and aim to grow our brand by bringing the Meritus experience of "Asian Grace, Warmth, and Care" to more guests in more locations around the region.

From the moment a guest sets foot on to any one of our hotels, every touch point reflects the unique Meritus Difference. The personal welcome of our graceful Meritus Ambassadors, the whiff of our signature scent at the lobby, the dedicated attention and guest recognition from our service staff, the distinctly oriental ambience of our facilities – every step of the Meritus Experience is carefully designed and developed to personify our brand and serve the needs of the customer.

Asian Grace, Warmth, and Care at every turn – this is the Meritus Promise that we strive to deliver consistently at every one of our hotels and resorts.

The Challenge

The lack of available talent in the industry, particularly in Singapore, will continue to prove a challenge. The customer expects to enjoy their experience of our brand, and this we cannot deliver if we do not have the right people.

As a brand, we realise how important it is that we are perceived positively first and foremost by our internal audiences. Our own people are our best advertisement and brand champions. If they are a highly motivated, rewarded, and satisfied workforce, they reflect our brand positively to external audiences. Our appeal as a preferred employer increases – attracting and retaining talent become more achievable.

Our value proposition revolves around the merits of true Asian hospitality being the finest in the world. We embrace our heritage and aim to grow our brand by bringing the Meritus experience of "Asian Grace, Warmth, and Care" to more guests in more locations around the region.

It starts in our people as our most valuable brand ambassadors. Our staff are the immediate touch points of the Meritus brand experience. Hence, we believe in investing in the training and development of our staff so that they are equipped to best represent our brand.

Effectively managing talent is the surest way to cultivate overall brand and business excellence. Sufficiently trained and motivated people don't only get the job done, they also become valuable partners for growth.

Employee satisfaction determines customer satisfaction, which in turn drives business results. This is a simple enough equation, yet the solution requires a complex and delicate balance of innovation, productivity, and service delivery.

The Winning Strategy

Our strategy remains based on two simple truths:

- A happy workforce equals higher productivity
- Lead change and innovation to get ahead

The slew of recognition we continue to garner in the marketplace as well as the notable profitability of our business underscore that as a brand we are indeed standing out and making an impact where it counts.

More recently, Meritus Hotels & Resorts was one of only two organisations that scored multiple wins at the ASEAN Business Awards ("2012 ABA") held in conjunction with the 9th ASEAN Business & Investment Summit ("ASEAN-BIS") in Phnom Penh, Cambodia.

Meritus was named Most Admired Enterprise in the Growth Category, for demonstrating exceptional profit growth and long term vision for sustainable growth; and Most Admired Enterprise in the "Innovation" Category, for exemplifying innovation in organisational processes. Other awards recently received by the brand include:

- 2012 World Luxury Hotel Awards Global Winner - Luxury Brand
- Singapore Brand Prestige Award 2012 Heritage Brand

Champions of Productivity

At Mandarin Orchard Singapore, the following are in place:

Automation and Technology

- **Hotel Service Optimization System ("HotSOS")**

  With HotSOS's intelligent guest matching, profiling, and stay history features, we are able to have information about our guests at our fingertips. In addition, we are also able to anticipate guest needs and be more proactive because HotSOS's unique automation always gets us the right information, right when they need it. This brings about significant changes to staff's productivity. HotSOS also

delivers the essentials by automating and tracking preventive maintenance, service orders, and guest requests. All of this, in an affordable, easy to use, Internet-based application.

- **Room Expeditor ("REX")**

  REX is the first solution of its kind that streamlines the entire room assignment and clearing process and gets our guests into their rooms faster with Apple's new iPod Touch/ iPhone handhelds. Based on pre-defined business rules created, REX intelligently uses status changes from the hotel's Property Management System ("PMS") and other systems to optimise the order in which rooms are assigned to our room attendants. Since Apple has made the iPhone/ iPod Touch so intuitive, getting REX to perform his tricks is easy. With REX, the right room gets cleaned at the right time every time. There are no more scribbling on room sheets and no more misplaced as REX uses data from multiple systems in ways to help get guests their rooms faster. In addition, it communicates valuable guest information like name, stay details, and room setup preferences to the room attendant so they can really impact the overall guest experience.

- **iPTV "Second Screen" Solution**

  The in-room Internet Protocol Television ("IPTV") system connects guests at all of the hotel's 1,065 rooms to a host of conveniences, such as express check-out, concierge and dining services, access to movies-on-demand and 24 StarHub TV channels, etc. – all at the touch of a button. In addition to the system's ease-of-use through a comprehensive electronic programme guide, Mandarin Orchard Singapore is the first hotel in Singapore to launch a "second screen" solution enabling resident guests to remotely access in-room services from hotel-issued iPad devices. Adding to the guest experience through "anytime, on-the-go" IPTV access from anywhere within hotel premises, the specially designed mobile device solution is connected full-time to the hotel's internal Wi-Fi network. Guests are allowed to take advantage of this "express-check-out" function with the iPad, handled by the Mandarin Ambassadors at the hotel lobby on Level 5.

- **Passport Scanners**

  The hotel has also strategically placed passport scanners for a speedy check-in for guests at front desk.

Job Re-design

Mandarin Orchard Singapore also continually looks into re-designing and improving some of the work processes so as to attract Singaporeans to join the Hotel industry and cut down our reliance on foreign workers.

Competitive Salary & Benefit Packages

The Hotel also reviewed its salary and benefit packages from time to time so as to remain competitive and to retain talent

Job Flexibility Scheme

To further support productivity improvement, the Hotel is also implementing the Job Flexibility Scheme aimed at optimising manpower through initiatives that open up channels for cross-training and career advancement within the organisation. Staff that take part in the scheme will be recognised and rewarded on a quarterly basis through hotel dining vouchers or monetary incentives equivalent to 10% of their salary.

Staff Training and Development

To ensure that our associates are kept abreast of and benefit from knowledge of current industry trends and practices, a team of Learning & Development specialists have been tasked to implement training and development programmes tailored to all our employees. External resource experts are also brought in every now and again to conduct specialised seminars and workshops – all aimed in equipping our team with the tools to peak perform and deliver excellence.

- **The "Meritus Difference" Training Programme**

  Our brand is the promise we make to our customers – how we deliver this promise and live up to our identity is key not only to differentiating ourselves from the pack, but also to successfully creating a sustainable brand that elicits strong customer loyalty. As business operators, we know the value of good branding hence we invest in it. In fact, at Meritus we start the branding process internally through "The Meritus Difference" training programme that is mandatory to all employees. Launched group-wide in 2011, the programme is mandatory for ALL employees to go through and complete. Staff learn and role-play the various components that make up the overall hospitality experience distinct only to Meritus. They also learn more about the history and evolution of the brand, and gain a deeper understanding and appreciation of our aspirations as a brand. There now exists a great and concentrated thrust to deliver our Brand Promise of Asian Grace, Warmth and Care. We all must live and breathe the core values of our brand, and strive to make a difference by engaging and delighting our customers, each and every time. As our brand grows, the Meritus culture shall be our foundation for successfully bringing our distinct brand of Asian hospitality to a truly global level. This proved to be a great catalyst for staff motivation and delivery in our Brand Promise. A "One Team" culture has been successfully created through a constant demonstration of the organisation's Mission, Vision, and Core Values across all levels. As

a result of driving home a customer-centric service culture championed by the senior management team, it has encouraged openness, contribution of ideas, knowledge sharing, and improved work efficiencies – overall driving organisational excellence.

- **Teambuilding Activities**

  Happiness is the ultimate productivity booster at work. Elevating associates' physical, mental and social well-being is paramount. We strive to provide an inspiring, rewarding, and safe work environment for our people – our greatest asset and the key to our success.

  At Mandarin Orchard Singapore, a series of initiatives that promote one team and encourage fun and enjoyment include, amongst others:

  - Meritus Family Day
  - Foreign Language Training
  - Company-funded departmental get-together sessions, birthdays and celebrations
  - Regular sessions to encourage physical health through activities that include Yoga, Belly Dancing, Boxercise and Jazzercise
  - Sports competitions
  - Stress Management exercises
  - External training courses

- **Monthly Townhall Meeting**

  Launched in 2010, this exercise was enthusiastically embraced by hotel associates. During each Town Hall session, up to 300 employees are usually in attendance. The Hotel Manager takes this opportunity to share relevant information and updates - overview of hotel standing, financial performance, updates and staff engagement activities. Awards are also given out to recognise outstanding employees, birthdays are celebrated, and a feast is laid out for all to enjoy.

At Marina Mandarin Orchard Singapore, the following was recently implemented:

Automation and Technology

- **OneGuest Mobile Solutions**

  Marina Mandarin Singapore is the first hotel to use a fully integrated mobile technology to enhance customer experience at their Food & Beverage outlet. Called the "OneGuest Mobile Solutions," it fully integrates order-taking, customer service management, and real-time updates to provide customers faster service and more accurate information on their menu selection items.

  Service staff are also able to receive real-time updates from inventory stock level to customers' dish preferences, which allow them to better cater to their customers. The mobile solution, comprising the iPad, iPhone and a cloud-based content management system, is fully integrated with the hotel's point-of-sale system. This solution is developed in partnership with SPRING Singapore as part of Marina Mandarin's Customer-Centric Initiative ("CCI"), supported by Singapore Hotel Association ("SHA"), and initiated under the IDA Mobility Solutions Call-for-Collaboration ("CFC") in collaboration with the Singapore Tourism Board and Employment and Employability Institute ("e2i").

  The OneGuest Mobile Solutions is aimed at improving customer satisfaction, providing more customer-centric services and increasing staff productivity.

The Meritus Formula

We at Meritus Hotels & Resorts never lose sight of the fact that the heart of the business we are in is PEOPLE. By the same token, we champion the fundamental mindset that PEOPLE are the single greatest asset of any organisation. Because we believe and understand this, we reflect this in the way we operate our business and the manner by which we demonstrate the values of our brand. We strive to delight the external customer and deliver a personal hospitality experience unlike any other, whilst ensuring that we provide a productive environment for our internal customer - our staff.

Our corporate culture is one that is people-centric, and we work to keep this deeply ingrained in every one of our people. An organisation that runs in an environment that allows talent to flourish can expect sustained and collective growth, and of course, high levels of productivity.

We have been in the business for over four decades. We are growing, and we continue to be recognised in the market by various prestigious bodies in the industry. We have time and again demonstrated our robust business performance, and as a hospitality brand we have generated much interest from business partners who want to work with us to fly the Meritus flag in their respective locales. We have a management framework that supports overall business excellence – one that we hope keeps us in the path of sustainable growth. ■

Singapore Institute Of Directors Statement Of Good Practice:
Fees Payable To Non-Executive Directors

This Statement of Good Practice ("SGP") replaces an earlier version dated September 2008.

Whist companies do not compete for directors on a monetary basis, they need to make sure that remuneration is set a level which is fair and reflective of the role, responsibilities and the amount of work expected of them.

The Code of Corporate Governance gives explicit guidance on this subject. Guideline 8.3 of the Code specifically states:

"The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders."

The process for setting directors' fees is different from other aspects of remuneration. A company's remuneration committee ("RC") proposes fees for the consideration of the board and then fees are put to shareholders for their approval, invariably at the company's annual general meeting. Whilst not deciding their own remuneration, directors are put in a position to strongly influence it. With that in mind, these guidelines provide a necessary objective approach to considering the issue.

Setting Fee Levels

The demands placed on non-executive directors have increased significantly in recent years. The nature of their work is becoming more complex; the workload is increasing as are the responsibilities.

Given the diversity and size of companies and differing complexities of various businesses, it is not appropriate to set a standard rate of fees.

Establishing fee rates can be approached from two directions:

- A consideration of the time spent by directors to ensure that fees are compelling. Whilst few directors would keep detailed records of their time spent, they should be able to estimate the amount of time committed to various board activities. Estimated time can then be compared to prevailing rates of professional service fees.
- An external reference provides the necessary input to ensure that the fee levels are in line with market practice.

The external comparison should have reference to similar companies and with the key points of similarity being industry and company size. In reviewing and analysing comparative practices, it is important to recognise similarities and differences in governance structures, particularly the nature of the chairman's role, the structure of board committees and the overall governance environment.

Fee Structures

The standard method of recognising the different work levels and responsibilities of various non-executive directors is to adopt a detailed fee structure. Such structures define fees for different roles and it is convenient to express these as a multiple of a base fee (i.e. the amount paid simply for being a board member with no other roles).

As a guide, the following scale could be adopted:

Role	Additional Percentage of Base Fees
Board Chairman	75 to 100%
Lead Independent Director	20 to 40%
Chairman of Audit Committee	50-75%
Chairman of Nominating, Remuneration, Risk and other Board Committees	25-50%
Members of Board Committees	50% of the respective committee chairmen's fees

The total amount of fees that such a structure implies as well as the prospective fees for individual directors should be checked to ensure that they are reasonable.

Where directors have to make extensive travel commitments to attend meetings, it may also be appropriate to include specific fees for attending meetings and to reimburse travel expenses. Otherwise, the payment of meeting fees sends a signal that the only work that directors do is during meetings (when in reality their responsibilities are ongoing and continuous) and can lead to administrative difficulties, including determining whether or not a meeting is formal (and remunerated).

In special circumstances, for example when a company is undergoing major restructuring or other situations requiring significant increased input from directors, companies may wish to consider additional and once-off payments to their directors for these special duties.

Use Of Equity

When non-executive directors hold shares in their companies, their interests are in line with those of other shareholders. The Code of Corporate Governance recognises this in encouraging companies to implement arrangements to encourage non-executive directors to hold shares.

Shares can be provided as an alternative to paying fees in cash or as an additional grant to recognise particular achievements. However, including non-executive directors in options plans, performance share plans or other performance related arrangements should only be done after a full consideration of the attendant risks that such arrangements may compromise the directors' independence or judgement.

Where directors have been awarded shares, they should be further encouraged to hold them for the long-term and refrain from trading in their shares based on short-term considerations.

Disclosure

In their annual reports, companies are encouraged to disclose the dollar amounts of fees paid to each individual director on a named basis together with the value of any equity granted. It is also helpful for shareholders to understand the structure of and the basis for all director fee arrangements.

Fees For "Nominee" Directors

Directors have duties to the company and to all shareholders irrespective of whether or not they are independent. With this in mind, non-independent and non-executive directors (who may, for example, be representing a particular shareholder) should still be paid director fees in accordance with the agreed scales. It is then a matter for their employer to allow them to retain or to recoup the fees.

Approvals

It is good practice for the payment of fees and allowances for non-executive directors to be approved by shareholders in advance rather than in arrears. Accordingly, fees for non-executive directors should be recommended for approval at the annual general meeting during the year for which the fees are to be paid. In the unlikely event that it is found necessary to pay additional fees during the year, these can be approved at the subsequent annual general meeting.

Once the fees have been approved, they can be paid quarterly following regular board meetings or on some other regular basis.

Formalising Fee Reviews

Non-executive director fees are not increased regularly in the same way as salaries. Often, fees can go for many years without increases even though work loads are increasing and prices are rising.

In order to address the possible reluctance that Boards face in asking for fee increases, they should consider formalising a process whereby a formal, perhaps independent, review of fees is conducted on a regular basis, which can be, for example, every three years. ■

Non-Executive Directors' Fees:
The State Of Play

By Jon Robinson, Managing Director,
Freshwater Advisers Pte Ltd

Overview

In our article for the SID Directors' Bulletin – Issue No. 02/2012, we confidently predicted that "over the next two years, the fees paid by most Singapore listed companies to their non-executive directors will increase by twenty percent or more". The results are now in and we can rate our forecasting ability. But first, a look at the current state of play.

An Update

We have reviewed and analysed disclosed fee information in 295 Singapore listed companies with a market capitalisation of over S$100 million at the end of last year. The first, and most important, set of numbers concerns the amounts paid for years ending in 2012. Larger companies do tend to pay higher and it is helpful to look the figures in terms of company size

The first set of figures that we look at is the total cash fees paid to all directors. This is, essentially, the cost of governance. Shareholders would want to be comfortable that they are not paying more than necessary but also be cognisant that if fees are low then they might get corresponding levels of care and oversight.

We have then assessed the average cash fees paid to those directors who received them. From a director's perspective, these numbers are more relevant as they indicate whether a director is being paid fees at a level which is fair and reflects responsibilities and the amount of work expected.

	Total Fees Paid in Cash			
	Large Cap (> S$1 billion)	Mid-Cap (< S$1 billion; > S$300m)	Others (< S$300m ; > S$100 m)	All companies
Lower Quartile	314,014	171,875	159,625	174,375
Median	562,423	271,086	210,125	272,336
Upper Quartile	952,757	413,170	295,000	461,667

Average Fees Paid in Cash				
	Large Cap (> S$1 billion)	Mid-Cap (< S$1 billion; > S$300m)	Others (< S$300m ; > S$100 m)	All companies
Lower Quartile	56,796	44,026	36,816	40,964
Median	85,669	58,650	50,000	58,750
Upper Quartile	127,939	78,564	66,208	82,975

The median level of total fees paid in cash (i.e. not including equity or option grants) was S$272,000 with the median average fee for each NED was S$58,750.

Fees have continued to increase with the table below showing how 2012 fees have increased over 1 year and 3 years.

	Total Fee Increase			Average Fee Increase	
	1 yr	Avg 3 Yrs		1 yr	Avg 3 Yrs
Lower Quartile	0%	1% p.a.		-2%	1% p.a.
Median	3%	6% p.a.		2%	6% p.a.
Upper Quartile	14%	12% p.a.		16%	13% p.a.

The median rates of increase are in-line with general increases in salaries. However, the upper quartile increase is substantially higher. This indicates that companies have a tendency to give infrequent but large increases.

We have looked at market practices for some current issues:

Lead Independent Director

In many cases, companies will be appointing a lead independent director who, amongst other duties, will lead separate meetings of all the independent directors. We expect that many companies will make a specific payment for this role. However, the practice on this has yet to fully develop.

Initial indications are that an additional fee will be paid to the lead independent with that fee being in the range 20-40% of base board fees.

Value per NED	2009	2010	2011	2012
Lower Quartile	20,520	20,520	23,749	15,226
Median	35,454	36,112	36,248	32,536
Upper Quartile	67,600	94,162	48,746	58,751

Using Equity

Shares can be provided as an alternative to paying fees in cash or as an additional grant to recognise particular achievements. However, this practice is diminishing with only 11% of companies providing some form of equity to their non-executives. The median value of this equity is about half the median of average cash fees. Moreover, we have seen the value of equity grants generally declining.

Advance Approvals

Some companies ask their shareholders for advance approval of fees. This allows fees to be paid regularly through the year, typically quarterly after board meetings. The number of companies doing this has been consistently increasing and is now up to 31%.

So, how did our prediction turn out? Whilst fees have generally been increasing faster than in previous years, they did not reach our, with hindsight, bullish forecast. Over the last 2 years, only 28% of companies increased their average fees by 20% or more. The fundamental reasons for raising fees have not changed and we expect to see some catch up in 2013. This time, we won't make a bold forecast. However, we will continue to monitor practices and report our findings. ■

The SID provides a series of Statements of Good Practice on various governance topics. Given recent developments, SID has recently updated SGP 10 which covers Non-Executive Directors fees.

Diversity Task Force To Launch Survey To Study Gender Diversity On Boards

By Mildred Tan, Chairperson of the Diversity Task Force and Managing Director, Ernst & Young Advisory

Overview

The Singapore National Employers Federation ("SNEF") launched a survey on gender diversity on boards and in senior management in early August. The survey is targeted at CEOs of SGX-listed companies and statutory boards. It is part of a review by the Diversity Task Force ("DTF") and is supported by SGX, SID, BoardAgender and the Ministry of Social and Family Development ("MSF").

Boardroom Diversity: A Focus On The Gender Agenda

The lack of gender diversity on boards has been receiving much attention from various quarters including regulators, the media and researchers. The call for more women on boards is also gaining momentum locally and internationally. Companies are beginning to see that gender diversity should not be limited to fair hiring practices or a means to enhance its corporate social responsibility image. Instead, more and more companies are increasingly and rightfully seeing gender diversity as a business imperative – a contributing factor to good corporate governance and strategies, and effectiveness.

Research by Credit Suisse Research Institute has shown that companies with at least one woman on the board over the past six years had a higher average return on equity (16%) compared to those with all-male boards (12%)[1]. Given that women account for 70% of global consumer spending[2], women on boards and in senior management can provide greater insight into economic behaviour and consumers' choices. Companies that are more in-tune with customers' needs and preferences would be better able to develop better products and services, leading to market share gains[3].

Indeed, decisions made in the boardrooms must reflect the realities that we live in including the rising incomes, purchasing power and decision-making power that women now have.

Gender Diversity On SGX-Listed Boards And The DTF

Mdm Halimah Yacob, Speaker of Parliament, initiated the DTF during her term of office as Minister of State, MSF to look into gender diversity on boards in Singapore. This was prompted by the concern that despite the incredible progress that women in Singapore have made over the years, the proportion of women on boards remains strikingly low at 7.3% in 20114. While this is an improvement from 6.9% in 2010 and 5.8% in 2009, the gap between Singapore and other developed countries is widening. Several countries have improved at a faster rate than Singapore, e.g. Australia from 10.7% in December 2010 to 13.4% in December 2011 to 15.8% as of July 2013[5], and within the UK's FTSE 100 from 12.5% in 2010 to 17.3% as of March 2013[6].

As Chairperson of the Task Force, I have the privilege of working with a team of industry leaders from the private and people sectors to champion gender diversity on boards. They are Ms Yeo Lian Sim, Chief Regulatory & Risk Officer, SGX and Council Member, SID; Mr Patrick Ang, Deputy Managing Director, Rajah and Tann LLP; Mr Koh Juan Kiat, Executive Director, SNEF; Mrs Laura Hwang, President of Singapore Council of Women's Organisation and Co-Chair of BoardAgender; and Ms Junie Foo, Co-Chair of BoardAgender.

The lack of gender diversity on boards has been receiving much attention from various quarters including regulators, the media and researchers. The call for more women on boards is also gaining momentum locally and internationally. Companies are beginning to see that gender diversity should not be limited to fair hiring practices or a means to enhance its corporate social responsibility image.

Review Of Gender Diversity On Boards And in Senior Management

The DTF is examining the state of gender diversity on boards and in senior management of listed companies and statutory boards in Singapore, and its impact on corporate performance and governance. As part of the review, SNEF is conducting a survey targeted at CEOs of SGX-listed companies and statutory boards. The survey is supported by SGX, SID, BoardAgender and MSF.

The DTF will also be holding focus groups and in-depth Interviews with chairmen, board directors and CEOs in September and October. The DTF will produce a report with recommendations to the Government and businesses, which is expected to be ready by early 2014.

You Have A Part To Play

I would like to strongly encourage all CEOs to participate in the SNEF survey, which will take no more than 10-15 minutes. In addition, we would like to invite Chairpersons, board members and CEOs to participate in the focus groups and in-depth interviews. Your views and insights on this important issue will greatly contribute to a robust set of findings. This would enable the DTF to form a stronger set of strategies/ practical recommendations for companies to enhance their diversity practices to drive better business performance.

This is an opportune time to translate the talk into positive action. The boardroom is where strategic decisions are made. Women can bring fresh and diverse skills sets, experiences and perspectives to male-dominated boardrooms. When women are so under-represented on our corporate boards, our companies, and by extension society, will inevitably lose out, as they are unable to draw from the widest possible range of talent and perspectives. This is not just the right thing to do but the bright thing to do. ■

1. Source: Gender Diversity and Corporate Performance (2012), Credit Suisse AG Research Institute (https://publications.credit-suisse.com/index.cfm/publikationen-shop/research-institute/gender-diversity-and-corporate-performance/)

2. http://www.bloomberg.com/news/2011-07-24/women-controlling-70-of-consumer-spending-sparse-in-central-bankers-club.html

3. Source: Women in Economic Decision-Making in the EU: Progress Report (2012) (http://ec.europa.eu/justice/gender-equality/files/women-on-boards_en.pdf)

4. Source: Singapore Board Diversity Report 2012: The Female Factor, a joint collaboration between BoardAgender and NUS Centre for Governance, Institutions, and Organizations (CGIO)

5. Source: Australian Institute of Company Directors (http://www.companydirectors.com.au/Director-Resource-Centre/Governance-and-Director-Issues/Board-Diversity/Statistics)

6. Lord Davies' Review of Women on Boards 2013: https://www.gov.uk/government/publications/women-on-boards-2013-second-annual-review

Best Managed Board Awards: How The Cuts Are Made

By Jacob Tan, Consultant, Executive Compensation & Performance, Aon Hewitt Singapore, and Gabriel Teh, Senior Manager, SID

Overview

How did the final winners of the 2013 Best Managed Board Awards ("BMBA") made it? Three members of the working committee describe the gruelling process that they as well as the shortlisted companies went through.

Background

The BMBA was first introduced in 2003 with objectives of:

- Focusing board's attention on transparency, accountability, performance orientation, and good processes and practices
- Providing a multi-dimensional view of board effectiveness
- Ratcheting up benchmarks by bringing the best out of board practices in Singapore

Since then, corporate governance has come a long way in Singapore. It has progressed beyond the days of having the mindset of merely checking the boxes and meeting the minimum regulatory requirements to prevent a slap on the wrist.

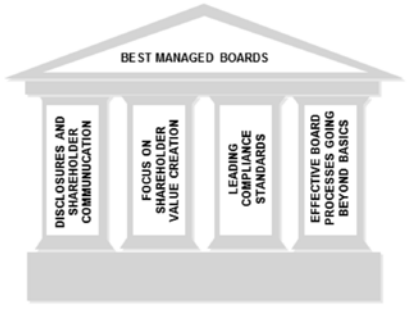

Exhibit 1. The Four Pillars of BMBA

In keeping with the times, this year's BMBA focused on four leading indicators to decide on the winners (See Exhibit 1). It is thus a combination of both quantitative and qualitative measures to determine the boards that are truly deserving of the award.

Disclosure And Shareholder Communication

Firstly, we looked at which of the listed companies in Singapore had comprehensive disclosures on their corporate governance in their public filings and communication to shareholders.

An index that assesses the transparency of listed companies is the Governance Transparency Index ("GTI") developed by NUS Business School and published by the Business Times (see Exhibit 2).

Using the GTI, the top companies were shortlisted for further review.

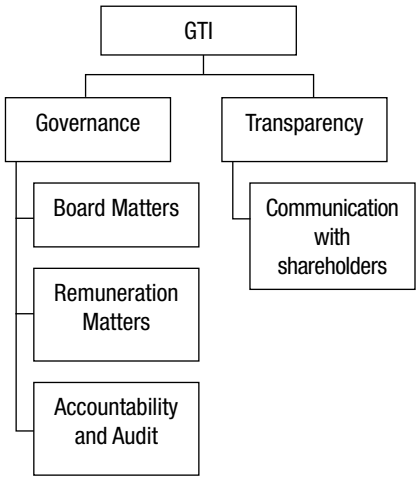

Exhibit 2. GTI Methodology

Boards are expected to engage in continuous and transparent dialogue with shareholders on their concerns and questions. An effective Board-shareholder engagement strengthens the Board's role as an active, informed, and engaged fiduciary. The best managed boards recognize this principle and actively seek new and innovative ways to engage their shareholders.

For example, one of the BMBA finalists invites retail investors to meet up and engage with their operating managers below the corporate executive level. Meeting up with the investors regularly beyond the mandatory AGMs gives managers an opportunity to build a strong rapport with the investor base. As a result, investors feel a greater sense of involvement and that their voices are being heard. As a result, they tend to be better informed and less critical.

Investors frequently do research on the companies and look for specific information on earnings, risk policies, management compensation. Well managed boards take pains to ensure that these information are provided thoroughly and in a timely fashion. Attempting to hide or mask these data only creates mistrust and suspicion. An example from the BMBA is a Board that stepped forward when there was adverse news, conveyed the bad news up front without spin, and acted quickly and decisively in a transparent manner to address the issue.

Focus On Shareholder Value Creation

Secondly, we based our selection criteria on the basic premise that for a Board to qualify for the BMBA, it has to return superior total shareholder return ("TSR"). We define superior not just in absolute terms, but also in relative terms. We selected companies based on positive outperformance against their respective Straits Times Indices, based on their market capitalization. In addition, it is based on a timeframe of 7 years, indicating that the Board needs to return long term value to its shareholders.

To return such superior gains to the shareholders, Boards need to be actively involved in several areas. The BMBA finalists all demonstrate a high level of involvement and commitment to strategic planning. The boards are regularly and comprehensively briefed by the management and external consultants on the competitive landscape, market realities, internal capabilities, and macroeconomic situation. In one case, up to 80% of the time spent by the Board was on strategy.

Good boards also ensure that the right management are in place and properly compensated.

Several of the BMBA finalists approve the compensation levels down to the direct reports to the CEO. They set targets that are focused on long-term shareholder value such as Economic Value Added ("EVA") and TSR measures over a multi-year period. These plans are cascaded down the organization to ensure that everyone in the organization is focused on creating superior shareholder value.

Leading Compliance Standards

Thirdly, BMBA finalists are expected to not just be compliant with regulations, but also lead the market in terms of the compliance standards. The Revised Code of Corporate Governance announced in May 2012 will take effect in respect of Annual Reports relating to financial years commencing from 1 November 2012. Therefore, we also looked at the latest annual reports of the shortlisted companies to gauge the level of early adoption and compliance with the new Code.

From our observations, many of the BMBA finalists have already began to anticipate the changes in the new Code and have even adopted the recommendations early, even for their financial years beginning January 2012. We see this as a sign of Boards which are progressive and stay ahead of the curve when it comes to corporate governance matters.

These Boards are staunch advocates when it comes to issues of corporate governance. As such, it has a positive knock-on effect on the general market and ratchets up the general

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standards of corporate governance in Singapore. Because of this, they have shown themselves to be worthy for consideration for the BMBA.

Effective Board Processes Going Beyond Basics

Following the application of the first three sets of criteria, a further shortlist of a dozen candidates in each of the three categories (large-cap, mid-cap and small-cap companies) was developed.

The working committee then met with the shortlisted candidates to assess their board organization and processes beyond the basics.

The structures and processes of the shortlisted companies tend to be fairly similar, as most boards have implemented best practices from the market. However, the boards that have impressed demonstrated something beyond that. As Mr Lim Chin Hu, one of the team members puts it, "A Best Managed Board is about cultivating healthy boardroom dynamics among a group of independent-minded and diverse individual directors and the management."

Following the company visits to the shortlisted companies, a smaller group of finalists was selected for a final round of interviews with a panel of highly esteemed and experienced judges from diverse backgrounds.

The panel probed further to gain a deeper understanding and appreciation of the board philosophy, dynamics, and processes. Finally, the panel members after debate among themselves, concluded on the truly exemplary companies who are worthy to be BMBA winners.

> Good boards also ensure that the right management are in place and properly compensated.

> Investors frequently do research on the companies and look for specific information on earnings, risk policies, management compensation. Well managed boards take pains to ensure that these information are provided thoroughly and in a timely fashion. Attempting to hide or mask these data only creates mistrust and suspicion. An example from the BMBA is a Board that stepped forward when there was adverse news, conveyed the bad news up front without spin, and acted quickly and decisively in a transparent manner to address the issue.

Making The Cut

In summary, a best-in-class board harnesses the diverse skills, experience, and expertise of their directors by promoting rigorous and robust debate, not shying away from difficult questions and constructive criticism.

An example is the organization-wide transformation undertaken by one of the finalists. The Board pushed for iterative processes with the Management and took on an active role in steering the transformation strategy. The Board retreat included visits to other leading international companies to tap into the emerging trends and network with influential players. Throughout the exercise, the Board's role was not to act as Management's rubber stamp, but its advocate, to continuously and relentlessly partner Management to transform and pursue its strategic objectives.

While Boards partner Management in driving strategy, the best Boards are also cognizant of the need for introspection. Independent external consultants are usually engaged to facilitate the evaluation of the Board, Board Committees, and each individual director, especially the Chairman. The evaluation is usually done through a peer appraisal exercise, with the use of questionnaires and sometimes, individual interviews and review of the decision-making process. The objective is to allow all directors an open platform to reflect and express their views on improvements for the Board, and to receive personalized feedback on how they may better contribute on the Board. These findings are then discussed with the entire Board and immediate steps are taken to address the surfaced concerns.

It is this mindset of having the fortitude to question and seek constant improvements, balanced with the humility to accept criticisms constructively, which defines the Best Managed Boards of our era.

"A Best Managed Board is about cultivating healthy boardroom dynamics among a group of independent-minded and diverse individual directors and the management." – Mr Lim Chin Hu ■

A Sleeper In The Boardroom

By Tony Featherstone, Former Managing Director, BRW and Shares Magazines

As critical board issues go, employee engagement barely rates compared with executive pay, director liability and broader environment, social and governance ("ESG") matters. Companies say "people are our greatest assets" and boards are "custodians of culture", yet it is hard to compare employee engagement across industries and over time, and understand how focused boards are on this issue.

Employee engagement will surely become a bigger challenge for boards in the next few years. A weakening economy outside the resources sector and in the south-eastern states is forcing more industrial companies to restructure their workforces. Boards will have to consider how companies maintain employee engagement as job losses mount, more functions are outsourced overseas and wages growth and productivity in non-mining sectors slows.

Longer term, corporate value will be based less on physical and financial assets and more on culture, staff engagement, creativity, networks and a host of other intangibles. Superannuation funds will rightly want more information on how companies engage their "people" assets so that they can compare performance across industries locally and globally and in longitudinal studies. Being an "employer of choice" will be a more valuable competitive advantage.

Even so, I am wary about calls from industry super funds for companies to provide more quantifiable information on all ESG risks or for a prescriptive rules-based approach to be applied in this area. Boards should not be forced to disclose sustainability risks that are immaterial, ancient history or

Employee engagement will surely become a bigger challenge for boards in the next few years. A weakening economy outside the resources sector and in the south-eastern states is forcing more industrial companies to restructure their workforces.

commercially sensitive. There should not be a "one-size-fits-all" approach to sustainability reporting. Care is needed in providing information that only gives ammunition to activists and other critics.

But boards can and should do more to improve company reporting on employee engagement, staff turnover, absenteeism, safety, diversity, remuneration and productivity. Some listed companies have made good progress in this area. Yet it is almost impossible to compare companies across industries on employee engagement and to include it in broader valuation assessments. Corporate culture remains as nebulous a concept as ever.

No one says this information is easy to provide or interpret. Qualifications are needed. A company in a slowing industry might have falling staff engagement and higher turnover because it makes hard decisions. Another undergoing a restructure might experience more absenteeism. The definition of "senior management" can pose problems when comparing diversity. And, boards might believe that such information about their workforce is commercially sensitive or immaterial to the share price.

Yet as an investor, I want to know if a company has higher staff turnover and absenteeism than its peers, less engaged staff, lags in diversity or has safety issues. I want to be able to track these metrics over time and decide if a company's culture is strong enough to adapt to innovations and changing markets. Most of all, I want to know that boards are on top of the issue, not just because they want their company to be responsible, but because rising staff engagement creates more shareholder value.

A company in a slowing industry might have falling staff engagement and higher turnover because it makes hard decisions. Another undergoing a restructure might experience more absenteeism. The definition of "senior management" can pose problems when comparing diversity. And, boards might believe that such information about their workforce is commercially sensitive or immaterial to the share price.

Studies by Gallup, Towers Perrin-ISR and others show a clear link between higher employee engagement and higher customer satisfaction and corporate profitability. Macquarie Group published one the best local reports I have seen on this topic in early March, ESG: Ever-Changing Employment Engagement. Macquarie took on the herculean task of comparing more than 100 ASX-listed companies on a range of employee-engagement metrics. It is hard to read too much into the findings just yet because, as Macquarie notes, the data some companies provide in this area is a "hodgepodge". It was still a terrific attempt to link Australian corporate performance with employee engagement.

That Macquarie and other top investment banks are starting to quantify ESG performance is instructive in itself. As big industry super funds demand more information in this area, brokers are responding with more analysis on ESG. There is still a long way to go before the market values companies on ESG performance, not just next year's forecast earnings. Nevertheless, this trend will only get stronger as investors demand more information from companies beyond financials.

Apart from reporting, boards need to ensure they understand management's strategy for employee engagement and that the right data on this issue is being captured and presented to them. They need to assess if there are sufficient skills on the board to understand, quantify and improve corporate culture, ensure strategy and culture are aligned, and that managers are rewarded for employee-engagement gains. They need to think deeper about what being a custodian of corporate culture means.

To be fair, some companies and boards excel in this area. Macquarie's report showed several Australian companies, such as BHP Billiton, are leaders in this area, and others are improving. Macquarie also identified plenty of laggards that need to lift employee engagement.

My sense is that more boards can show leadership in this area and turn a significant threat into an opportunity. ■

This article by Tony Featherstone first appeared in the Company Director (Vol. 28, Issue 3), the monthly publication of the Australian Institute of Company Directors, and is reproduced with permission.

The Quality Of Working Life: Managers' Wellbeing, Motivation And Productivity

By Professor Les Worrall, Professor of Strategic Analysis, Faculty of Business, Environment and Society at Coventry University and Professor Cary Cooper, Distinguished Professor, Organisational Psychology and Health at Lancaster University Management School

The recent economic crisis has created waves of turbulence that have rocked and even sunk many UK organisations. This article looks at the effects of this turbulence on both organisations and, more specifically, on the managers who work within them. Les Worrall and Cary Cooper reveal that cost reduction-driven organisational change has ripped through businesses and that the impact of this change has worsened the quality of working life of many managers. More importantly, the authors identify that the gap between the perceptions of those at the top of organisations has widened from those at lower levels, providing an analysis that raises major concerns about how well UK organisations are being managed.

Introduction

Since 2007, the UK economy has suffered the deepest, most protracted recession and period of no/low growth since the 1930s. In his 2007 budget statement the then Chancellor of the Exchequer, Gordon Brown, commented "And we will never return to the old boom and bust" – never has a politician got it so wrong. Within a year, the UK's biggest boom became its biggest bust. As the credit crunch was superseded by the euro crisis, the UK economy has suffered a period of protracted turmoil. But, how has this turmoil affected organisations? And, more important, how has it affected managers' wellbeing?

Since 1997, we have been conducting research to assess how well the managerial assets of the UK are being managed and how the quality of managers' working lives is changing. Luckily, we ran a survey in 2007 – just before the credit crunch. We decided to run another survey in 2012 to measure how the quality of managers' working lives had changed over the intervening, tumultuous years. Consequently, we have been able to explore how successive waves of turbulence have impacted

upon a wide range of measures such as the hours managers work, on managers' physical and psychological health and on measures such as job satisfaction, employee engagement and sense of job security. While we were not surprised by our findings, we were disturbed by them and particularly by the scale, pace and impact of the changes we unearthed.

"Managers affected by radical organisational change increased markedly from 2007 as organisations sought to reduce costs by intensifying their use of managerial labour and by creating an environment in which managers felt it necessary to work harder, faster and longer."

Cost Reduction And Sweating Managerial Assets – The Prime Driver of Change

The percentage of managers affected by radical organisational change increased markedly from 2007 as organisations sought to reduce costs by reducing headcount, by intensifying their use of managerial labour and by creating an environment in which managers felt it necessary to work harder, faster and longer. In 2012, over 82 per cent of managers cited cost reduction as the prime driver of change compared to 60 per cent in 2007. As a result of the pace, scale and intensity of change – and also because managers had often experienced overlapping waves of change – managers' views of the effect of organisational change were overwhelmingly negative: 68 per cent reported a lower sense of job security; 70 per cent reported reduced morale; 64 per cent reported reduced motivation; and, 53 per cent claimed that organisational change had reduced their sense of wellbeing at work. All these measures had deteriorated from 2007.

Our data allowed us to assess change for different levels of management and we soon became concerned about the disparity in perceptions between those at the apex of the organisational pyramid and those at its base. Far more important, we found that this gap had widened on many of our measures. For example, while 37 per cent of directors felt that change had decreased morale, this increased to 82 per cent for junior managers. The equivalent figures for 2007 were 34 per cent for directors and 63 per cent for junior managers. While the score for directors had deteriorated slightly, the deterioration for junior managers was far more marked. In all the surveys we have conducted since 1997, we have found a disparity between the views of directors and all other managers. In 2012, we were disconcerted to find that the difference between directors and all other grades of manager had widened almost all our measures. The perceptions gap between those at the apex of the organisational pyramid and those at its base had widened noticeably and we are concerned that the impact of change has not been experienced more evenly across organisations.

Key Changes Pre- and Post-Crisis

- job satisfaction declined from 62 per cent to 55 per cent
- the percentage of managers who felt fairly treated by their organisation declined from 60 to 54 per cent
- the percentage that thought that their organisation was good employer declined from 69 to 64 per cent
- the percentage that thought senior managers were managing change well declined from 45 to 30 per cent
- the percentage that thought senior managers were committed to promoting employee wellbeing declined from 55 to 39 per cent
- the percentage working two hours or more per day over contract increased from 38 to 46 per cent
- the percentage suffering from symptoms of stress increased from 35 to 42 per cent
- the percentage suffering from depression increased from 15 to 18 per cent
- while managers were more likely to have reported symptoms for ill-health, they were less likely to have taken time off work than in 2007
- managers were less likely to think that employees were treated sympathetically by their organisation if they took time off work sick
- there was a marked increase in presenteeism with fewer mangers being prepared to take time off work even if they were ill

"Organisational change is usually 'sold' to employees using the rhetoric of increased flexibility, employee participation and productivity. Our research reveals that only a minority of employees was convinced that change had had these effects."

The Dubious Rhetoric Of Organisational Change

Organisational change is usually 'sold' to employees using the rhetoric of increased flexibility, employee participation and productivity. Our research reveals that only a minority of employees was convinced that change had had these effects. It did reveal that directors were far more likely to have convinced themselves that organisational change

had delivered positive outcomes. For example, directors were more than twice as likely as junior managers to think that change had led to increased productivity, faster decision making, increased employee engagement and increased flexibility. Junior managers were more than twice as likely as directors to think that change had caused the organisation to lose key skills and experience. All these gap measures had widened since 2007. It is abundantly clear that the effect of organisational change had, as in all our previous studies, not been seen positively – except by directors. Organisational change – especially if you were a junior manager – was felt to have had negative effects on your morale, loyalty, motivation and psychological wellbeing. Consequently, we believe that directors had become even more distant from the day-to-day reality of the organisations that they were attempting to lead.

Working Harder, Faster And Longer

In 2012, managers overwhelmingly felt that organisational change had increased the pressure on them to work harder, (78 per cent), increased the volume of work they had to do (76 per cent), increase the pace of work (66 per cent) and increased the pressure on them to work longer hours (61 per cent). Interestingly, junior managers were more than twice as likely as directors to feel that they now had less control over how they did their jobs. The main effect of organisational change had been to force workers – many of whom now felt less secure in their jobs – to intensify and extensify their work effort. The prime effect of cost reduction-driven organisational change had been to increase the pressure to work harder, faster and longer with the erosion of managers' control over how they do their jobs. The rhetoric of employee engagement and empowerment and the reality of managers' working lives seem to be two completely different things.

Work-life balance has effects both inside and outside the workplace. Inside the workplace working too many hours is a driver of stress and physical and psychological ill-health. Outside the workplace it has a profound impact on individuals and their families. These effects are significantly enhanced if managers feel that they have no control over the hours they work. By 2012, there was a marked increase in the percentage of managers who worked two hours or more per day over their contract hours. In 2007, 38 per cent of managers worked two hours or more per day over contract but by 2012 this had increased to 46 per cent. Worryingly, over 50 per cent of managers said that working long hours had a negative effect on their stress levels and on their psychological and physical health. For some groups of managers, the effects were more extreme. For managers who worked three hours or more per day over contract and were only doing so because of the pressure of work, 78 per cent felt that the hours they worked had had a negative impact on their stress levels, 76 per cent felt that it had had a negative effect on their physical health and 70 per cent felt it had had a negative effect on their psychological health. Given these adverse health and wellbeing effects, it is disturbing that the percentage of managers who now feel they have to work very long hours over contract has increased since 2007.

The Evolving Picture Of Managers' Health: Changes From 2007 To 2012

An important element of our research is monitoring change in managers' physical and psychological health. In both surveys, we obtained managers' views about their physical and psychological health using two sets of questions. The first set asked managers about their experience of common physical manifestations of ill-health. The second set referred more to aspects of psychological wellbeing – some of which were crucially important as they affected managers' behaviour at work and, in particular, their ability to do their jobs effectively (for example, managers were asked if they had suffered from feeling unable to cope, anxiety and from having difficulty in concentrating).

"The percentage of managers who had suffered from the symptoms of stress and depression varied sharply in the organisational hierarchy. Directors were the least likely to report stress and depression while junior managers were the most likely to report stress and depression."

While the incidence of ill-health in 2012 is important, what is more important is how the incidence of ill-health has changed over time. Managers reported worse scores on twelve of the thirteen measures of physical ill-health we examined. The percentage of managers that experienced symptoms of stress showed the greatest increase – from 35 per cent to 42 per cent. We regard a seven percentage point increase in our stress measure as an issue of some concern. The percentage of managers experiencing symptoms of depression increased from 15 per cent to 18 per cent. The percentage of managers who had suffered from the symptoms of stress and depression varied sharply in the organisational hierarchy. Directors were the least likely to report stress (32 per cent) and depression (13 per cent) while junior managers were the most likely to report stress (49 per cent) and depression (28 per cent).

Fifteen of our seventeen measures of psychological ill-health worsened. Of particular concern was the decline in the measures that directly affected managers' ability to do their jobs effectively such as constant tiredness, difficulty in making decisions and having difficulty

in concentrating. For example, the percentage of managers that had difficulty concentrating increased from 37 per cent to 45 per cent with constant tiredness and insomnia/sleep loss remaining persistently high and deteriorating from their 2007 levels.

An analysis of absence and ill-health revealed an important finding: while the proportion of managers experiencing symptoms had increased, their absence levels and their willingness to take time off work when ill had decreased. Our concern here is that "presenteeism" and the tendency to "soldier on" even when unwell had become more prevalent indicating managers' concerns that taking time off may undermine their future job security at a time when their sense of job insecurity had increased. Managers also reported that their organisations had become less tolerant of absence and that attitudes to those taking absence had hardened.

"An analysis of absence and ill-health revealed an important finding: while the proportion of managers experiencing symptoms had increased, their absence levels and their willingness to take time off work when ill had decreased."

Directors were least likely to report having experienced symptoms of ill-health on all of our measures and junior managers were the least likely. On most measures, the differences between directors and junior managers were wide and had widened: for example, while 18 per cent of directors had had feelings of being unable to cope, this increased to 42 per cent of junior managers; and the percentage of junior managers reporting sleep loss/insomnia increased from 57 per cent to 70 per cent.

The Managerial Implications Of Our Findings

We are not against organisation change: organisations cannot be preserved in aspic or they will ossify, become less competitive and, ultimately, die. What we are against is poorly managed organisational change and it is disconcerting to note that our respondents' views of how well change was being managed by top management had deteriorated. In 2007, 45 per cent thought that top management in their organisation was managing change well but this declined to 30 per cent in 2012. What we ask is that, when planning change, top management think more deeply about the effects of change on employees' wellbeing and on the volume and pace of work that those affected by change will have to cope with. It is clear that too many directors have too little understanding of the wider organisational costs and consequences of cost reduction, of redundancy, of delayering, of work intensification and of the erosion of terms and conditions.

"It is clear that too many directors have too little understanding of the wider organisational costs and consequences of cost reduction, of redundancy, of delayering, of work intensification and of the erosion of terms and conditions."

A comparison of 2007 and 2012 reveals that many organisations have taken a step backward on measures that are generally seen as desirable and indicative of good management practice: respondents felt less fairly treated; levels of mutual trust declined; managers' sense of empowerment declined; and, top managers were seen as less committed to promoting wellbeing and less favourably as effective managers of change. It is not surprising that job satisfaction declined.

"Top managers should be less self-deluding about what they can realistically achieve without causing long term damage to their organisations, and they should certainly avoid serial waves of continuous change that only serve to disorientate and demotivate the workforce."

The impact of the post 2007 recession on the UK economy has been profound and it has sent shock waves through many organisations. While we accept that responding to these shocks has been difficult for many top managers, we feel that they need to become far more adept at managing change if their organisations are to grow and prosper in the future. While cost reduction might be needed, it always has huge costs of its own and, in making their restructuring decisions, top managers need to factor in the costs of lost productivity through employee ill-health, workforce alienation and losing the key skills that their organisations will need if they are to grow in the future. Top managers should be less self-deluding about what they can realistically achieve without causing long term, irreparable damage to their organisations, and they should certainly do all they can to avoid serial waves of continuous change that only serve to disorientate and demotivate the workforce and ultimately undermine the cultural fabric of the organisation.

Our research is conducted in partnership with the Chartered Management Institute. The 2007 and 2012 surveys were both sponsored by Simplyhealth. ■

The article was originally published in The European Business Review, July/August 2013 issue.

Welcome Aboard

July 2013

Bales	Scott	Macfadden	Declan	Wong	Chee Boon
Bay	Guan Seng	Ong	Zhi Hao Gary	Wun	May Ling Tracy
Breniman	Susan	Phey	Teck Moh	Yang	Chin Shen
Chan	Hock Leong	Schmitz	Robert	Yin	Zhenwei Joyce
Chan	Terence, Sum Yong	Tan	Wee Han	Zahidi	Syed Aamir
Chong	Yew Mun Alan	Ting	Siew Yong		
Koh	Boon Pin	Usher	Denis Allen		
Low	Gabriel	Wang	Xin Bin		

August 2013

Ashton	Laura	Lee	Saik Chuan	Nagoor	Sheriff Babu
Cheng	Alvin	Lee	Ker Shien	Or	Lay Huat Daniel
Chew	Kng Poo	Lim	Chin Wah Edward	Papin	Nicolas
Chew	Mun Yew	Lim	Kuan Meng	Poon	Joe Keen
Duncan	Cameron Lindsay	Lim	May Ling Ginney	Soh	Caren
Goh	Aik Guan	Lim	Shirley	Tan	Hayward
Hwang	Kin Soon Ignatius	Lim	Shiwei	Tan	See Boon Tony
Ismail	Mohamed Nasser	Lo	Julie	Tang	Keen Fei
Kaur	Sangeet	Mahoney	Roderick Douglas	Yap	Tin Foo Jonathan
Lai	Danny	Mansveld	Rene		
Lee	Deborah	Mallek	Anthony		

Call for articles, thoughts, snippets, etc.

The institute would like to hear from you. Send us aricles, thoughts or even short snippets of issues that you are keen on, that you want to share about, or that keeps you awake at night. It only needs to relate to directors and/or corporate governance. For articles, keep it to 1200 to 1500 words at most. Send your materials by email to the Institute at secretariat@sid.org.sg

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Personal D&O Insurance

Allianz Insurance Company of Singapore Pte Ltd and Aon Singapore Pte Ltd in collaboration with the Singapore Institute of Directors (SID) have recently launched a Personal D&O Insurance program exclusive to SID members, protecting them against liability arising from their responsibilities as a director, of up to $1 million. The first group of policies has already been issued on the 15th October 2011.

Personal D&O Insurance provides similar protection as traditional D&O Insurance policies, but is taken out in the name of an individual director or officer rather than as an entire board of directors. Cover can be provided for up to three separate directorships.

Why Is It Necessary?

Personal D&O Insurance provides directors and officers with an individual, portable policy for their exclusive benefit. Such cover is relevant to all directors, and is of particular importance to the following:

- Directors of companies that do not purchase D&O Insurance.
- Directors of companies that purchase inadequate insurance, whether in terms of breadth of cover or policy limit.
- Independent directors.
- Directors who are resigning or retiring from their positions, and who seek run-off protection.
- Professionals who assume positions on client company boards.

"Independent directors are uniquely exposed to liability arising from the companies whose boards they sit, while lacking the ability to directly assure that the company purchases relevant insurance coverage to respond to these exposures," said Mr James Amberson, Regional Manager of Financial Lines for Allianz Insurance Company of Singapore. He added that the insurance program developed in collaboration with Aon and SID is a proactive response to this issue and provides directors with the opportunity to mitigate this risk for themselves.

"We are delighted to partner with Allianz and the SID in providing this innovative protection to directors in Singapore. Personal D&O Insurance provides the opportunity for directors to control the breadth and level of protection available to them," said Mr Michael Griffiths, Director of Professional Services at Aon Singapore.

Exclusive to SID Members

Personal D&O Insurance cover is available exclusively to SID members.

A $1 million Personal D&O Insurance policy covering up to three separate directorships will cost S$1,000 plus GST.

For further details please refer to the SID Website,
or call Gladys Ng at Aon Singapore on 6239 8880 or email gladys.ng@aon.com.