

Role of the Board

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Key Purpose of the Board

To ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and relevant stakeholders

Key Tasks of the Board

FORESIGHT

Establish Vision, Mission and Values

STRATEGIC THINKING

Set Strategies and Structure

OVERSIGHT

Delegate to management

RESPONSIBILITY

Exercise accountability to shareholders and be responsible to relevant stakeholders

Reserved Powers

- **Accounting and management control policies and practices**
- **Director and senior manager appointments, removals, terms, conditions etc**
- **Auditor issues**
- **Communications to shareholders and the media**
- **Dividend payments**

Cont....

Reserved Powers

- **Disposal or acquisition of major assets**
- **Major contracts and investments**
- **Authority levels**
- **Treasury, risk management and capital policies**
- **Budgets, strategies, mission and vision**

Features of a well run board

- **Have a good balance of well-chosen and competent directors**
- **Meet regularly**
- **Have challenging agendas**
- **Keep minutes correctly**

Cont....

Features of a well run board

- **Shape the destiny of the company**
- **Focus on the key tasks of the board**
- **Have board induction, inclusion, competence building and evaluation / appraisal systems in place**

Features of a poorly run board

- **Be too big or too small**
- **Have insufficient range of expertise**
- **Be provided with inadequate information**
- **Take major decisions with inadequate debate or no challenge**

Cont....

Features of a poorly run board

- **Have decisions made by cabals of the board**
- **Have few reviews to see if the decisions were correct or not**
- **Fail to push management hard on succession, investment (including training), R&D, product or market development**
- **Fail to keep the company's financing arrangements under review**

Roles of a director

- **Decision maker**
- **Challenger**
- **Supervisor of executive management**
- **Reflective**
- **Listener**
- **Process manager**
- **Knowledge provider**
- **Developer**
- **Company representative**
- **Maverick**
- **Representative**
- **Status provider**

Those who advance most rapidly to the top are:

*effective planners and organisers
who take actions involving clear risk;
show vision, inspiration, commitment and enthusiasm;
who develop, appraise, direct and take charge of their staff;
who are ascendant, forceful and decisive and who
set demanding goals for self and others,
see things through to completion, play to win
and who are determined to beat others.*

Dulewicz and Herbert (1999) p20

“Many academics and consultants, however, will be disappointed to learn that performance on some of the softer competencies and personality factors concerned with, for example, interpersonal relationships and integrity does not appear to lead to rapid advancement to the top.

The high fliers appear to be rather hard nosed, calculating individuals.”

Dulewicz and Herbert (1999) p20

Independent Directors (UK definition)

An independent director in a listed company should not :

- **Be a former employee of the company or group within the last five years;**
- **have, or have had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;**
- **have received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;**

Cont....

Independent Directors (UK definition)

- **have close family ties with any of the company's advisers, directors or senior employees;**
- **hold cross-directorships or has significant links with other directors through involvement in other companies or bodies;**
- **represent a significant shareholder; or**
- **have served on the board for more than nine years.**

Disadvantages of Combining the roles of Chairman and Managing Director

- **Succession issue**
- **Roles Ideally need different temperaments and motivations**
- **More difficult for Executive Directors to act in their director roles**
- **Confusion as to which hat is being worn in the boardroom**

Cont....

Disadvantages of Combining the roles of Chairman and Managing Director

- **Too much power in one person**
- **Two heads are better than one**
- **Under pressure management demands take precedence over governance**
- **Above a certain size, there is too much for one person to do**
- **Exterior profile is narrower than with two persons**
- **One person is more vulnerable than two**

Board Committees

Executive Committee

Audit Committee

Development Committee

Remuneration Committee

Board Meetings

- Frequency** - 4 to 14 / year
- Duration** - 2 to 4 hours (preferably)
- Location** - vary if possible - good environment
- Seating** - plan it - avoid power groups
- Notice** - Normally pre arranged
- Agenda** - Circulated in advance

An effective board can provide an important source of competitive edge to the company.

Bangladesh: General Meetings - 2005

Dividend Distribution Scenario-05

Dividend Range	No of Company	Dividend Range	No of Company
Below 10%	45	51-100%	7
11-20%	47	Above 100%	2
21-30%	18	Bonus Share	54
31-50%	13	Right Share	9

- Among 248 companies and 11 mutual funds listed with DSE, only 132 (51%) declared dividends in 2005.
- Almost 36% of these securities paid dividends within the range of 11-20%, which was above the interest rates of Government savings certificates and FDR in all commercial banks.

Compliance

Compliance	No of Company	Compliance	No of Company
AGM held	218	No dividend	66
Dividend	132	No AGM held	18

- During 2005, some 218 companies held Annual General Meetings (AGM), while 18 failed to hold in time.
- For non compliance with SEC, 9 companies received reprimand letters, 18 received show cause letters, while all directors of 8 companies were fined between Tk0.1m and Tk0.2m.

THANK YOU!