



INAUGURAL SINGAPORE CORPORATE GOVERNANCE WEEK 2010



Creating an Effective Board -Lessons from the Australian Boardrooms –

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[The views expressed in this presentation are those of Steven Cole and may or may not reflect the views of Australian Institute of Company Directors. Grateful acknowledgement to Leah Watterson (senior policy advisor) and James Chesnut (research assistant) of Australian Institute of Company Directors for their assistance in preparing this presentation]

“The limited liability corporation is the greatest single discovery of modern times ... even steam and electricity are far less important than the limited liability corporation”

Nicholas Murray Butler
President of Columbia University
16 November 1911

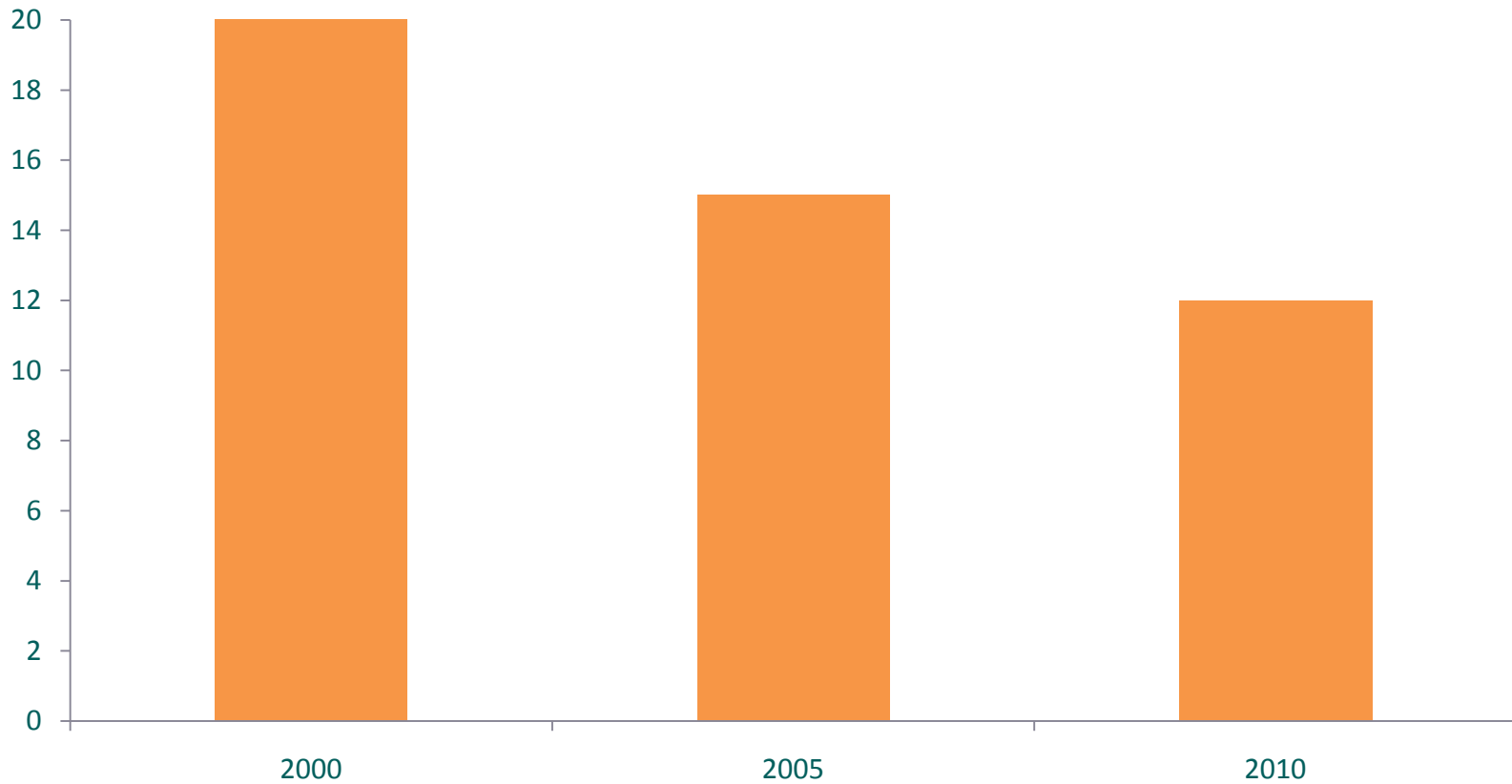


“All of us who work in the global business community recognise that substantial wealth creation by businesses around the world is crucial to the successful development of our global society. As well as providing direct returns for their employees, shareholders and suppliers, successful businesses also contribute to the communities in which they operate by developing the capabilities of the people within them.”

Francois Bernard
Chairman, RSM International



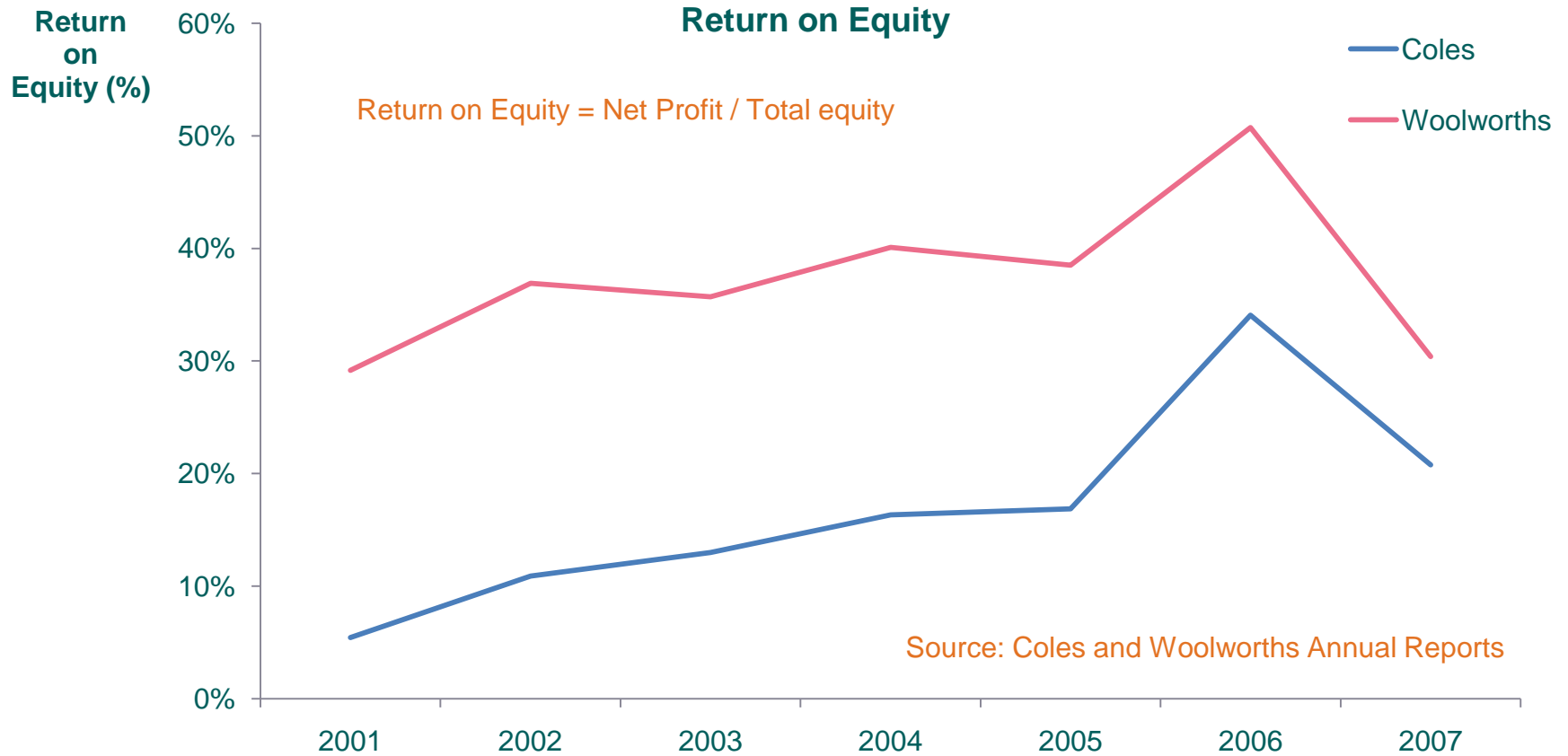
companies continuously represented on ASX 20 since 2000



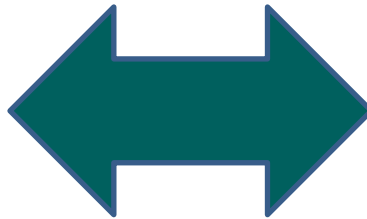
Source: ASX, Bloomberg



Woolworths v's Coles Performance – Return on Equity



**GOVERNANCE
FUNCTIONALITY**



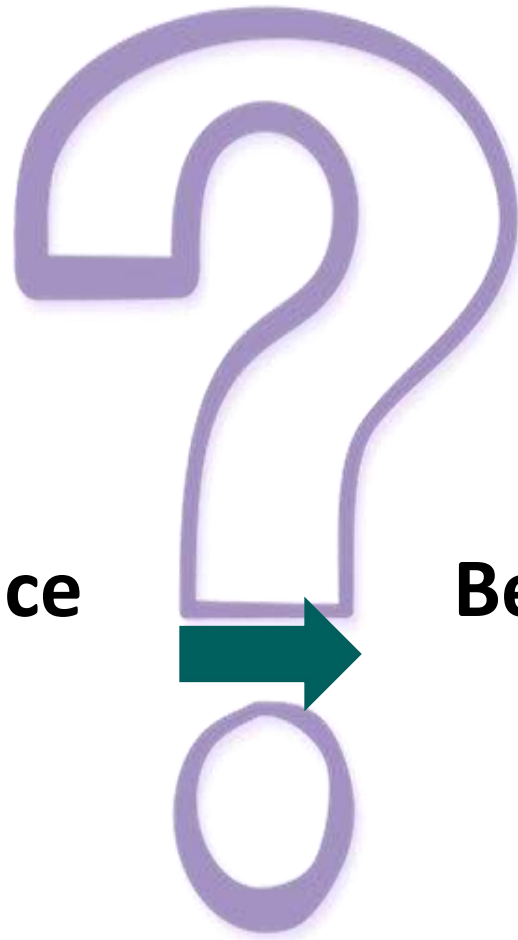
**CORPORATE
PERFORMANCE**

CORPORATE GOVERNANCE means:

“the systems and processes by which quality decision making is optimised and actioned to increase the probability of:

- ***enhanced corporate performance; and***
- ***effective management of risk.”***

Better Governance



Better Performance

“What is truly astonishing, given the enormous amount of work that has been done on corporate governance, is how little has actually been learned about effective governance.”

***Richard Leblanc and James Gillies
(Coming Revolution in Corporate Governance)***

“Logically and intuitively you stand back and say well managed companies should perform better, but it is an area of a lot of debate.”

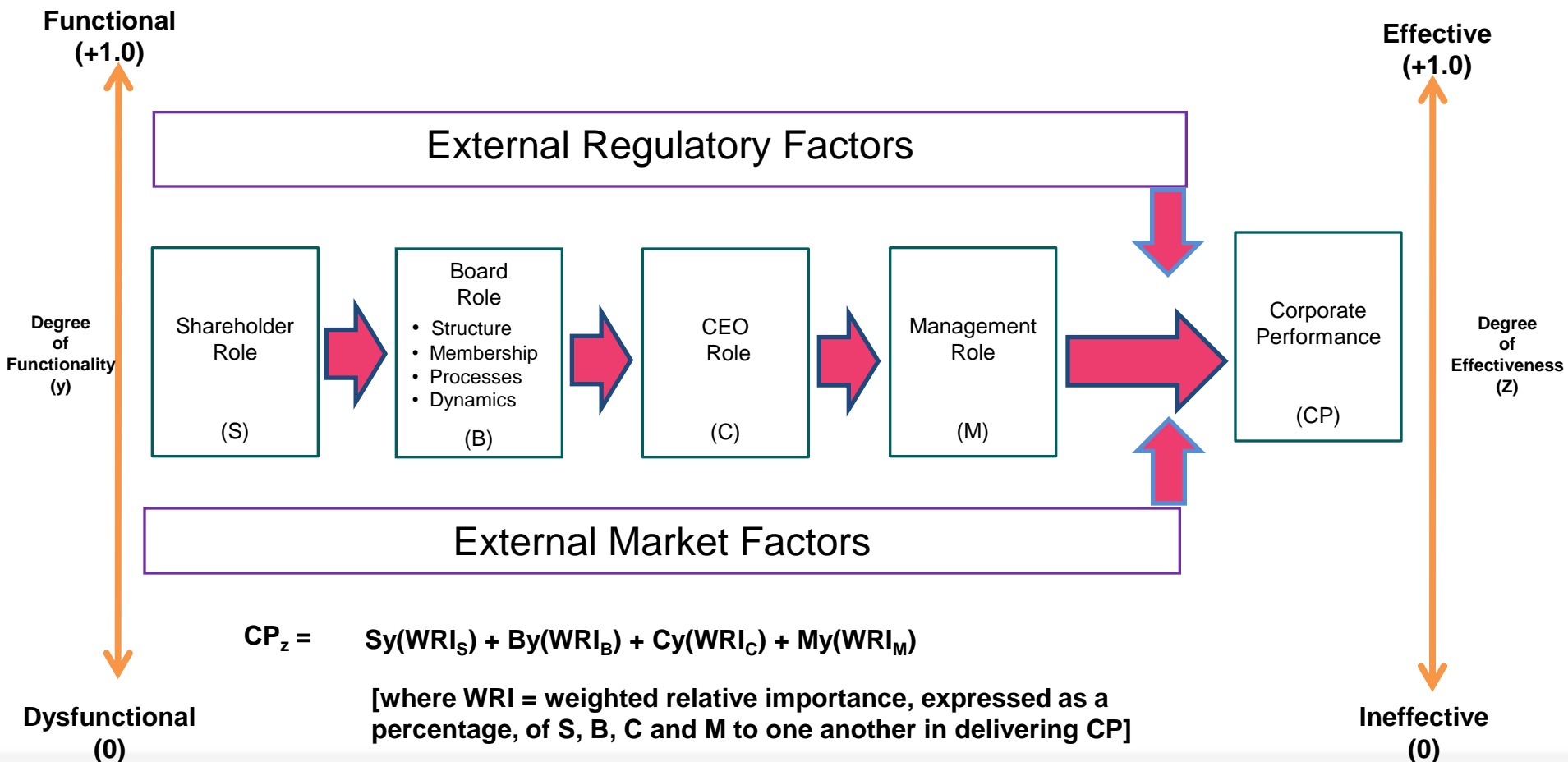
***Andrew Gray
(Goldman Sachs JB Were)***



**EFFECTIVE CORPORATE GOVERNANCE is a
HIGHLY COMPLEX and SOPHISTICATED SOCIAL SYSTEM
with many moving parts**



Functional business model of Corporate Performance

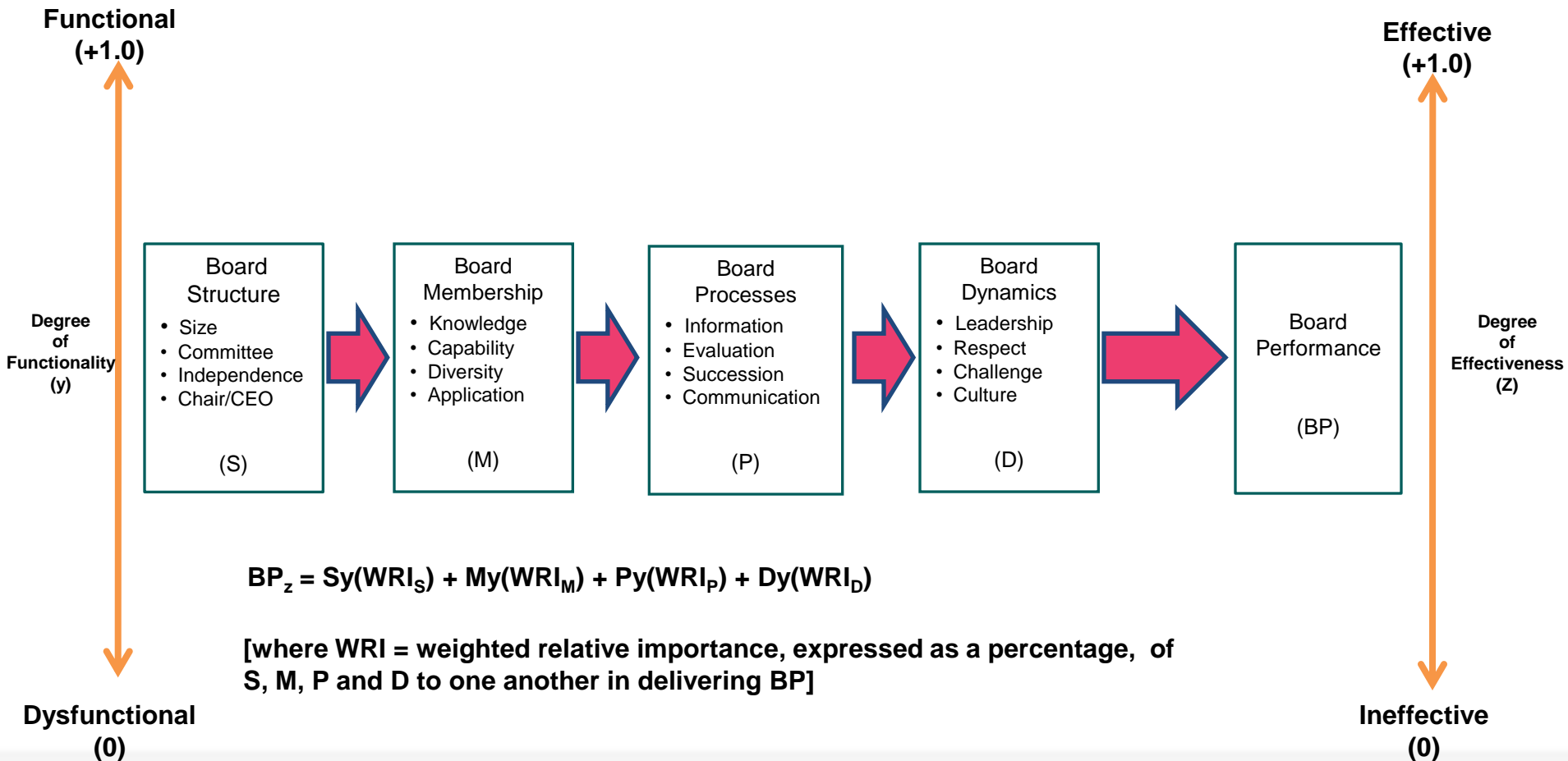


EFFECTIVE CORPORATE PERFORMANCE means:

**“the delivery of SUPERIOR SHAREHOLDER VALUE
relative to the corporation’s peers in an
ETHICAL and RESPONSIBLE and SUSTAINABLE
manner.”**



Functional business model of Board Performance

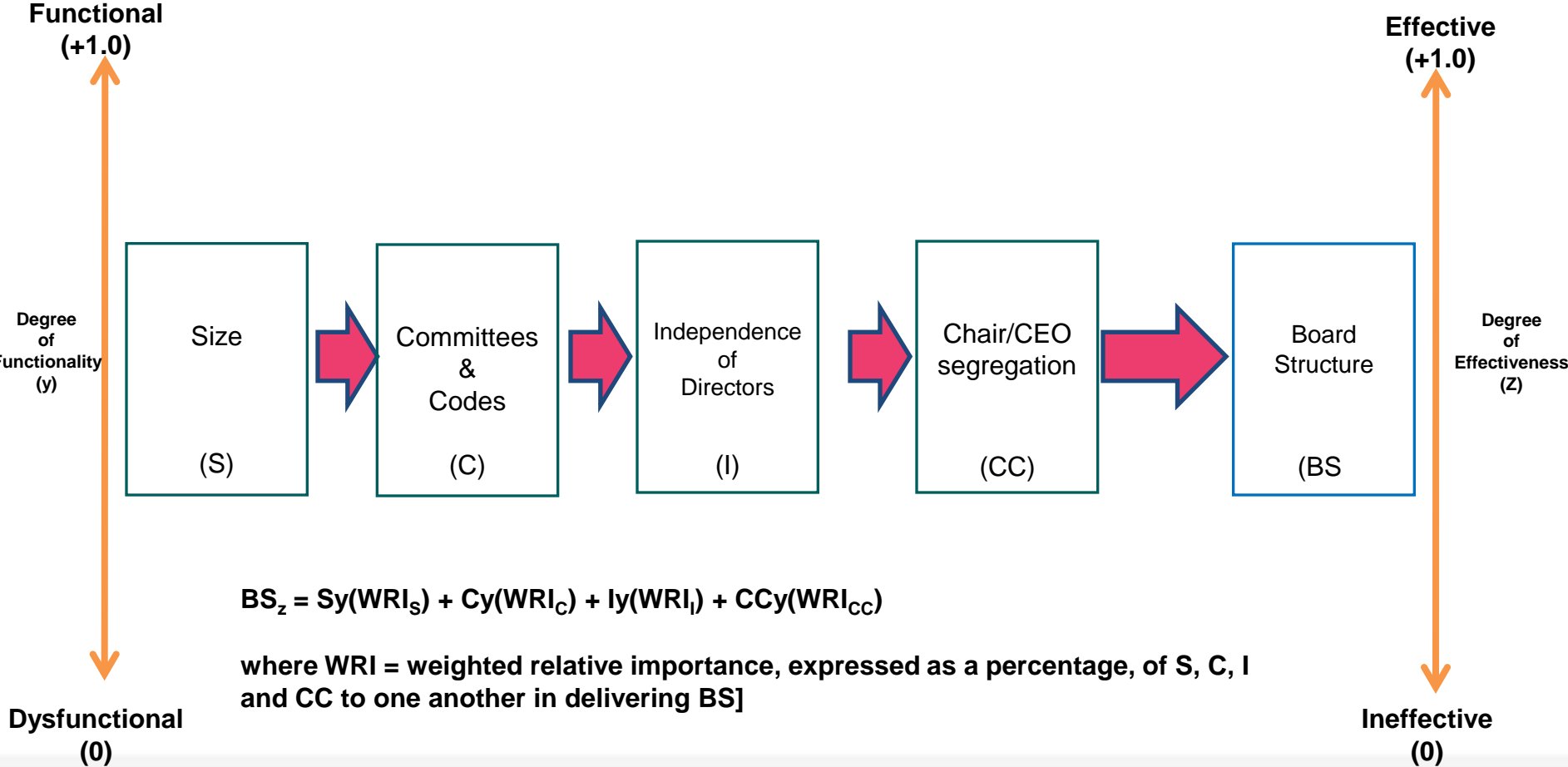


“Clearly board structure is not as important a factor in determining board effectiveness ... ; board membership and director competencies are quite important; and most significantly the behavioural characteristics of individual directors are crucial, if not determinant, of overall board effectiveness.”

***Richard Leblanc being quoted by Lorin Letendre
(The Dynamics of the Boardroom)***



Functional business model of Board Structure



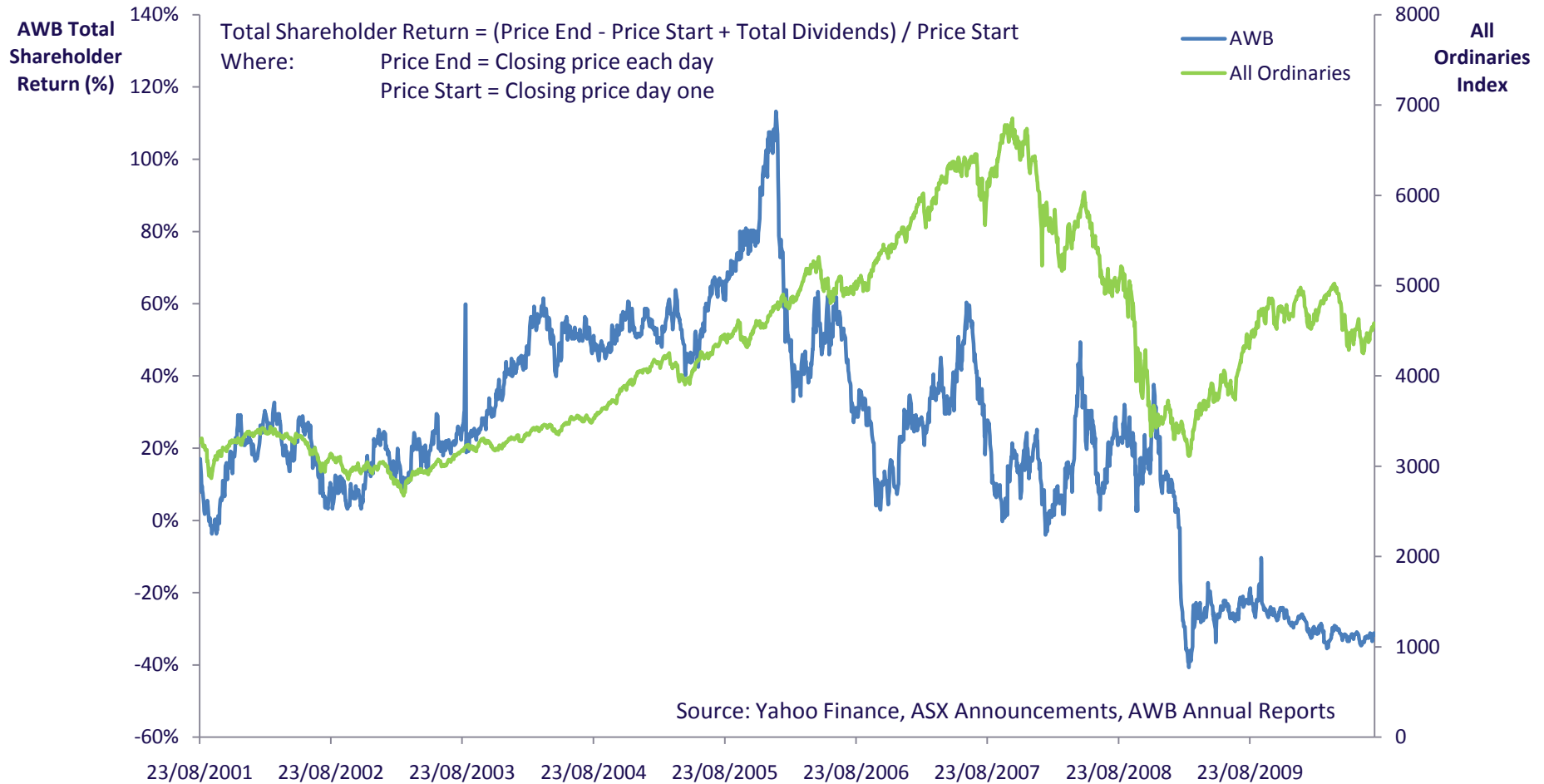


| Code | of Ethics

July, 2000



AWB - Total Shareholder Return 2001-2010



“While agency theorists would prescribe boards composed of outside, independent directors and a separation of CEO and board chair positions, neither of these board configurations [necessarily] is associated with firm financial performance.”

***Daily, Dalton & Cannella
(Corporate Governance : Decades of Dialogue & Data)***



“If you reckon I should piss off and get someone who knows nothing about my business, well I don’t think my shareholders will be very impressed.”

[* emphasis added]

***Gerry Harvey
Executive Chairman
Harvey Norman Limited***



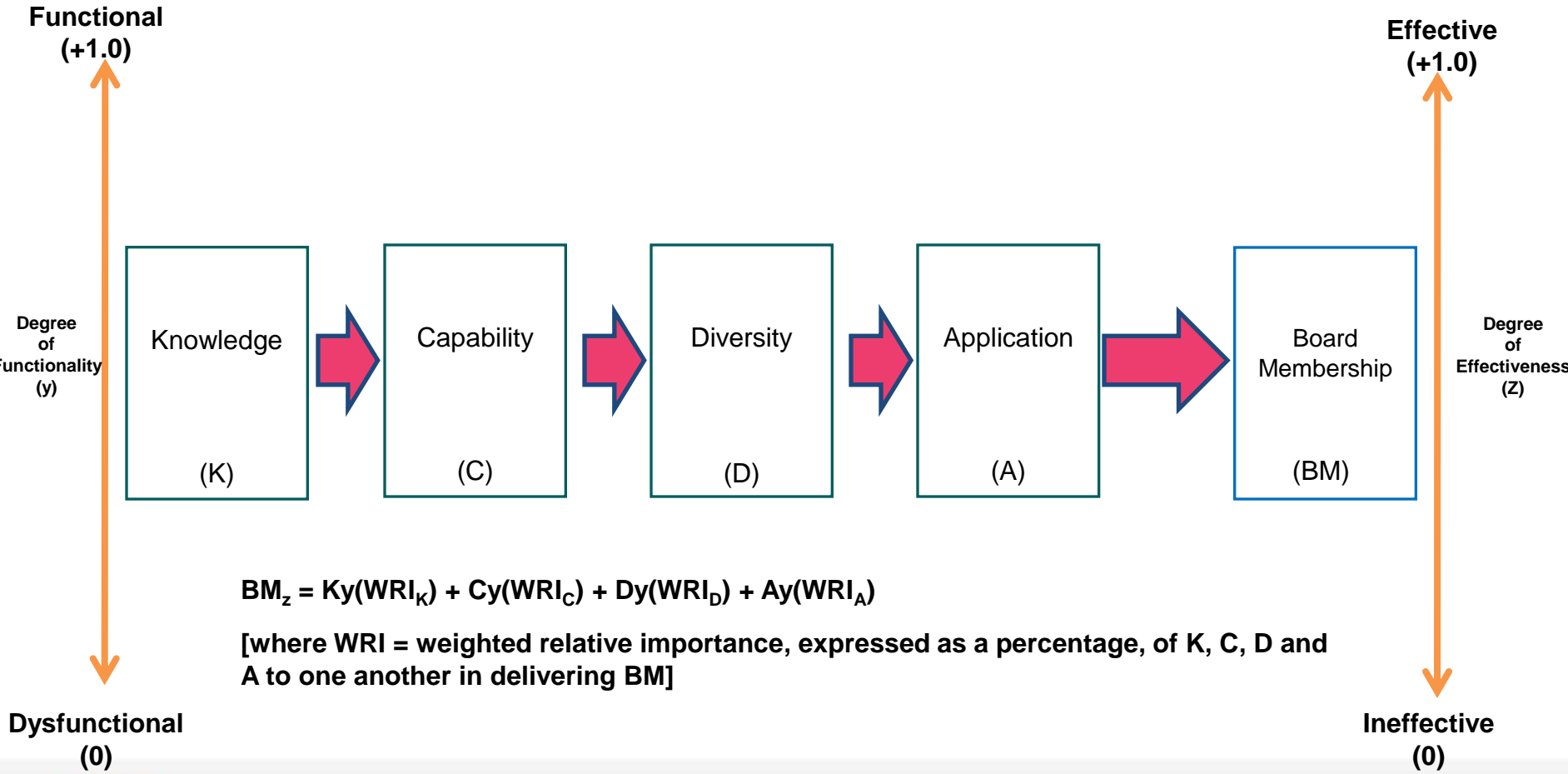
“There is a very great danger that over prescription and over regulation can be counterproductive, by distracting attention from the fundamental question of whether what is being done is right, ethical and morally sound.”

“Prescriptive rules can provide important benchmarks for good corporate governance, but cannot by themselves do much to raise levels of actual performance.”

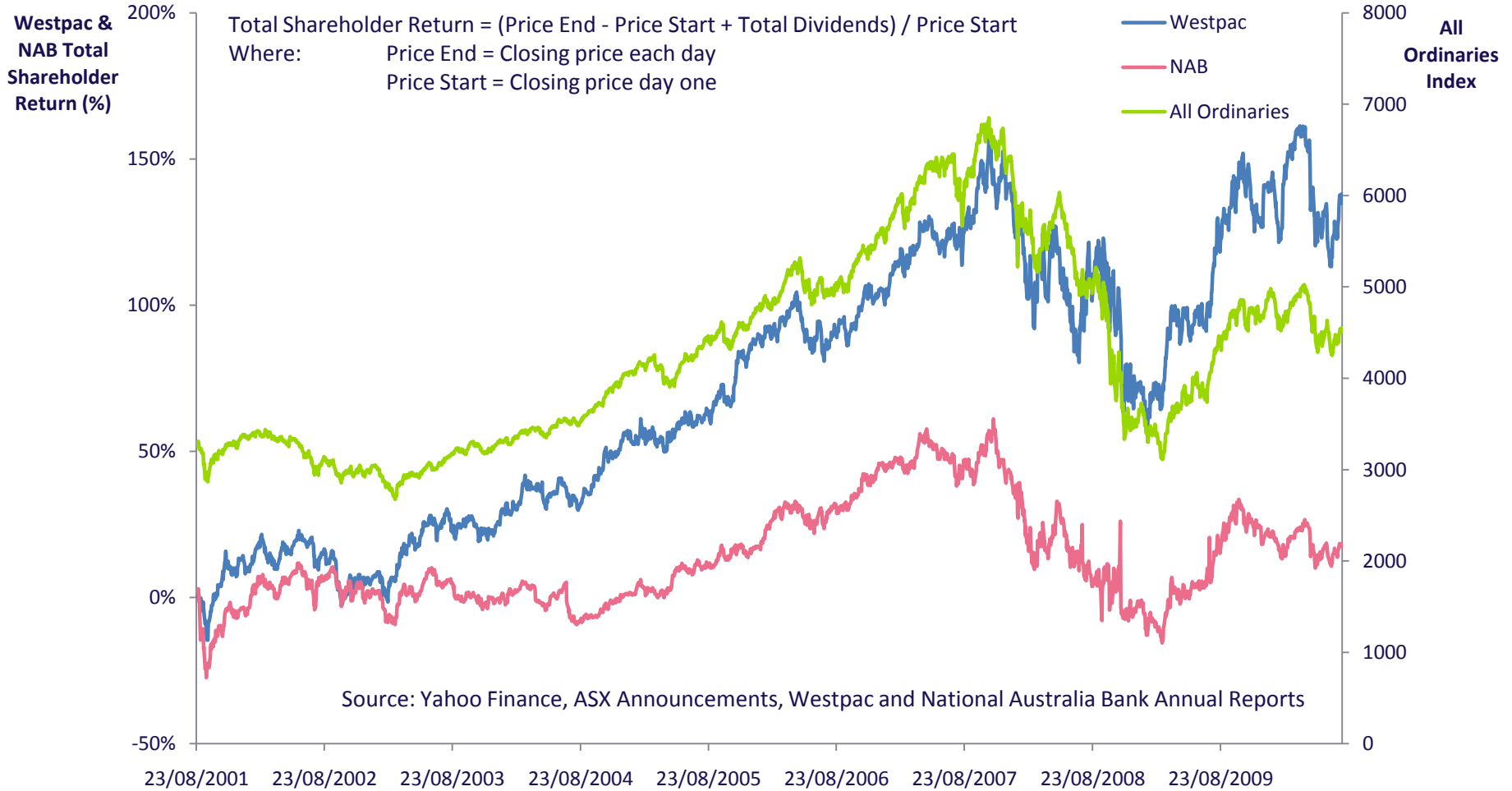
***The Hon. Wayne Martin
Chief Justice of Western Australia
(Lessons from the HIH Insurance collapse)***



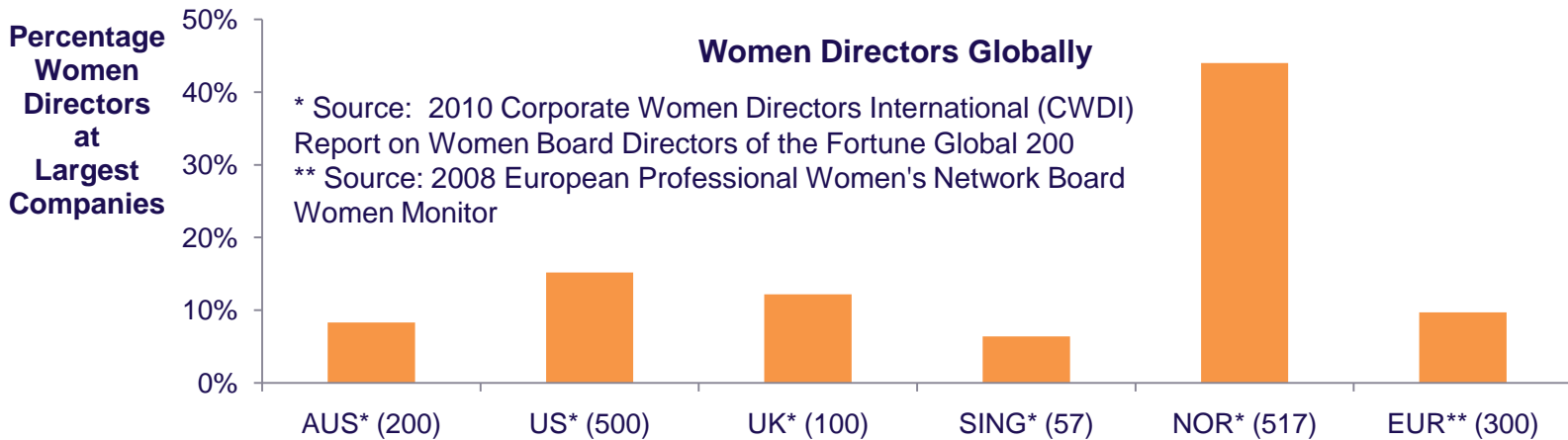
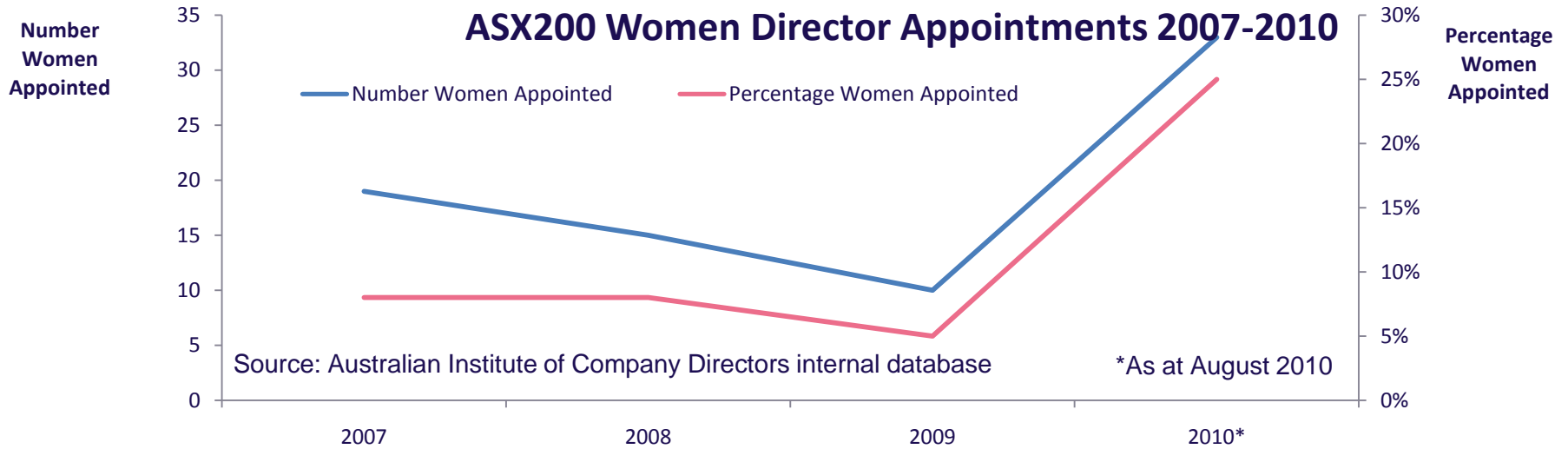
Functional business model of Board Membership



WESTPAC & NAB - Total Shareholder Return 2001-2010



% Women on Main Listed Company Boards



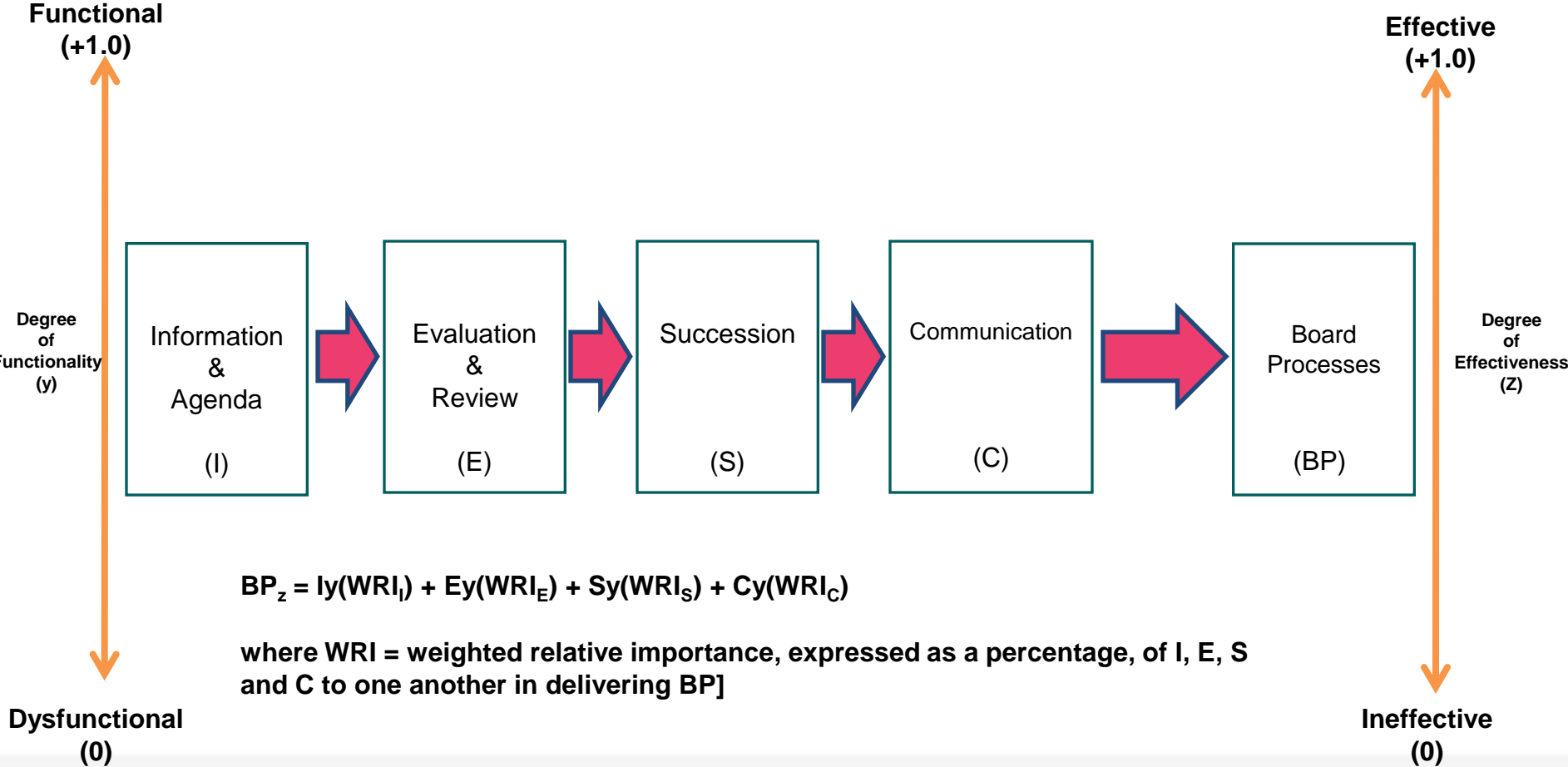
“Fortune 500 companies with the highest representation of women on their boards attained SIGNIFICANTLY higher financial performance, on average, than those with the lowest representations (*)”

(*) 50-60% (+) outperformance on ROE and ROIC

***Research Results
Catalyst (US)***



Functional business model of Board Processes



“There are 2 equally effective ways of keeping a board in the dark. One is to provide them with too little information. The other, ironically, is to provide them with too much.”

***David A Nadler quoting a major corporate secretary
(Increasing Director Performance – Harvard Business
Review)***



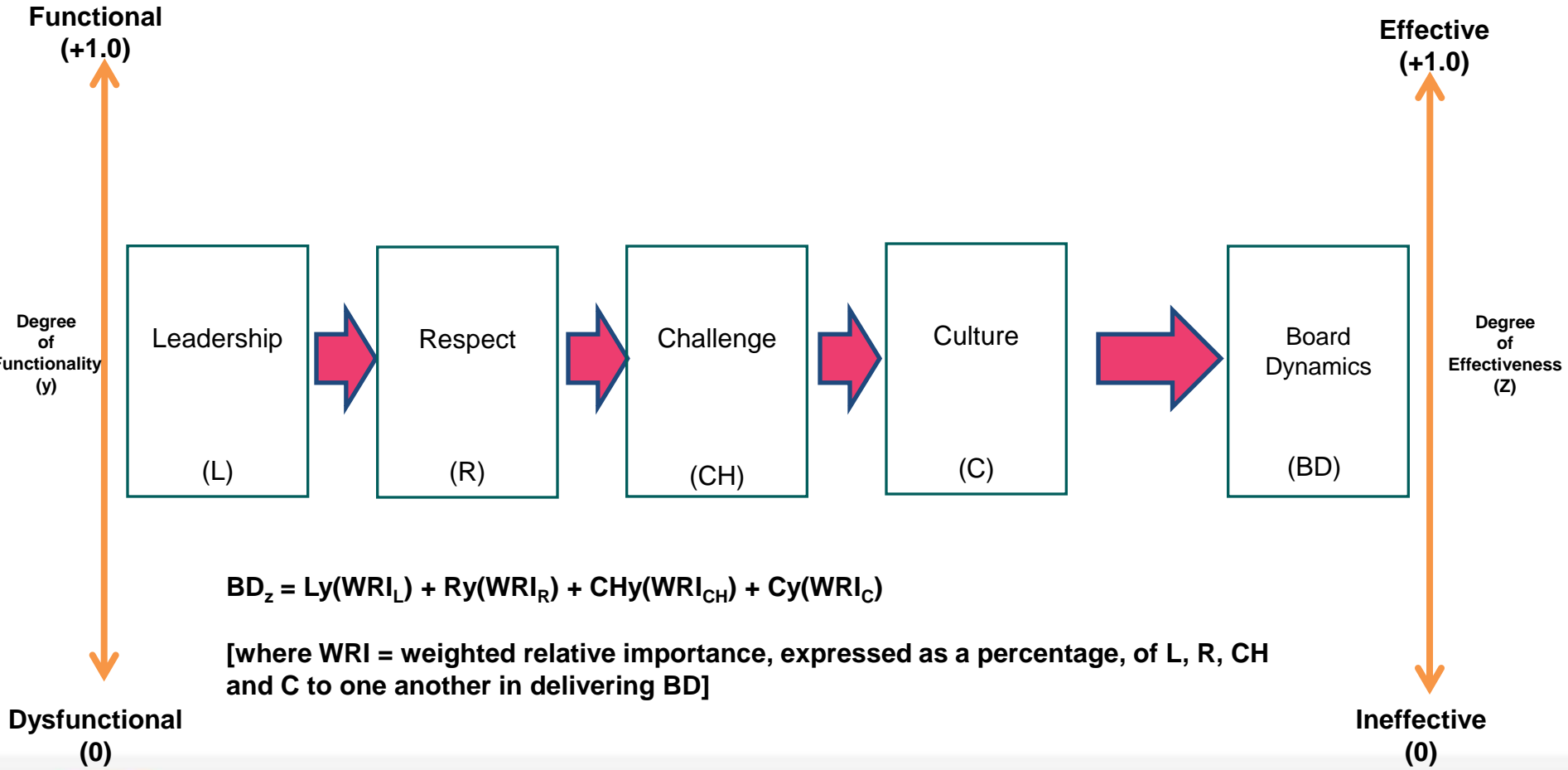
“A board, like a house, needs solid foundations.”

**“There is no doubt that an effective board
must be built”**

***Dr Richard Leblanc
Building Better Boards***



Functional business model of Board Dynamics



“The chairman is key, leading the whole board, orchestrating a process of debate and governance and engendering a culture of high performance.”

***Ralph Evans
former CEO***

Australian Institute of Company Directors



The most powerful narcotic in the world is the promise of belonging.”

***Kalle Lasn
(Culture Jam : The Uncooling of America)***

“GROUPTHINK teams usually have ‘mind guards’ to ensure that those expressing views and information that might unsettle the dominant group ethos are encouraged to conform or to leave.”

***Margot Cairns
Chairman of Change Dynamic***



CONCLUDING COMMENTS:

- despite paucity of empirical data, there is **CORRELATION** between effective governance and effective corporate performance
- a functional and effective board is the keystone of effective corporate governance
- prescriptive regulation cannot, of itself, do much to raise the levels of corporate performance
- within the opaque “black box” of the corporate boardroom, effective board processes and dynamics “outshine” board structure and membership in importance
- there is no “silver bullet”
- effective corporate performance is too important to our Society’s well being to be left to chance

TWO PARTING QUOTES

- **“A rising tide lifts all boats.”**

(Anon)

- **“It is only when the tide goes out that you learn who has been swimming naked.”**

(Warren Buffet)