

# HEIDRICK & STRUGGLES

## Heidrick & Struggles Rolls out 2014 Asia Pacific Corporate Governance Report

July 17, 2014

*Focus on Innovation is Key for Effective Board Performance*

- Drawing on data from 170 publicly listed companies on stock exchanges in six countries.
- Surveying more than 165 board members across India, China, Hong Kong, Singapore, Australia and New Zealand.
- High-performing boards focus on four capabilities: people, leadership, vision and innovation.

**HONG KONG – 18 July, 2014** – A focus on compliance at the expense of corporate strategy may be limiting the performance of boards in Asia Pacific according to [‘The Heidrick & Struggles Asia Pacific Corporate Governance Report 2014’](#), which [Heidrick & Struggles](#) (NASDAQ: HSII), a premier professional services firm serving the talent and leadership needs of top organizations globally, released today.

Drawing on data from 170 publicly listed companies on stock exchanges across six countries in Asia Pacific – India, China, Hong Kong, Singapore, Australia and New Zealand – and surveying more than 165 board members, **The Heidrick & Struggles Asia Pacific Corporate Governance Report** suggests that high-performing boards focus on four key capabilities: people, leadership, vision and innovation. Several key drivers support these four core capabilities including a balance between executive and non-executive directors; regular meetings; clear criteria for director replacement; identification of opportunities to improve the board, gender and ethnic diversity; and a sufficient number of independent directors to provide a balanced view.

Directors rated ‘vision’ as the most important capability in the survey. “Directors need a clear strategy that is both shared and understood around the table. Vision should directly tackle shareholder value, benefit to the community and long-term sustainability,” said [Steve Mullinjer](#), **Regional Leader, Asia Pacific, Heidrick & Struggles**. “It is encouraging to see that gender diversity on boards continues to improve, as women made up 11.8% of Asia Pacific boards in 2013, up from 8.8% in 2011. Gender figures still lag behind Europe (17% for 2013), but indicates that boards across Asia are recognizing the importance of a diverse mix of experience and skills.”

“In places like Hong Kong and Singapore where many listed companies are family-owned, boards should regularly benchmark themselves against their peers to identify key differences that impact performance and share price,” said [Harry O’Neill](#), **Managing Partner, Asia Pacific, Heidrick & Struggles**. “With the increasingly stringent new legal compliance rules and stock exchange guidelines, board meetings nowadays tend to focus heavily on compliance issues. However, a forward-thinking board should be able to assess the resilience of a business as well as its ability to innovate, while understanding the risks involved in innovation,” said Harry.

### Key Regional Findings:

- **Australia** – Australia clinches the top spot for the proportion of directors with former CEO experience (36.3%) and number of director meetings per year (11.1). Of the boards surveyed, Australia had 84% of non-executives on boards. Australian directors say their boards, while recognizing ‘innovation and vision’ as the new keys to success, are falling short in terms of delivering on both of these major metrics.
- **China** – China’s boards are the ‘youngest’ across the region – not only is the average age of the directors the lowest (56.4), but the average tenure of board of director members in China is also only 3.8 years. In addition, only 11% of directors in China serve three or more non-executive director roles in public companies, and the proportion of directors with former CEO experience is only 11.6%, the lowest in the region.
- **Hong Kong** – Directors in Hong Kong think that leaders on boards are not doing enough to promote team dynamics. They also suggest that clear criteria for board member replacement are needed because 1) Hong Kong has the lowest percentage of non-executive directors (66%); 2) Hong Kong has the highest average number of directors per board (13.6) and the average tenure of board of director members in Hong Kong is 10.8 years, also the highest in the region; and 3) boards in Hong Kong are not as prone to engaging external advisory parties to review their board effectiveness.
- **India** – India has made significant progress in promoting women directors. The percentage has improved from 3.9% in 2011 to 6.7% in 2013, a number that is higher than in Singapore (6.3%) and which is driven by the new requirements enforced by the new India Companies Act. However, up to 29% of directors in India serve three or more non-executive director roles in public companies, suggesting they might be ‘over-boarded’. Also, one in five directors in India and Hong Kong is aged 70 or over, indicating succession planning is a key issue.
- **New Zealand** – The country has the most non-executive directors on boards: only 86.1% compared with the average 66% in the region. It also has the lowest number of directors on average at 7.2 versus 11 on average in 2013. In addition, in terms of directors serving more than nine years as non-executive directors by country, New Zealand is also the lowest in the region (1.6%) compared with Hong Kong (33.9%) and India (23.8%).
- **Singapore** – The average number of board meetings in Singapore ranks lowest in Asia Pacific at 5.8 per year, while Hong Kong ranks second lowest at 5.9 per annum. Little progress has been made in terms of gender diversity on boards, as the percentage has only increased to 6.3% from 6.1%.

"The chairman plays a pivotal role and should always be thinking at least five years into the future. Directors on the other hand should be thinking about 18 months to two years ahead. Also, it is the chairman's job to ensure balanced board composition is achieved. A well balanced board can help to effectively steer a business through different challenges and opportunities," Steve concluded.

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