



# The Board of Directors of the 21<sup>st</sup> Century: Where Disruption Meets Tradition

Insights sharing by Erik P.M. Vermeulen  
Professor, Senior Legal Counsel and Innovation Advisor

**Insights Xchange: Navigating the Future**  
An interactive dialogue between the panellist and the audience

## PANELLISTS



**Erik P.M. Vermeulen**  
Professor, Senior  
Legal Counsel and  
Innovation Advisor



**M Nazri**  
Founder & Group CEO,  
MyFinB Sdn Bhd

## MODERATOR



**Sharath Martin**  
Regional Policy  
Consultant, ASEAN &  
ANZ, ACCA

## INTRODUCTION

**PowerTalk by Institute of Corporate Directors Malaysia (ICDM)**  
**27 June 2019, Kuala Lumpur, Malaysia**

The PowerTalk is a platform for inspiring conversations around local, regional and global board effectiveness. The series of talks aim to create an environment where directors from diverse backgrounds can exchange ideas, share insights and discover new perspectives that can lead to actionable outcomes that help shape the future.

The Institute of Corporate Directors Malaysia (ICDM) organised its fourth PowerTalk featuring Erik P.M. Vermeulen, a Senior Legal Counsel at Signify (f.k.a Philips Lighting), an Innovation Advisor at a law firm in the Hague and a board/advisory member of several organisations, including a healthcare provider in The Netherlands and several start-ups. He is also a Professor of Business and Financial Law at Tilburg University and teaches international business law regularly at universities in Europe, the United States, Colombia and Japan and has appeared at numerous conferences as a featured or keynote speaker. Erik is also a co-owner of a Michelin star restaurant.

The sharing session was followed by a panel discussion and Q&A session joined by Erik himself and M Nazri, an Artificial Intelligence (AI) and Cognitive Analytics Specialist, Founder and Group CEO of MyFinB Sdn Bhd. The panel discussion was moderated by Sharath Martin, Regional Policy Consultant for ASEAN & ANZ, ACCA.

This executive summary captures the salient points presented by each of the speakers.



## POWERTALK BY ERIK P.M. Vermeulen

# Keeping Up with the Future

- Change & confusion
- Broken & doubted
- Finding answers in Cs
- Build a unique narrative

**“ We are operating in a disruptive environment that is moving so fast. We need to do something to ensure boards work effectively and stay relevant. ”**

ERIK P.M. Vermeulen, PROFESSOR, SENIOR LEGAL COUNSEL AND INNOVATION ADVISOR

## Are board directors relevant in a flat, community-driven and decentralised corporate culture?

Erik P.M. Vermeulen is both an academic and a practitioner of corporate law, corporate governance and finance. However, he is best described as an innovative thinker because of his special interest in how technology is transforming business, economy and society. Erik's thought-provoking and innovative views are highly sought after by international organisations, such as the United Nations and the World Bank. At the fourth ICDM PowerTalk here in Kuala Lumpur, Erik shared a personal story about how he copes with disruptive change as a board director.

### CHANGE & CONFUSION

In 2017, Erik was appointed to the board of directors of Vivent, a home healthcare service provider based in The Netherlands. It was an exciting opportunity for him. “I was so happy that I got this role. I thought I knew everything. I can finally apply all my knowledge on corporate governance to this role,” Erik recalls. However, he would soon be confronted with the inconvenient reality of a fast-changing business landscape.

In the past, it would be sufficient for Vivent as a healthcare company to provide services exclusively related to “healing of sickness”. Today, due to the emergence of connectivity and information technology, people's approach to healthcare has drastically changed. It has shifted from the passive model of following “doctor's orders” to wanting to be informed and taking a proactive role in their healthcare. Consequently, Vivent had to transform itself into a community-centric platform that offers a comprehensive set of healthcare services, ranging from prevention to rehabilitation. The change is also giving rise to new

players and new business models. On top of that, all these are happening at an unprecedented pace, and it will only continue to accelerate moving forward.

“The landscape we have to cover has become quite massive. The role of a director is really getting complicated,” Erik states. He also reveals that his confusion was increasing alongside the expanding size of board papers presented to him at every meeting. He was faced with more information than he could reasonably digest, especially with the limited time an independent director has. As such, Erik was determined to find solutions for his predicament.

### BROKEN & DOUBTED

According to Erik, many directors today do not truly understand the industry and the business they are in. Coupled with the rapid adoption of a community-driven and decentralised organisational structure by companies around the world, there has been widespread sentiment that board directors are no longer relevant in today's business environment.

A considerable number of suggestions have been given to replace or to “fix” a corporate board. The two most striking ones are (1) outsourcing the role to an external consultant and (2) using artificial intelligence (AI) to select board members. Erik states that based on research, it appears that AI does help select better boards because of its objectivity.

Nonetheless, Erik disagrees with both suggestions. “I don't believe in external consultants. They don't have their skin in the game. They are not that engaged,” he argues. While it may be feasible to use AI for recruitment, Erik thinks that it is not an immediate solution because not many people understand AI at the moment. Amongst other recommendations are trainings and SDG-based reporting. However, Erik believes that there is no one-size-fits-all solution, and there are more questions to be asked before we can arrive at an answer.



### FINDING ANSWERS IN Cs

Erik stresses that directors have to accept that disruption is now the norm. Boards must understand that for a company to stay relevant, it should embrace the decentralised, community-based corporate governance model. Under such circumstances, it is sensible for board directors to rethink their role and contemplate what they can do to ensure their effectiveness in the new environment. Erik offers four overlapping considerations:

01

**Capacity** — How much time does the board need to carry out its responsibilities, and how can they do it most effectively? If the board does not have sufficient time to do all the work that is expected of them, is the answer to increase the time commitment or reduce the workload?

02

**Capability** — What skills and information does the board need, and where do they get them from? Do they need all the relevant expertise and perspectives amongst the board itself or can they be obtained more efficiently in a different way?

03

**Control** — What visibility do the board have over the organisation it leads, and what levers can it pull to influence behaviour and performance? Are they sufficient?

04

**Closeness to the issue concerned** — Is the view from the top necessarily the best view? Is the boardroom the best place in the organisation to deal with all the issues currently on the board's agenda?

### BUILD A UNIQUE NARRATIVE

Based on his personal experience and considerations offered above, Erik puts forward ten recommendations that could be instrumental in helping board directors improve their effectiveness and navigate the disruptive forces shaping the 21<sup>st</sup> century.

First and foremost, Erik believes that the board remains important and business leaders understand it. Quoting the late Steve Jobs, Erik says, "change needs to start at the top, with the board of directors focusing on relevance..." In order for a company to embrace change and stay relevant in the digital world, the board must be the first to subscribe to that idea.

Amongst the most notable of Erik's recommendations is "embracing the art of storytelling", especially in reporting. In a community-driven environment, it is crucial for boards to find creative ways to engage with different stakeholders effectively. For example, instead of doing the traditional annual report, companies should consider using digital platforms, such as mobile applications, where they can update and engage with different groups of people in real time. "Don't report, tell the story.

Engage and have a dialogue. This is attracting talents and selling services," Erik states. Naturally, the same concept must be applied to a company's communication with board members in order to help ease assimilation of information for more effective decision making in the boardroom.

It is also suggested by Erik that board members should be part of their companies' narrative, taking an active role in shaping the companies' stories and engaging with the shareholders to offer transparency and build trust.

Erik's seven other recommendations are: maintaining board diversity, recognising that disruption has already happened, prioritising the stakeholder voice, acknowledging the power of communities, giving special focus to culture and context, considering training outside of the scope of compliance, and avoiding silo-thinking to work collaboratively.

In conclusion, Erik emphasises that directors must understand how value is being created in today's business landscape. If you can take a broader view, stay open minded and take the management of economics, sustainability and technology into account, boards will be able to stay relevant.

**“ We need to change the mindset of the board, and AI can be an impetus. AI can be used to generate highly relevant questions to help facilitate discussions in the boardroom. ”**



## DIALOGUE

# Boardroom, Technology & the Future

- AI in the boardroom
- Open-mindedness
- The trust economy
- Asking relevant questions
- Reverse mentoring

## Technology is an integral part of our lives. It should be for the boardroom too.

Erik is joined by M Nazri, who specialises in AI and cognitive analytics and is the Founder and Group CEO of the award-winning tech company, MyFinB. Together, they discussed technology and the future of boards.

### AI IN THE BOARDROOM

Relating his predicament of having to deal with 300 over pages of board papers, Erik highlights that the method is certainly inefficient. Most often than not, the documents overlap and contradict each other. "I am a big believer in AI. It is so much more efficient. It can analyse documents much faster. The combination of a 30-page memo and AI would be ideal," Erik shares. Nazri agrees with Erik and shares that AI currently has four levels of analytical capabilities: (1) it does basic analyses and paraphrasing, (2) it is able to pinpoint problem areas (2) it is predictive and able to tell you the next steps, and (4) it is prescriptive and able to offer solutions. All four levels are available in the market and they would be powerful tools in helping directors gather insights, make decisions and take actions accordingly.

### OPEN-MINDEDNESS

When asked about the ideal board composition to facilitate the adoption of technology in the boardroom, Erik mentions that there is no one-size-fits-all composition. While it is critical to have the right composition, not every member of the board can be technologically savvy. The most important trait a director must have is open-mindedness. With that, the board can have a good discussion. With an open mind, even if you do not understand the technology, you still can play a very important role at the board.

### THE TRUST ECONOMY

Trust is highly valuable in today's community-driven business landscape. Yet, most companies are operating in a trust deficit. What can boards do to bring back trust? On this point, Erik emphasises the importance of storytelling. Boards must set the culture of storytelling from the top, allowing companies to build a unique narrative and engage with their stakeholders in a meaningful way. When there is feedback and dialogue, companies know where to improve. Consequently, trust can be built.

### ASKING RELEVANT QUESTIONS

There is a sentiment that directors today are not asking enough questions and there is not enough curiosity in the boardroom. According to Erik, it is about education. Curiosity can only be created with education. On the other hand, Nazri opines that we need to change the mindset of directors, and AI can be instrumental in that. AI can be used to generate relevant questions for the board, serving as a conduit to allow boards to have meaningful and robust conversations.

### REVERSE MENTORING

When there is a lack of skills around innovation and technology in the board composition, it would be beneficial to consider reverse mentoring. It is an initiative where older directors are paired with and mentored by younger directors or executives on topics related to technology, social media and current trends. Nazri shares that this is a common practice in many startup companies. However, he cautions that, before implementing reverse mentoring at the board level, boards must take the long-term view and determine the areas to focus on. It is crucial to have a clear objective and a digital roadmap to ensure the effectiveness of reverse mentoring.



## ACTIONABLE OUTCOMES

# Moving Forward



### 1 REVISIT YOUR ORGANISATIONAL STRUCTURE

to ensure that it is in step with the current business landscape, which favours a more open community-driven corporate culture.



### 2 REEXAMINE THE ROLE OF BOARDS IN A DISRUPTIVE ENVIRONMENT

by taking into consideration these four overlapping areas: capacity, capability, control and closeness to the issue concerned.



### 3 BE PART OF YOUR COMPANY'S STORY

by taking proactive measures to shape the narrative of the company.



### 4 EXPLORE THE ADOPTION OF ARTIFICIAL INTELLIGENCE (AI)

to help the board assimilate information and make decisions more effectively.



### 5 KEEP AN OPEN MIND FOR TECHNOLOGY AND INNOVATION

to ensure meaningful and robust discussions can be carried out at the board level.



### 6 REEVALUATE THE WAY YOUR COMPANY COMMUNICATES WITH STAKEHOLDERS.

Are you embracing the art of storytelling to create engagement and build trust?



### 7 CONSIDER REVERSE MENTORING

to help keep the board updated on the latest trends on innovation and technology.