



How To Navigate The VUCA World

Insights Sharing By Murray Eldridge, Chartered Director, United Kingdom

AND A CONVERSATION ON GROWING RESPONSIBILITIES OF TOMORROW'S BOARD



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Non-Executive Director
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INTRODUCTION

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

The Institute of Corporate Directors Malaysia (ICDM) organised its first PowerTalk, featuring Murray Eldridge, a Chartered Director from United Kingdom, who has more than 40 years of international experience in shipping, oil & gas, telecoms, water desalination and consulting.

This executive summary takes you through the key points Eldridge presented, offering insights into enhancing board effectiveness in a volatile, uncertain, complex and ambiguous world.

This document also captures the salient points from Eldridge's dialogue with two leading directors from Malaysia: Tan Sri Saw Choo Boon, Independent Non-Executive Director, RHB Bank Berhad; and Haida Shenny Hazri, Non-Independent Non-Executive Director, Velesto Energy Berhad, on the growing responsibilities of tomorrow's board.



MURRAY ELDRIDGE

How to Navigate the VUCA World

- Spend time in the future
- It's VUUCA actually
- Power up with motive force
- Take the high road

The world is changing faster than ever. Agility to move forward ensures long-term sustainability.

In his 40 years in business, Murray Eldridge had run companies during three major sector crashes in three separate industries. With deep experience in orchestrating major strategic and organisational change, he helped the audience understand the VUCA world and offered solutions on how we can clear the course for better decision making, thus ensuring the longevity of our organisations.

SPEND TIME IN THE FUTURE

It is rather daunting having to step into the unknown. However, in order to overcome the fear, we must spend more time considering future scenarios, allowing ourselves to recognise and articulate the different pathways that might exist for us tomorrow. "As leaders and directors, we need to find a way to feel comfortable in a very uncertain zone, which is the future, five, six, seven or eight years out," Eldridge states.

Once we settle in comfortably in that uncertain zone, we can then start thinking about how we can make better decisions, setting longer term vision, purpose and strategy. This simple mind conditioning exercise will help provide clarity as we navigate through this modern era of unpredictability.

IT'S VUUCA ACTUALLY

VUCA is used in the business world to describe the current environment we are in. It stands for volatility, uncertainty, complexity and ambiguity. Eldridge introduces two more Us to the VUCA concept: untrusting and unfair.

- In addressing **volatility**, he recalls his 14-year career in the oil & gas industry where the oil price was fluctuating erratically, "I had just been made managing director in 1985. I was congratulating myself, but the oil price went from US\$32 a barrel to US\$8 in four weeks. Dealing in that environment was quite taxing." Today's world is made even more volatile with the litany of ongoing conflicts between nations and the shrinking space for tolerance and diplomacy among world leaders.
- The gradual shift of global power from the west to the east has disrupted the way we conduct business; and created an

increasingly **uncertain** future that challenges the success of many businesses today. According to Eldridge, the transition of power also threatens the rules-based international order. "From a business point of view, not having rules makes things very difficult. Who do you trust? Who can you do business with? Will the contract be honoured?" he says. Other factors contributing to today's uncertainty also include mass economic migration, cyber warfare and trade war.

- Our world today is built on **complicated** systems — a complex world with interwoven connections. "Think about power, think about telecoms... and that begins to pale into insignificance when we talk about global supply chain," Eldridge expresses. A complex system can become quite chaotic when it involves outside effects, such as politicians and the media.
- As business leaders, one of the hardest things is having to make plans for an **ambiguous** future. This ambiguity is mainly fuelled by new innovations that can fundamentally change the way the world works, such as electric vehicles, green energy, nuclear fusion, artificial intelligence, genetic engineering, nanotechnology and quantum technology. Some of these, in particular electric cars, can potentially become geopolitical destabilisers, as many economies are still largely depending on old technologies.
- "The world is becoming more **untrusting**," Eldridge warns. According to a report called the Edelman Trust Barometer, trust has been declining in a regular rate for the past ten years globally. In 2017, we saw trust dropped to its lowest point in four main institutions: government, media, NGOs and business. However, in 2018 while trust plummeted in the United States of America, China finds itself atop the trust index. This is indeed a fascinating phenomenon to take heed.
- Lastly, most of us know that the world is rather **unfair**, but few of us realise the magnitude of it. There are about 2,200 billionaires in the world. Between 2005-2016, the increase in their wealth was US\$762 billion. This figure was enough to cure world poverty 7 times over. It is also observed that there is a significant increase in the concentration of wealth, from 360 billionaires owning more wealth than 50% of the world's poorest in 2009 to 42 billionaires in 2017. In taxation, Eldridge explains that his company in the United Kingdom, on a multiple basis, is paying significantly more tax than Amazon, which has the ability to circumvent the system due to its sheer size.



MURRAY ELDRIDGE, A CHARTERED DIRECTOR, UNITED KINGDOM

“As leaders and directors, we need to find a way to feel comfortable in a very uncertain zone, which is the future. Business leaders need to feel comfortable making decisions even when not all information is available, and do not be afraid to invent something new.”

POWER UP WITH MOTIVE FORCE

The VUUUCA world is a wild world. Anything is possible, nothing is certain. In this situation, many may argue that it is best to focus on short-term plans. However, Eldridge contends that it is just because of that very unpredictability, organisations need to find ways to ensure they can navigate into the future. To do that requires not just being comfortable thinking strategically about the future but in ensuring the organisation has the energy and direction to do it successfully, i.e. to have the ‘motive force’ that engages and harnesses the energy of its people.

Motive force is a combination of vision and purpose. If crafted well, the vision and purpose should set out the ambition and aspiration of the organisation some 15-20 years into the future..

- Vision sets out the ‘what’. It gives us direction and tells us what we are seeking to be. “Vision serves as an anchor. If we do not have that, it is very difficult to have any real direction at all,” Eldridge says. He then emphasises that companies like Google and Shell, who operate in the same VUUUCA world as we do, have really long-term vision of 20-30 years.
- Purpose, on the other hand, gives us ‘meanings’. It sets us apart from the rest and gives us relevance and the engagement needed to ensure the sustainability of the organisation. Based on surveys in the US and the UK, more than 80% of people working in listed companies are disengaged, while 20-25% are actively looking to disengage from the companies.

In the absence of vision and purpose, it is difficult to achieve a sustainable coherent drive into the future. Without this longer term thinking, it is difficult to derive successive, coherent strategies (3 to 5 year blocks of executable plans) that seek to achieve the longer term ambitions. Without the motive force provided by vision and purpose, long term aspirations maybe derailed by low-road temptations, such as cutting corners, shaving cost and lowering the quality.

TAKE THE HIGH ROAD

Things are changing. The world prefers organisations with high purpose and integrity. Top 30% of the capital providers in the world are more willing to invest in companies with good Environmental, Social and Governance (ESG) practices. “Companies that take the high-road are twice as productive as low-road organisations,” Eldridge reveals, mentioning a report conducted by Harvard, “These companies are also more creative and innovative.”

It is imperative that business leaders invest more time doing the hard work of setting long-term strategies and sensitise our organisations to the range of possible futures. Business leaders of the future need to feel comfortable making decisions even when not all information is available, and must not be reluctant to invent something new.

In closing, Eldridge shares a story involving two companies. In 1999, just right before the dot-com crash, there were two companies in Chelmsford, an English city in the southeast: Global Marine and Marconi. Global Marine was a US\$1 billion company; Marconi was a US\$51 billion company with new leaders. In 1999 and 2000, Marconi went on a buying spree seeing that the telecom market was going up. However, the smaller Global Marine saw otherwise.

Global Marine thought the market was going to crash, after considering factors such as technological development, competition and general market climate. Global Marine took a different strategy and began to divest their assets. At the time that Marconi was buying, Global Marine halved the size of their company. Shortly after, the dot-com bubble burst. Marconi is now gone; and Global Marine is still the market leader in its field.

“Again, take a view on the future,” Eldridge ends.

DIALOGUE

Growing Responsibilities of the Board

- Keep up with the world
- Learn & unlearn
- Move up in diversity
- Stay agile by working together
- The key to trust is action
- Branding = Reputation

Change is looming at an unprecedented pace. Board members must keep up and stay ahead.

Tan Sri Saw Choo Boon, Independent Non-Executive Director of RHB Bank Berhad, and Haida Shenny Hazri, Non-Independent Non-Executive Director of Velesto Energy Berhad joined Murray Eldridge to answer some questions concerning the board's role in influencing change, devising strategy, being agile, building trust, and branding.

KEEP UP WITH THE WORLD

"In the past, attending a board meeting was about having a good chit chat followed by a good lunch," Tan Sri Saw says light-heartedly and mentions that this is no longer true in today's setting. The tasks placed on the board are now more onerous with higher responsibility.

Speaking about planning for the future, Tan Sri Saw shares, "Scenario planning is not about predicting what the future will be, but making mental maps of what could be the possible futures." This exercise should enable us to make plans that can withstand any possible future, whether that future is in harmony or chaos.

Another key point brought up was that organisations must adopt a high level risk management practice. "Whatever you do, you must think that there are risks. When you inculcate that into your system and processes, you will find yourself in a better position to deal with uncertainties," Tan Sri Saw stresses.

LEARN & UNLEARN

"For a lot of us at the board level," Haida explains, "there is a need for us to continue to learn something." Information is made readily available to us in the 21st century. However, Haida also urges us to be willing to unlearn what we already know so that we can take in new information that allows us to move forward more effectively.

Tan Sri Saw agrees with Haida. "The board does not need to be the expert in everything, but you need to be literate in everything," Tan Sri Saw states. This is extremely crucial especially with the advent of new technologies that are transforming the business landscape. In order to make better decisions for the organisation, the board needs to constantly equip themselves with new knowledge and new ways of doing business.

As Eldridge points out, citing Blockbuster and Kodak as examples, when companies fail to innovate, it is not because they are unaware of the impending change, but rather because of their inability to move away from the old ways and embrace the new.

MOVE UP IN DIVERSITY

In the advent of disruptive technologies, many large institutions are facing challenges in modernising their processes, including the banking and telecommunications industries. They have to find new business avenues as old models fade into history. Commenting on this, Haida stresses the importance of having diversity in boardrooms,

"Having people from different skillsets, expertise, experience, and especially the age group allows the board to have in-depth discussions collectively. Otherwise, it would be difficult for the board to look into the future, identify what is impacting the company and make the next steps."

STAY AGILE BY WORKING TOGETHER

In times of rapid change, we need to be able to act fast. Agility is key in navigating the VUCA world. In responding to the question on how to improve a board's agility, Tan Sri Saw states, "Being agile means working collaboratively. When you have a problem, you gather the team. In that way, you will react faster." He also emphasises that in the VUCA world, agility also means we must be prepared to change, and that the action we take must allow certain flexibility for adjustments.

Haida cautions that, when considering the board's agility, certain values of the organisation should remain as a guide to ensure sustainability and the benefits of its members are delivered.

Eldridge, on the other hand, shares that sometimes it is difficult for a company to be agile as it may risk overlooking certain benefits of today. However, he stresses that it is possible to make today and tomorrow work while adopting agility in an organisation.

THE KEY TO TRUST IS ACTION

"Trust is about engagement. It is about taking action," Tan Sri Saw responds to a question on how the board can influence trust in the organisation. He further explains that the board plays a very key role in building trust. We need a robust system of governance, and that we must gain trust by demonstrating it.

Haida adds that companies, such as Grab, are perceived to have a high level of trust today have very structured processes in place to ensure the services are delivered and that trust is maintained. There is a systematic feedback loop. Haida also agrees with Tan Sri Saw that board plays a critical role in ensuring that systems are put in place to allow trust in the organisation to grow.

Another important factor contributing to societal trust in a company is the company's willingness contribute back to the society by improving lives and protecting the environment.

BRANDING = REPUTATION

Lastly, the panel agrees that branding belongs to the strategic space of the organisation. Tan Sri Saw shares, "Your brand is your reputation — what you stand for. It is not an easy subject because so many things contribute to the evolution of the brand. Everything you do has an impact on the brand." He states that the board should take responsibility to ensure the brand is properly taken care of.

On this note, Eldridge highlights that brand value is an important factor in a company's valuation. Brand accounts for 20% of a company's intangible assets, which is 80% of the average business' value. Brand is indeed increasingly becoming a valuable asset; and that the board should take collective effort to ensure the brand image aligns with the company's vision and mission.

“The board does not need to be the expert in everything, but you need to be literate in everything. Trust is about engagement. It is about taking action.”

TAN SRI SAW CHOO BOON, INDEPENDENT NON-EXECUTIVE DIRECTOR, RHB BANK BERHAD



ACTIONABLE OUTCOMES

Moving Forward



1 START TO PAY MORE ATTENTION TO THE WORLD AROUND US,
spend more time to reflect upon the possible futures and make strategic plans that allow our organisations to withstand those futures.



2 REVISIT OUR VISION AND MISSION
to examine whether we have the motive force to ensure the sustainability of the company in 15-20 years.



3 Examine that our organisational architecture allows us to
MAKE DECISIONS AND TAKE ACTIONS IN AGILITY.



4 ADOPT A HIGH LEVEL RISK MANAGEMENT
practice to combat the uncertainties of today's business environment.



5 ENSURE OUR BOARD IS DIVERSE
by including people from different skillsets, expertise, experience, age group and gender.



6 Assess our companies' ESG (Environmental, Social and Governance) practices.
DO WE HAVE THESE PRACTICES IN PLACE? ARE WE CONTRIBUTING BACK TO THE SOCIETY?



7 EXAMINE IF OUR ORGANISATIONS HAVE A STRUCTURED SYSTEM IN PLACE
that enable us to build trust and a reputable brand within and beyond the company.



There is a need for us at the board level to continue to learn and unlearn. An effective board must be diverse, not only on gender, but also on age and background.



HAIDA SHENNY HAZRI, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR, VELESTO ENERGY BERHAD