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your value to your customer. You need to have the knowledge, create a warehouse, implement one-touch entering processing, etc. for your customers so that they can deal very quickly and swiftly with you. You need to identify the product bundles and pricing models that are going to appeal to the customer. And you have to change the infrastructure to support the vision. That has evolved very much as the role of the CEO.

Issue: What does it mean to meet customer needs today?

Miyuki Suzuki: Customers want to know their exact financial information and position at any particular time, wherever they may be. The whole point about virtual service is immediate, real-time gratification. And this really goes into technology, because you need systems that will enable you to service these 24/ 7 demands. Notably too, credit-card companies are really leading the field in cross-selling and managing risk by mining information. They really understand the value of customer data. Information is the key to being able to make money and profit out of virtual businesses.

Philip Strause (concluding): We have to make some fundamental choices about the nature of the business model we are deploying and the underlying economics. All the glamour seems to be in B2C, but all the money is now in B2B. We have to think about the portal strategy. Who are our partners going to be? What is it we are trying to do for our customers anyway? What is the value proposition we are offering to our customers? Lastly, there needs to be a marrying of these thoughts. Internet banking, web-enabled banking or alternative delivery does not exist independently. TABJ

Leadership and the Composition of the Board

Leadership is a very visible concept, and examples of it abound. But a critical challenge in this new era of financial services is that of selecting a board of directors with skill sets to respond effectively to competitive change.

Where are the best practices in corporate governance in Asia? Loizos Heracleous, from the Faculty of Business Administration at the National University of Singapore, related the Japanese experience. In post-war Japan, corporate governance was modelled on network-based keiretsu driven by banks, stakeholder-oriented as opposed to shareholder-oriented. The banks' corporate goals were survival, growth and stability; and monitoring mechanisms were either non-existent or not functioning well. Keiretsu refers to networks of cross-shareholdings, directorships, cross-trading and transfer of personnel. Banks have been central to this networking, bailing out firms within the network that were in trouble. "But things are changing, with bail-outs not being as common as before," Heracleous said. The landscape is changing for the better. Board restructurings show this. Sony reduced their board from 38 to 10 members and Fujitsu from 32 to 10. All this took place in the last few months, following guidelines that stated too many members on the board will stifle any real debate. Furthermore, said Heracleous, Japan is under pressure from global investors. "If Japanese corporations want global capital they would have to demonstrate an adherence to global principals of good governance," he noted. Another issue that is starting to influence corporate Japan is the importance of an independent board. The principle underlying laws on duties of directors is that the management is accountable to shareholders and that board of directors is to represent the shareholders. "If the board is also the management, there is bound to be a conflict of interest," noted Heracleous.

Issue: What exactly are the areas of need in terms of leadership at the board level in financial institutions today?

Loizos Heracelous: It is not only important to know the board's duties from a legal perspective, but also from a strategic viewpoint. The board must realise that shareholders are the owners of the company. In practice however, managers tend to forget this when they make decisions that reduce the value of the company. This is fairly commonplace in the area of acquisitions. Managers sometimes go ahead with acquisitions that actually reduce the value of the buyer. Why? The answer lies in the fact that managers' salaries relate not to the efficiency of a company but rather to its size. One positive development, however, is that large shareholders are now taking a more active role in the running of companies they have stakes in, which is a change from what things used to be.

Alan Thompson: On why companies often do not perform up to expectations, we agree it is because directors are paid based on factors like size of the company. So while acquisitions may increase the company's earnings and, therefore, the directors' compensation, the issue of value is not addressed. A simple solution is to look at how much of the company's compensation structure is a function of its current performance versus its future performance.

Loizos Heracleous: It is rare in Asia to find companies having committees such as the compensation committee, nominating committee and a strategy

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committee, although many may think it conceptually sound. Even in the US, these are quite rare, although it is considered good practice to have them. The principle underlying this is that the board alone cannot handle all issues effectively because there are simply too many issues to tackle. Would you actually invest time and money to improve board functioning?

Tan Soo Nan: Our board is an active one and that is largely because we have in place a process that will allow the bank to tap the experience and knowledge of our directors. For example, we have an Executive Committee to deal with major business issues such as exposures to major customer groups. We have a Compensation Committee to look at compensation and staff development policies. Further more, all listed banks in Singapore are required to have an Independent Audit Committee. In addition, the MAS now requires every bank to establish a Nomination Committee to look at the composition of the board and senior staff appointments of the bank.

Loizos Heracleous: But are outside directors really useful in establishing good corporate goverance? There are directors who sit permanently on as many as 10 to 15 boards of companies. They may not have sufficient time to do much work for any one company. Are such directors of any importance?

Edwin Gerungan: I think their presence is absolutely important as they can be more objective and do not have any conflict of interest.

Miyuki Suzuki: I would say they are. Outside directors in Germany are very good sources of knowledge and they also lead companies to interesting partner relationships that one probably would not have sorted by oneself.

Jack Leventhal: There is also a signaling effect to the market in the sense that boards are included with certain directors to signal to the market that the board has a good reputation.

Loizos Heracleous: Good corporate governance makes a big difference to the value of companies. But another issue is whether corporate governance is just a fad that may disappear in ten years time. Some even see it as a Western idea being forced on Asian corporations and this is because the governance movement began in the US and UK.

Council delegates agreed that a balanced board, with executives and non-executives, is essential to good corporate governance. Excluding the chairman from being CEO was viewed as good practice. This is more widely accepted in Singapore than the US. 70 percent of CEOs in Fortune 500 companies are also the chairman, whereas in Singapore, this happens only about half the time. Further, non-executives can provide the control and monitoring that the managers cannot provide. The value of imposing limited tenure of directors, with a re-election criteria, tends to be a more debatable issue. There are some who say limited tenure limits can rid the board not only of bad directors but also of good ones. Furthermore, a group of fresh directors may not necessarily be any better. But limited tenure does form the rationale for having a performance evaluation system. Underlining this last point, John Harrison, "I do not think corporate governance was developed in the West simply to be imposed everywhere else. It was developed in Western economies because of the perceived need and benefits that come from having a strong group of non-executive directors - probably the only people who can provide the check and balance on management, on behalf of all the stakeholders." TABJ