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AUDIT COMMITTEE FORUM DISCUSSION NO.16

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PREETHI JAYAWARDENA ELECTED AS CHAIRMAN FOR THE 2ND TERM

Nadija Tambiah was elected to fill the vacancy created by the resignation of Council Member Ms. Dilani Alagaratnam. Ms. Shiromal Cooray remains on the Council as the Immediate Past Chairperson.

The SLID Annual Membership Meeting (AMM) was held on Tuesday 26th June 2018, with over 90 members present, with attendance of special invitees, the Hon. Prime Minister Ranil Wickremasinghe as the Chief Guest and His Excellency James Dauris, British High Commissioner to Sri Lanka and Maldives as the Guest of Honour.

Mr. Preethi Jayawardena was elected unanimously for a second term as the Chairman. The other officials elected to the Council of members for the year 2018/19 were Mr. Rasakanththa Rasiah as Senior Vice Chairman, Mr. Faizal Salieh as Vice Chairman, Ms. Aroshi Nanayakkara, Mr. Dinesh Weerakkody, Mr. Prakash Schaffter, Mr. Vish Govindasamy, Mr. Dilshan Rodrigo and Ms. Kasturi Wilson. Ms.

The Annual Report and Financial Statements for the period ending 31st March 2018 were presented and approved by the membership, whilst KPMG were re-appointed as the Auditors for the year 2018/19.

Having considered the growing interest in and the need for inculcating corporate governance practices, skills, knowledge, competence and professionalism in directors and holders of equivalent office in a wider segment of the decision making community of the country, and therefore the need to bring into the fold of the Institute senior management of organisations, both in the private sector and the public sector, the Institute thought it fit to expand the scope of its current objectives. A resolution was passed unanimously at the AMM that the By-laws of the Institute be amended to be in line with this expansion and adopt the new By-laws.

Mr Preethi Jayawardena addressed the gathering followed by the Guest of Honour His Excellency the British High Commissioner and the Hon. Prime Minister. More details of their speeches are in the following two articles.

The evening concluded with a drinks reception which was a lively and engaging round of fellowship among the best business minds of the country with wishes for an even better year to come for SLID.
The Government plans to release Rs. 10 billion in development finance to the private sector, particularly targeted at large-scale companies willing to expand their businesses overseas and improve competitiveness, an upbeat Prime Minister Ranil Wickremesinghe announced this week.

Speaking at the Sri Lanka Institute of Directors (SLID) Annual Member Meeting (AMM) on Tuesday, Wickremesinghe noted that the Finance Ministry was in the midst of formulating a Development Finance Corporation, but ahead of its establishment the Government would earmark Rs. 10 billion to be released to the private sector. He also said the Government would be willing to increase the threshold if the private sector required additional funding.

“We want to help the large private sector. We want to start a Development Finance Corporation and the Finance Ministry is preparing the necessary Cabinet papers with the Central Bank and two State banks as stakeholders. But even before this corporation is formed we are going to release Rs. 10 billion to go through the stakeholders so they can utilise it this year itself. Let’s see how many will use that development finance. If you utilise it, what can we do? We will come up with more. Are you ready? Are you ready to go out?”

The Prime Minister quipped that this was one way for the Government to return tax money collected from the private sector. However, striking a sombre note, Wickremesinghe emphasised on the crucial role the private sector must play if Sri Lanka is to expand economic growth in the short to medium term.

“We want growth. As a Government we realise the main role lies with the private sector so we need to change the thinking. Take those opportunities. It is not just you who needs to change your attitude but also the Government. You can’t have a bureaucracy with lots of red tape because time is money. This is why we are looking at the Ease of Doing Business rankings and I have some more radical solutions. We are doing a lot of work in this area, to remove legislation but this will take some time.”

Wickremesinghe called for a broadened dialogue between the private sector and the Government urging the private sector to communicate clearly and effectively with the Government on genuine issues that would impact the national interests of Sri Lanka.

“Growth is not only business, it’s also politics. So let’s all work together.”

The Prime Minister also spoke extensively of the opportunities that exist in South and Southeast Asia that local companies can tap into to create opportunities and dominate niche markets, which Sri Lankan businesses already have a track record for doing.

“We live in the Southeast Asian region, which is going to be a growing market for the next few decades. Just as much as we have all the opportunity to go to the European market with GSP+ we need more products doing into these markets. Not merely apparel and rubber tires and fish. It means a mindset willing to face competition. The small and medium enterprises as much as the big companies have a role to play and our job is to help.”

‘Enterprise Sri Lanka’ is the first step in this direction where 15 lines of credit have been introduced so that entrepreneurs, SMEs and large businesses can all have access to finance, Wickremesinghe noted. He also invited private banks to join the program and support SMEs and pointed out that other developed or developing countries rely on SMEs to create jobs and improve living standards.

“My question is, are you confident enough to take the challenge? It is all about access to markets. You can’t grow fast in a market of 22 million people. If we are to grow you must access the larger markets, your neighbours and global markets, which means we have to become very competitive. The more competitive we are the better chance we have at succeeding.”

Wickremesinghe was confident local businesses had the competitiveness to succeed but he strenuously advocated for liberalisation, pointing out a closed economy would not deliver the growth Sri Lanka needs to counter its debt dynamics. He humorously alluded to King Parakramabahu the Great who promoted trade between Sri Lanka and the rest of the world during his rule.

“It is fortunate he lived 800 years ago. Today he would have been accosted by businesses and various chambers saying, ‘Why are you opening up? Why are you asking us to go abroad?’ He was a lucky man,” the Prime Minister said to laughter from the audience.

“Can you expand with protectionism? Or do we expand by going out and becoming better?” he continued in a sombre tone.

“In 1977 we got two tyres for our car..."
Sri Lanka’s private sector has a stronger role to play in increasing competitiveness, improving corporate governance and supporting the Government to implement economic structural reforms, a top official said this week.

British High Commissioner James Dauris speaking at the Sri Lanka Institute of Directors (SLID) Annual General Meeting (AGM) on Tuesday was frank in his assertion that the private sector has a wider role to play in fostering growth and ensuring more vibrant engagement both with the public as well as the Government. Dauris borrowing from a quirk at local weddings where guests take the name of the bride and say something positive from each letter used the word “access” in his speech to detail what he feels as the most important points for private sector involvement.

Access for trade
“Access, seems appropriate because it is so much what business seems to be about. Access for products and services to come to market, for companies to invest. “A” is for holding to account. Holding Government to account and representing the interests of the business community are critical functions of business leaders in any country. Your voices as captains of industry matter and the Government will listen to them. My first “C” is for corporate governance; among your objectives is to promote professionalism and enhance the level of integrity and ethical business conduct among directors,” he said.

“It requires a lot of determination and firm principles to play by honest rules when people around you aren’t doing the same. Your institute has 500 members and acting together you can be a formidable force for good practices. You can and should be setting examples for other companies, Sri Lankan and foreign, for the Government, public and private bodies. I am confident your stakeholders will respect you for it.”

The High Commissioner pointed out the importance of competition and the need for Sri Lankan companies to become more open to allowing different players to enter their sectors and drive forward growth. Competition, he argued, is also positive for the businesses themselves as they can become global companies rather than limiting themselves to one market.

“My second “C” is for competition. If I may say so during my time here I have also seen an apparent dislike of competition in several industries and entrepreneurs. Freer trade and lower barriers, fewer States owned businesses and less protectionism are key to making Sri Lanka prosperous and helps its companies thrive not just in domestic markets but around the world. Competition stimulates innovation and businesses, it feeds ideas, and it encourages product innovation and higher standards of service.”

“In short it helps push benchmarks up to international levels. International competition and openness will bring exposure and you would be right in seeking this. In business as in sports a lack of competition brings down standards. Tell your teams we can be and are going to be the best in the world. They will like you for it and set them and hold them to global standards. There is no need to fear competition.”

Mutual support
Dauris also spoke warmly of English education efforts partly championed in Sri Lanka by the British Council using it as “E” in the speech and insisting that possessing stronger command of a global language would improve personal as well as economic growth. He called on local businesses to pursue joint ventures and use global achievements to seek intellectual property transfers, and to think how to use international business models in new ways, tap into scientific and technical research and expertise for the benefit of their businesses.

“The second “S” is for support. As much as the Government must support businesses the Government must also be supported. You must share the wealth of knowledge and expertise that you are qualified and able to give, to promote good decision making and standing with the Government when
it wants to take sensible steps but is meeting opposition. Your website states you are committed to restoring investor confidence in Sri Lanka’s public and private sectors and you have a part to play. Moving Sri Lanka up the World Bank’s Ease of Doing Business index, for example, needs to involve partnership. It needs business and government encouraging and supporting each other, it needs to be open and critical of each other.”

“I don’t always get the feeling that the business community is doing as much as it can and needs to be doing to help. The business community in Sri Lanka is hesitant to get involved in issues that might be considered to be political. Better to keep one’s head down because governments change, I’ve been told, it’s simpler to be non-aligned. I disagree. Of course as business leaders you do not need to wade into every public debate but my sense is that there are more opportunities for you to speak up as a group than you do and use your public authority and your influence with the Government to help public understanding to make it easier to set up businesses, and liberalise labour laws. The voice of business and your collective voice as leaders matter.”

Private sector has large role to play in development: SLID Chairman Strengthening Small and Medium Enterprises (SMEs), increasing women’s participation and improving professionalism in the public sector are critical aspects of spurring growth, a top professional said this week.

Sri Lanka Institute of Directors (SLID) Chairman Preethi Jayawardena speaking at the SLID AGM on Tuesday backed additional steps to increase the inclusivity of the private sector by suggesting that gender quotas could be considered to increase the number of female directors on the boards of private companies.

“As a person who has worked in many organisations and institutions, I know first-hand it is very difficult to break these old boys' clubs but it is important to allow equal space for women at the top levels of our companies. Some people have suggested gender quotas to promote female appointments and I think this is an option to consider,” he told the gathering.

The newly re-elected Chairman also outlined steps to share a training program devised by SLID for their members with the public service as part of an effort to inculcate greater professionalism and accountability within the public sector. SLID has also made efforts to be inclusive in its operations and decision making process, Jayawardena insisted.

As a banker Jayawardena also expressed the need to support Sri Lanka’s SMEs, pointing out that these companies make up the backbone of the Sri Lankan economy and therefore needed support in order for the economy to expand. SMEs also have direct impact on the quality of jobs, income, housing and other essential aspects of living standards in a country and as such as central to sustainable development.

“We need to find ways to reach out to the SMEs and assist them to find better business models and improve profits. We need to give them ideas and teach them better bookkeeping and other functions. As bankers we have to provide the knowhow and the expertise that their perseverance needs so that they can be successful,” he said.

Sri Lanka’s private sector needs to collectively come together to tackle a myriad of challenges and find solutions so the entire country could experience sustained growth, he added.

This article was first published in the daily financial times, 28th June 2018
Images by SLID
DEALINGS WITH ABSENCE OF INDEPENDENCE IN THE BOARDROOM

Good boardroom decision-making can be facilitated by appropriate policies and processes. However, even when combined with well-intentioned and competent directors, such policies and processes may not be sufficient to ensure that good decisions are being made. Board decision-making is negatively affected by behavioural factors including conflicts of interest, emotional attachments, dominant personalities, anchored attitudes, a reluctance to meaningfully involve independent directors, implicit ‘no-go’ areas, and unwar- ranted reliance on prior experience and decisions. Bias in the boardroom particularly weakens the contribution to corporate governance of the independent director.

The 4th Independent Directors (INED) Forum of the Sri Lanka Institute of Directors (SLID) held recently in Colombo saw senior and experienced directors from the corporate business sector actively discussing ‘Dealing with absence of Independence in the Boardroom’. The session was chaired by Faizal Salieh, SLID’s Vice Chairman, with keynote remarks made by Manil Jayesinghe, Partner, E&Y, and Suren Rajakarier, Partner KPMG, who set the initial tone for the discussion.

The responsibility to ensure independence falls on the INED as well as the Chairman of the Board who shapes the Board’s behavior.

It was suggested that the Chairman should play an enabling role and should be non-executive. The role should include maintaining the right mix of skills on the Board and ensuring that the right skills and competencies are considered when appointing board members. The Chairman must ensure that new Board members are provided with a sound induction into the company’s business and culture and that the knowledge of all Board members’ is updated regularly in order for them to contribute positively and be effective in the Boardroom. The Chairman should also be genuinely receptive to differing views expressed by directors and facilitate diversity in the deliberations at Board meetings in order to enable the Board to make the best or most appropriate decisions for the company.

The INED’s duty is to enrich the Board process. It is a positive role. The INED must be willing to ask for more information when it is needed, and should have the courage to express a different view without offending people and make sure that his/her dissent is recorded in the minutes. Prior to accepting an appointment, an INED should assess the likely internal environment and culture of the company to see whether or not diversity of opinion is encouraged, the views expressed by INEDs are heard and considered and that he/she would be able to contribute effectively at the Boardroom.

It was the view that when looking for Board members the Board Nomination Committee should not only focus on the specific functional skills but should span multiple competencies for the Board member to be able to add more value to overall Board discussions. Furthermore, the Board Nomination Committee should analyze the competencies and skill sets required and have an informal chat with the chosen candidates. It was agreed that the CEO should not get involved in this process.

True independence and effectiveness of an independent director can only be measured by the director’s actions in the boardroom and his/her freedom and willingness to leave the Board if he/she is forced to compromise on the principles of good governance and not merely through the application of rules or checklists.

The session wrap-up summary was done by Faizal Salieh, who said that the development of Directors is the key objective of SLID. He stated that there are INEDs on State Owned Enterprise (SOE) Boards as well and that they should be brought into the INED Forum to share their experiences, challenges and issues they have faced and how they were managed.

The next session has been scheduled for Wednesday, 25 July 2018 evening with keynote speaker Arittha Wikramanayake, Precedent Partner, Nithya Partners who will present on how an INED can exercise his right to dissent which will be followed by an interactive question and answer session. Independent Non-executive directors serving on private and public sector Boards who wish to participate in the INED Forum may contact the SLID CEO, Ms. Chamindā de Silva, on 2301647 and express their interest in joining the Forum.
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THE FASTEST GROWING SUPREME STANDARD INSTANT COFFEE IN SRI LANKA
DO WE NEED GENDER QUOTAS? PROBLEM OR SOLUTION?

In Sri Lanka we take pride in our women. Girls are educated on par with boys. Women are welcome in most careers and the pathway up in terms of promotions and achievements is open.

Women dominate our professions, academia, and the judiciary. Over the years the Sri Lanka Institute of Directors (SLID) has initiated many discussions to try and understand why, despite the potential benefits there has been a remarkable lack of progress in the number of women directors on corporate Boards in Sri Lanka.

Can this be solved by introducing gender quotas? Or is the lack of women on boards a symptom and not the problem? Is it the consequence of the huge under representation of women at the top executive levels? The use of quotas is far from creating a consensus among people, neither among its potential beneficiaries, nor among the others.

As part of the SLID Power Evening series on Women on Boards had a lively and interactive discussion titled ‘Do we need gender quotas? Problem or solution?’ on 31 May 2018 on why there were less women in the corporate sector in Sri Lanka and whether we needed to introduce quotas and whether they should be voluntary or mandatory.

SLID Chairman, Preethi Jayawardena welcomed those present and delivered the opening remarks. He mentioned that over the years SLID has organized many forums such as this to discuss gender diversity on Boards but it did not result in any constructive solutions which led to our Immediate Past Chairperson, Shiromal Cooray to initiate the Women on Boards Mentoring Programme designed to create a supply of Board-ready executive women and to also link Board Chairs and CEOs with talented, capable, executive women to enable these two groups to actively engage with each other. He explained that in this regard, SLID was working together with the International Finance Corporation (IFC), member of the World Bank Group, to introduce a Women on Board Programme which will complement the Board Leadership Programme. We have identified and invited facilitators from both genders to attend the IFC Train the Trainer in June.

The discussion was moderated by Arittha Wikramanayake (Precedent Partner, Nithya Partners), whilst the panelists were Ranel T. Wijesinha (Chairman, SEC), Sharmini Ratwatte (Non-Executive Director, Ceylon Cold Stores PLC), Anarkali Moonesinghe (Executive Director, CIMB Investment Bank (Pvt) Ltd, and Deshal De Mel (Economic Advisor, Ministry of Finance).

The moderator posed questions to the panelists covering the problem, the causes, how it affects governance in the private sector, and whether this is something that needs to be fixed, and if it is, how the objective was going
to be achieved. The panelists were forthright and shared their experiences and thoughts. The discussion was enriched with the lively participation of the audience who also shared their views.

Aroshi Nanayakkara from the audience raised a question as to whether this was a gender issue or a generational issue as the younger generation are comfortable working with each other as they are growing up together, studying together and working together and don’t see the issue of why women should not be seen more at the Board level. Currently in Sri Lanka the majority of the Boards consist of 70+ year olds whereas the consumer is 20+ years and employees are 25+ years. She questioned whether this problem would get solved in a few years as the younger generation move into Boards and whether this issue of women Board members is a short term issue that we need to look at now. Deshal agreed that his generation had more exposure than the older generation which helps being able to recognize and celebrate diversity. He agreed with Aroshi that his generation and future generations would be more open to and more welcoming of that diversity. Sharmini was of the view that we should encourage the conversation with the young men and women on how they share their duties when they become families and ultimately how we as a society want to operate. She hoped that the current scenario would change and agrees that too many of the older generation are hanging onto Board positions without moving out and giving the younger generation an opportunity to learn and lead these companies. Anakali commented that if it is generational we will have to wait another 20 years which is a long wait and it reinforces the idea that we do need quotas to give people a push. Ranel Wijesinghe agreed that it was a generational issue but didn’t think we have to wait 20 years as all it would take was for someone to start. He was of the view that it was partly generational but there can be change without quotas. He suggested that companies have Nomination Committees on Boards which included women because a Committee Chairman does not need to have all Board Directors.

A comment made by Nihal Fonseka from the audience was that the issue was that there was a limited pool of women at the board level although there are many at the entry level but over their careers for various reasons the number drops. It is not because of their competency but also could be that the company does not have the required environment to create the pool of Board ready women. The other is the selection process. The reality is that those who get appointed to the Board are people who are known. Nobody invites someone they are uncomfortable with to join a Board. He suggested that this is where SLID can make a difference and create the pool. He concluded that he didn’t think that quotas will solve the problem in practice as the person who is appointed through the quota will feel that they were brought in to tick a box. He said that there was a good business case to have women on Boards but it was for the men on Boards to realise that.

Kinita Shenoy posed a question to the panelists who opposed gender quotas. There have been a few studies that definitively proved that having women on boards is beneficial to good business. Why wouldn’t you want that for your company? At the end we are looking for gender equity and not equality. Gender equality means that everyone is treated the same ignoring the fact that women have unique challenges. Why would you not introduce gender quotas that would help women to face these unique challenges by giving them the opportunity to put a foot in the door to have a seat on the Board and later prove their worth? The moderator advised to be vary of these studies as they have mixed results and are not conclusive.

In response to Kinita’s question, Sharmini stated that she is ambivalent on quotas but a few days ago prior to her research on this topic she was for quotas. But she realized that it was not going to work until the mindset changed. She went on to say that she have a bigger problem in Sri Lanka that unlike the West who tried the quotas and some countries are having issues, they realise that they have to work through somethings. We have to get our act together on the other side to make the quotas work and be successful. If we do it now we may get it wrong. We have some people in decision making who have a different attitude towards it and they are not going to create the space for it to work. We have to be careful on what we are asking for. She liked the idea of a voluntary quota and suggested we recognise companies listed on the Colombo Stock Exchange who have made a pledge to increase the number of women and report the number they have at different levels of the organisation. We can have journalists commenting on it. She suggested that the Top 10 companies that have women to encourage companies to voluntarily create the space to build a pool of Board ready females.

Arittha shared that previously he too was for gender quotas but the more you think of it the more you realise that it could have the reverse effect. If you have quotas what would happen is that they would get the most passive female on to the Board just to meet the quota requirement. This will deprive competent women from getting on to Boards. We need to create a platform for women to shine and to be identified as being good Directors. He stated that this is not a feminist issue nor an equality issue but is for building better Boards which is the role of SLID.

With regard to greater diversity being good for business, Deshal argued that then it should be determined by the market and not by the government. However, with regard to men and women in a company having different career opportunities due to their gender would be a reason for intervention because that is a result of market failure. A quota would make sense in that context. However, to solve this issue overnight is not possible and counterproductive. He suggested that we start with a voluntary quota and then in 2 years give an explanation as to why you have not achieved the quota and within 5 years if people are still not doing it then it would be when a mandatory quota should be introduced. If nothing is done the status quo will continue and change will be very slow. From a rights perspective 50% of the population are women and there is
work and how they work are 2 different things. In most of the places the Chairman calls the shots and if he is pro-men the ‘boys club’ is strong. He agreed with Deshal that we need variety but the men think we need diversity but least importance gender. The single most problem as the men think why women can’t break the glass ceiling is because of maternity. They think that maternity is not just the 3 months but includes pre-natal and post-natal period. If at the executive levels you can do without that person for such a long span of time, then you don’t need that person. The other problem is when a women gets to a senior level very rarely would another lady reach that position as she will try to suppress another lady. It does not happen in most of the cases with men. Unless we sort these things out we cannot move forward in this circumstances in his view we need quotas.

Anarkali added that at the backbone of the economy is unskilled low income workers and if this is not represented at the Board level there is something wrong.

Preethi Jayawardena, recounted his 40 years of his experience serving across over 15 different company Boards on how the Board should
to address that issue first. It is an insurmountable task for women to move up the ladder as they have to be educated, balance families and children and play a role in the corporate environment as well as playing a role in changing the attitude of men. It is a tough task and that the men in Sri Lanka can change their own attitude. There are adequate women who can be on Boards and there are very educated and competent women but it should not be the responsibility of women to change the attitude of men. There are independent directors on Boards which is a result of it being mandated. She questioned as to whether these men think that they are on the Board just to comply with the requirement. If they don’t, why should women think that they are on a Board because of a quota requirement? She said that she is for quotas until there is a change in attitude of men in Sri Lanka. Once women have made their mark and their voices heard the quota can be taken away and will be the way people function.

In conclusion the moderator requested the panelists to share their thoughts on what would be a solution. Deshal De Mel stated that it finally came down to 2 things. One is that diversity was better for companies but that is not a reason for quotas. We must also recognize that society has created structural differences in terms of challenges faced by both men and women. We should do everything to try and mitigate those. If this doesn’t result in more women on Boards then we will be compelled to introduce a gender.

Ranel Wijesinha was of the view that there was a lot that can be done but we do not need gender quotas. He believes that there is a pool of board ready women as an example he referred to the women in the room. Given that there is a check and balance in banks with the ‘fit and proper’ test which is gender neutral, he suggested as a first step to engage the Central Bank to encourage banks to use the ‘fit and proper test’ when appointing directors to ensure that the check and balances are in place.

Anarkali Moonesinghe agreed that it was one way to address the concern but recommended that the ‘fit and proper’ test should not only be for banks but should be for everyone regardless of the gender which would address the issue of not having capable people. At the beginning a soft quota should be introduced to build the pool and also to get people to think of diversity below the board thereby voluntarily committing themselves to diversity rather than it being forced.

Sharmini Ratwatte was of the view that it was time for us to stop being myopic about this problem and do something about it. Over the past 30 years there has not been any change with regard to attitude of Corporates to make that change. A soft quota was good but it was important to report it and to also talk about it. She also stated that the younger generation must not lose out. She stressed that we must ensure that the 25 year old woman does not miss the opportunity to be in senior management or on a Board. How do we make that happen? She stated that it was the responsibility of both senior men and women to ensure that this occurs. The women need to push for gender diversity and men have to change their attitude.

The closing remarks were delivered by SLID CEO Ms. Chamindâ de Silva who thanked SLIDs annual corporate partners Stafford Motors, Certis Lanka Security and Allianz Insurance, annual print media partner Wijeya Newspapers and the participants for attending the event. The evening concluded with refreshment being served and the opportunity to network where further discussion on the topic continued.
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Blue Ocean Group, one of Sri Lanka’s leading real estate developer was yet again in the limelight at the inaugural PropertyGuru Asia Property Awards - Sri Lanka award ceremony recently held at the Shangri-La Hotel, Colombo. Blue Ocean Group was nominated for an impressive total of eight awards including multiple nominations for the Special Recognition in Corporate Social Responsibility (CSR), Best Condo Architecture Design, Best Affordable Condo Development, and Best Condo Interior Design.

Sri Lanka took part in the esteemed PropertyGuru Asia Property Awards series held in Singapore for the first time in 2017 where Blue Ocean Group was bestowed with the coveted award as Sri Lanka’s Best Developer and also clinched the awards for Best Interior Design, Condo Architecture Design and Sustainable Development. Continuing its streak of success from last year, the Group went onto win multiple nominations and awards this year at the inauguration of PropertyGuru Asia Property Award’s Sri Lanka’ chapter.

“At the core of our business is our philosophy that revolves around innovating through our own style of quality construction. Excellence is a key word in our approach to the business and this is the reason for all the success we have achieved within such a short span of time since our inception. It gives us great pleasure to be recognized with multiple nominations on a prestigious international award platform such as Asia Property Awards. It goes on to affirm our unfathomable commitment to excellence” said Mr.S.Thumilan, Chairman of the Blue Ocean Group, commenting on his company’s success at this distinguished award ceremony.

PropertyGuru, Asia’s foremost online property company, initiated Asia Property Awards series 13 years back and the award show has earned unparalleled reputation for credibility and transparency as the entries are judged through a rigorous and fair process by an independent panel of renowned industry experts.

Blue Ocean is currently doing over 35 projects in 10 cities, targeting more than 1250 apartments at one stretch, which is regarded as a record for a private company in Sri Lanka’s real estate sector.

To be more specific with our status, we wish to name some of the projects completed or ongoing. 07 projects were completed between January – June 2018, valued Rs. 4 Billion, 06 projects to be completed before end of August 2018, valued Rs. 6.3 Billion, 06 running projects in hand, valued Rs.11.5 Billion, 07 projects being designed, valued Rs.14 Billion and another 15 on-going projects, valued Rs. 20 Billion, all of them totaling to approximately Rs. 55 Billion.
Fraud signals in control lapses that come before the BAC

The scale and impact of fraud in organisations has grown substantially in recent times, partly due to the opportunities presented by digitally-enabled workplaces. The Global Economic Crime and Fraud Survey 2018 by PWC which aggregated data from over 7200 global respondents, revealed that 49% of organisations have been a victim of fraud and economic crime. This underscores the importance of adopting a holistic and strategic approach to fighting fraud, as opposed to viewing it as isolated incidents and/or compliance issues.

Ultimately, human behaviour is the key determinant in the decision to commit a fraud and PWC defines the principal drivers for internal fraud through the Fraud Triangle (illustrated alongside). The fraud triangle is represented by the opportunity to commit a fraud, incentive/pressure to perform and a process of internal rationalisation. 59% of respondents considered the availability of an opportunity as the leading contributor to frauds although the relative importance played by opportunity to commit a fraud had declined in comparison with 2016.

Eliminating the opportunity for fraud

Organisations’ efforts to minimise frauds have primarily focused on reducing the opportunity for such acts. Fraud risk assessments are an effective tool in eliminating opportunity for frauds while some organisations also use data analytics to monitor transactions based on certain conditions (such as transactions above a certain value or timing of entry). Employees being aware that their actions are monitored has also contributed towards reducing frauds. That said, internal controls can bring about a false sense of security particularly as most significant internal frauds stem from management overriding and/or circumventing these controls.

Preventing rationalisation

Rationalisation is by far the hardest driver to influence. Setting the correct tone at the top is crucial to ensure that a culture of rationalisation is minimised. Meanwhile, the Board Audit Committee should ensure that an appropriate framework of business ethics and codes of conduct is in place to drive this change. There is also often a blurring of distinction between fraud within the organisation and fraud by the organisation, and the tone at the top is vital in nurturing the correct organisational culture.

Preventing the Incentive

The survey by PWC revealed that 28% of the organisations that were victims of fraud experienced incentive abuse while 24% of respondents indicated that the senior management was responsible for the most disruptive crimes. Incentive schemes and pressures to achieve targets in the last month or quarter of the year can lead to frauds and risk assessments can provide insight on a large quantum of transactions taking place at the year-end. Meanwhile, a clearly communicated open-door policy and a hotline, as well as short term controls, can serve as useful checks on whether aggressive sales programs are leading to fraudulent behavior.

Audit Committee considerations

Although fraud risk assessments are usually costly exercises, they are the first step in preventing fraud before it occurs, and Audit Committees should encourage their organisations to conduct regular assessments. Meanwhile, findings of internal audit could signal the tip of the iceberg and Audit Committees should give further attention to these findings. The adoption of Internal Auditing Standards should also be encouraged to ensure consistency and quality of internal audits while Audit Committees should consider the elements that are excluded from the internal audit scope. There should also be a process in place to prevent one or a few directors from dominating the decision-making process, particularly in project approvals, and all directors should request further information in the event information provided is inadequate.

Source: PWC, The Global Economic Crime and Fraud Survey 2018
SLID, IFC CONDUCT THE FIRST TRAIN THE TRAINERS WORK SHOP FOR THE IFC WOMEN ON BOARDS AND IN BUSINESS LEADERSHIP PROGRAM

Over the years the Sri Lanka Institute of Directors (SLID) has initiated many discussions to try and understand why, despite the potential benefits, there has been a remarkable lack of progress in the number of women directors on corporate Boards in Sri Lanka. Because of these continuing gaps SLID is looking at ramping up the pace of women’s access to board positions with a goal of accelerating the pace of female board appointments and increase the number of women on boards in Sri Lanka.

SLID will be launching a program for women on boards to build networks and partnerships that foster the pipeline of talented women thriving in business leadership positions. This program will complement SLID’s flagship program, the Board Leadership Director Certification by delivering training using the toolkit for Women on Boards and in Business Leadership developed by IFC that focuses a lot more on the softer skills required of board directors.

As a first step SLID identified facilitators (both genders) to deliver this program effectively and in partnership with IFC supported by the Government of Australia, SLID organized a regional Training of Trainers (ToT) program in June 2018 to deliver the program developed by IFC. This was the first ToT for IFC’s Women on Boards and in Business program and it was an honour that IFC partnered with SLID for this workshop. Participants were senior business leaders from India, Nepal, Bangladesh and Sri Lanka.

The program was conducted over two days of challenging and innovative coursework, where professional trainers engaged in a variety of experiential learning sessions designed to advance their understanding of transformational change and the enriching impact of gender diversity on improved business performance, corporate governance systems and long-term sustainable development of companies.

Four IFC resource persons were specially flown in to deliver the program. Brenda Bowman an expert in adult learning, leadership -coaching and building the capacity of boards is a master trainer for the IFC Environment, Social and Governance team since 2007. Loty Salazar a Corporate Gov-
ernance Officer at IFC who leads IFC’s Women on Boards and Corporate Leadership program. Lopa Rahman a Project Manager of the recently initiated Corporate Governance for Women Project in Sri Lanka and South Asia Region Corporate Governance project, covering Bangladesh, Bhutan, India, Nepal and Sri Lanka. She is responsible for IFC corporate governance (CG) advisory services in the region, and provides investment support on CG matters to IFC investment clients originating in the region. Sheela Rahman a Consultant for IFC Bangladesh and is a legal specialist for CG advisory services for the South Asia Region Corporate Governance project.
Certain Board member habitually comes late for meetings. Chairman either waits for him or goes through process again after he comes. This takes valuable Board time. How can I stop this?

Meeting time is fixed to save idle time for all concerned. When a start time of a meeting is delayed total of all individual time becomes material.

Chairman should start meeting on time—perhaps with a grace period of say five minutes—provided there is a quorum.

Chairman should assert himself and insists for Board Members to come in time. If a Board Member continuously comes late after proper warning—is best “shown the door”

Board meetings are generally Accounts oriented. “Mass of figures” are presented discussed and decisions taken. I can understand very little, since I am an HR person. I feel it is more a Finance committee meeting. Very little time is given to other important matters.

Board meetings are generally for (a) Strategic decisions after discussion and (b) quick review recent past. You must raise your objections and request for simple, concise and meaningful accounting presentation.

Since you are a HR person you should find a way of convincing the board to resolve your issues.

Internal auditors complain that senior management give very little time to discuss their points or answer questions.

Common problem in many companies. It is important that you get the “buy in” of each head of Department. This can be achieved to some extent by having an “initial” discussion at the very outset. You should be seen as “adding value” as opposed to “fault finding.” Time frames should be agreed. Keep these three points mind—issues would be certainly lessen.
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The keynote speaker at Great Place to Work Institute award program, bestselling Author Bob Lee expressed surprise at the extent to which the best work places in Sri Lanka are up there with the best work places in the world. However he said there is room for improvement. Today in Sri Lanka, HR has gone from the traditional hire and fire role to a strategic partner at the table with finance, marketing and other business centers that are not centers of profit for the organization. The job of HR, as is the job of all such departments, is to ensure that the business gets the most out of its employees.

Another way to put this is that human resource management needs to provide a high return on the investments made on its people. This makes HR a highly complex function - because it deals with not just management issues but human ones as well. Also it is not so difficult for anyone to understand why highly productive employees are needed for any business to succeed. Then, finding them, managing them, motivating them and retaining them are key responsibilities of HR. In many companies, HR still gets it wrong– they either operate as an outfit to please the boss or put up a health-and-happiness sideshow to please the employees.

These are extremes, of course, but if there is anything I have learned over the past 20 years, it is that that’s an outrage, made only more so by the fact that most HR leaders don’t know how to fix it. HR in my view should be every single company’s engine of growth. What could possibly be more important for a company than who gets hired, developed, promoted, or moved out of the door? After all, business is a game to make profit and, as with all games, the team that puts the best people on the field and gets them playing together as a team wins and makes adequate money to breed more success, give salary increases to their players and to become well-known in the industry.

Challenge for HR

To be fair by HR, it’s not that easy to get the best out of people and some people are hard to manage. However, you would never know that though, until you get the right man on board as your HR head. On the other hand, even though many CEOs believe that people power is the real engine of any business, in many companies the CFO reigns supreme and as a result HR is relegated to the background. This just doesn’t make sense. If you owned the best cricket team in the world, for instance, would you hang around with the team captain or the Treasurer of the Board? Sure, the treasurer can tell you how much money the board has, but the captain knows what it takes to win, how good each player is and where to get strong recruits to fill talent gaps in the team. That’s what HR should be all about. And as we see when we move around, it’s usually not. That was never as painfully clear to us as it was few years ago when we spoke to some HR professionals about their role. At one point, we asked the audience: “How many of you work at companies where the CEO gives HR a seat at the table equal to that of the CFO or the Marketing head?” After an awkward silence, fewer than five people raised their hands. Appalling!

Since then, we’ve tried to understand why HR often gets marginalized in the management team, and as noted above, there are at least two poles of
bad behavior.

HR’s Role

That occurs when HR managers act like kingmakers, making and breaking careers, sometimes not even at the CEO’s behest. These HR departments can indeed be powerful but often in a detrimental way, prompting the best people to leave just to get away from the intrigue of it all, then after a while HR becomes a drag on the business and finally get marginalized for good. Then, you get the other extreme: HR departments that plan picnics, put out the in-house newsletter and generally drive everyone crazy by enforcing rules and regulations that appear to have no purpose other than to increase bureaucracy.

Get HR to do its real job

So to get it right, it all starts with the kind of people boards appoint to run their HR – not kingmakers or cops but real HR professionals, people with real stature and credibility. In fact, they need to fill HR with a special kind of hybrid person as suggested by a former GE CEO Jack Welch: people who are one part a priest, hearing all sins and complaints without recrimination, and other part the parent role, loving and nurturing but giving it to you straight when you are off-track. Priest-parent types can rise through HR, but more often than not, they have run something during their careers, such as a factory or a function.

They get a good feel of the business – its inner workings, history and tensions, the hidden hierarchies in people’s minds. They are known to be relentlessly candid, even when the message is hard, and hold the confidence at any cost. Indeed, with their insight and integrity, the priest-parent earns the trust of the organization. But priest-parent types don’t just sit around making people feel warm and happy. They make the company better, first and foremost by overseeing a rigorous performance management system that lets every person in the organization know where he or she stands, and monitoring that system with the same intensity of legal compliance. CEOs should also make sure that HR fulfills two other roles: That they create effective mechanisms to reward and recognize the right people in the business and prepare the organization to face their most fired up relationships with in the business, such as those with unions, individuals who are no longer delivering results, or stars who are becoming problematic, for instance, becoming arrogant, greedy, instead of growing. Now, given our experience with HR, the kind of high-impact HR activity we talked about probably sounds like a pipe-dream for many CEOs.

But given the fact that most CEOs loudly proclaim that people are their ‘most important asset,’ CEOs need to put their money where their mouth is and get HR do its real job: elevating people management to the same level of proficiency and skill as finance or marketing. Since people in our view is the only resource that can deliver discretionary effort that can deliver extraordinarily value to a business, what could be more important to a business than to put money behind the people who run your business and create the competitive advantage that other companies cannot copy in a hurry.

‘The writer is a HR Thought leader’
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Nishantha Weerasinghe
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Nishantha Waharaka
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UPCOMING EVENTS

July  19  Audit Committee Forum – Session 17 ‘Corporate Governance Code and how Internal Auditors can help the BAC’
       25  Independent Directors Forum – Session 5 ‘INEDs right to dissent’
August  8 & 9  Board Leadership Director Training Certificate Intake 8: Part 1 Corporate Governance
           30  Power Evening: CFO Forum
September 12 & 13  Board Leadership Director Training Certificate Intake 8: Part 2 The Board
            20  Power Evening: Directors Forum
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