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SINGAPORE

Structured approach to appointing directors aids performance: NUS study

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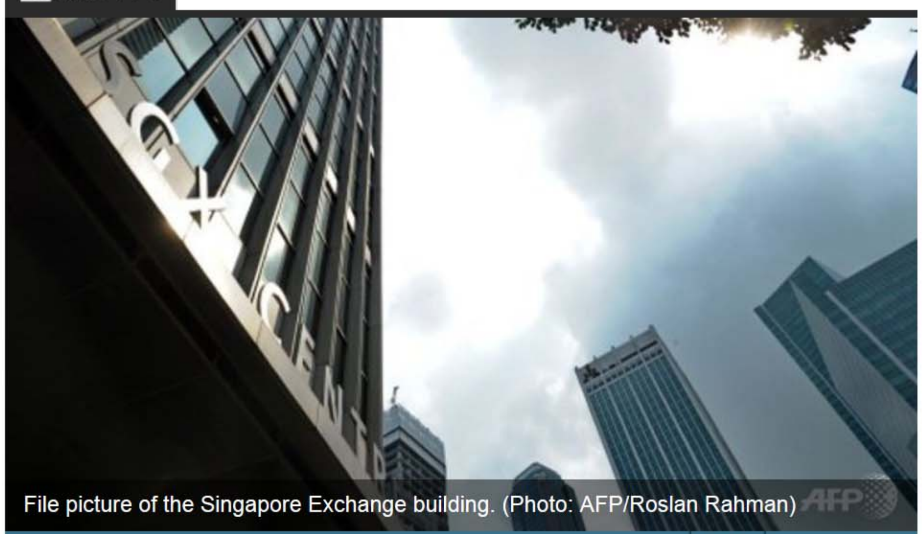
SGX-listed companies that used search firms for new director appointments had an average return on equity of 8.16 per cent over five years, compared to 5.5 per cent for other companies, according to the study.

PHOTOS



File picture of the Singapore Exchange building. (Photo: AFP/Roslan Rahman)

CAPTION

SINGAPORE: Companies that appoint board directors with the help of external search firms enjoy higher return on equity (ROE), compared to those that do not rely on outside help, a study by the National University of Singapore Business School has found.

NUS Business School's Centre for Governance, Institutions and Organisations (CGIO) said in a report on Tuesday (Jan 20) that over a five-year period, Singapore Exchange-listed companies that used search firms for new director appointments had an average ROE of 8.16 per cent, compared to 5.5 per cent for other companies.

The findings were based on data collected for CGIO's annual Governance and Transparency Index (GTI).

The proportion of listed companies engaging search firms for board director appointments is small, making up only 17.1 per cent of SGX-listed companies, even though this has grown from 4.5 per cent in 2010.

"The board of directors is the pinnacle governing body of the company. Appointments to the board have to be more systematic and go beyond the casual approach often being used now," said Lawrence Loh, Associate Professor at NUS Business School and leader of the GTI project.

The GTI, which is jointly published by CPA Australia and NUS Business School's CGIO, is based on a study of more than 600 SGX-listed companies every year.

- CNA/cy