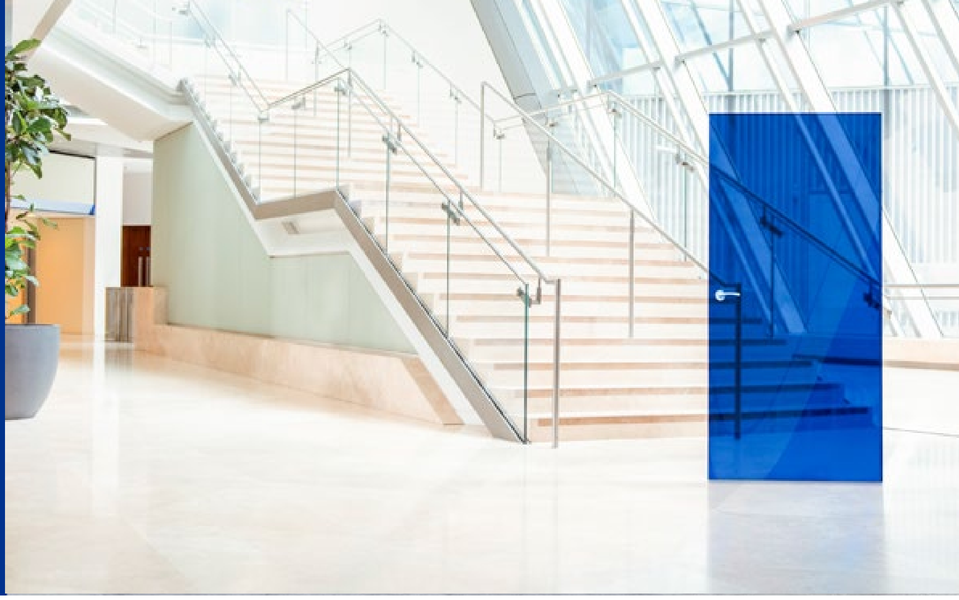
A Conversation with Dr Dambisa Moyo

KPMG Board Leadership Centre



Dr Dambisa Moyo describes herself as an "unconventional board member" yet she has sat on the boards of top companies, in multiple sectors and geographies, as they navigate challenges that go beyond traditional mandates. Dambisa shares her experiences of how boards work, and why they need to be more transparent, more knowledgeable and diverse as they steer companies through the "surprises" yet to come.

A rarity on the board

Dambisa bucked the trend of the typical board member when she took up her first board appointment ten years ago: "I did not come from the c-suite; I was 39 years old; and a black woman, from Africa". Though diversity today is highly sought, Dambisa believes firmly that "a company that need (say) a technology person, should go for the best technology person they can hire. Optics are dangerous. We don't want to lose highly talented people just because they happen to come from a majority."

She did not let her unconventionality stop her. In a career bookended by the financial crisis of 2008, and the ongoing challenges of the pandemic, Dambisa has served on boards in the US, the UK, continental Europe and Canada, in mining, energy, banking, media and fast-moving consumer goods. She has had activists in her stock; been through a US$100 billion M&A transaction, and both hired and fired CEOs.

Dambisa's book *How boards work – and how they can work better in a chaotic world*, is informed by these experiences. She says: "The past two decades have been anti-corporation, anti-capitalist and anti-growth. I felt a need to reassert the importance of corporations, not just in creating jobs and contributing to the tax base, but in delivering the innovations that are vital to society and human progress."

So, given the wealth of Dambisa's experience, how would she tackle some of the specific problems that our boards face today?

On public-private sector collaboration

"To solve some of the biggest challenges we face today, governments, corporations and civil society need to come together at the same table," says Dambisa.

In bad times and extreme situations, parties cooperate and demonstrate resiliency. The COVID-19 pandemic is a case in point and highlights how governments, pharmaceutical companies and society came together quickly to develop vaccines and hasten rollout.

But, for slow-burning and deep-seated traumas, like climate change, Dambisa feels it is much harder to get the parties in the same room. "Government is fearful, perhaps, of being seen to be in the pockets of the private sector and not working for the good of wider society. Businesses, in turn, are looking to government to say here's the operating environment; here are the rules; do what you have to do."

She points to the United Nations Climate Change Conference – COP 26. "We're consuming 100 million barrels of oil every day, and there are still 1.5 billion people with no access to energy. How are you supposed to solve the energy crisis by excluding energy companies from the room?"

On activists in the stock

In the past 10 years, activists have been motivated by a low-interest environment and pursuit of returns. They may want to break up a company, oust the CEO, or change the strategy, but "their hit rate is relatively low" says Dambisa.

Very often, there is a gap between what the company/board knows, and what the activist knows. "Educating the activist is the best way to navigate this." The more that companies engage with all shareholders, activists included, the better they convey the company perspective. "Don't assume activists have full information; but don't assume they are dumb either. They will be thoughtful on some issues." In fact, Dambisa goes as far as to say that having activists in the stock is not always a bad thing, as they can offer different perspectives that add value.

On investor engagement

Dambisa recognises that it is important not to prejudice "mom and pop investors" but advocates engaging with civil society around issues such as climate, remuneration and talent.

In some instances, gatherings of two or three board members with 10 or so shareholders, over breakfast or lunch, works well in her view. "They can ask you general questions, but you don't want to get into 'gotcha moments' where your interpretation contradicts management's view."

On future thinking

Referencing The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success by William N Thorndike, which concludes that companies focused on capital allocation outperform both the stock market and their market peers over long periods, Dambisa fears there is too much short-termism in companies today.

They have become, in her view, too focused on the here and now, on their rankings and optics, rather than long-term capital allocation. "We need more long-term, strategic thinking. Even during the pandemic, companies got overly obsessed with tactics. Though tactics are important, don't lose sight of strategic issues."

Though she admits it is a little *avant garde*, Dambisa considers that boards would do well to widen their information sources and get some perspective from external discussion platforms. She cites Glassdoor, Blind and TheLayoff.com. There is value, she believes, in understanding the issues in the eyes of existing and past employees, to better respond and thrive in a complex world.

On national approaches to board oversight

Dambisa's board experience crosses multiple geographies. She has discerned very different practices and behaviours between nations.

She describes European boards as often focused on risk mitigation. This somewhat reflects the way in which European governments think. The European response to climate change, for instance, is emission reduction targets, which she says is no bad thing. But the "rules culture" flows into the businesses themselves and informs how they operate.

The US perspective, by contrast, is less about rules and more principles based "laissez-faire". There is emphasis on leveraging the upside investment opportunity, such as the commercialisation of nuclear generation IV reactors. Dambisa believes: "If you are less rules-based, you are likely to get more innovation."

The UK relationship between the board and management is often viewed as "check and challenge". She recalls one British CEO who said: "I don't need an activist in my stock; I already have an activist – it's called the board." In the US, there is greater camaraderie in the relationship, with the board often providing sanctuary for the CEO from management.

On survival

Some organisations have kept on going for centuries, though the industrial revolution, the first and second world wars, and out the other side, by reinvesting and reinventing. Some have not. Threats today can also limit a company's existence. "Could you explain what happened if your company ceased to exist in 10 or 15 years' time?" asks Dambisa. "What didn't you see coming that caused you to go under, get acquired, cease to exist?"

She believes two levers can make a difference to a business's survival in today's complex world.

— Bring younger people onto boards: The balance and diversity of the board needs to reflect the environment in which it operates. The array of issues that present today, including technology, deglobalisation, the rise of China, and the war for talent, means widening the aperture on recruitment. Bringing in younger people, with a greater understanding of, say, digitalisation can provide a hedge to more commercially minded members, and help to deliver the board mandate with informed counsel to the CEO.

— Questions of ethics: Greater rigour in CEO selection, and more searching questions need to be asked. Between 2017 and 2018, 400 CEOs and business leaders lost their jobs due to ethical infringements. "That's a lot of high-powered people in serious positions to let go because we didn't ask the right questions in the first place. Members of parliament in the UK are required to attest that they know nothing today that would bring future embarrassment to the party. Why don't we ask our potential CEOs to attest to that?"

In a chaotic world, perhaps one of the most salient lessons that Dambisa has learned is about the importance of flexibility. "Business will always be surprised. And so, you need a flexible balance sheet. And talent, which might not be able to predict the next challenge coming your way but is flexible, and ready to both mitigate risk and to identify where new opportunities lie." In six months' time, she warns, the challenge will be completely different.

Dambisa Moyo's new book How Boards Work: And How They Can Work Better in a Chaotic World, is now available.

The KPMG Board Leadership Centre

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Contact us

Timothy Copnell
Board Leadership Centre
T: +44 (0)7801 520802
E: tim.copnell@kpmg.co.uk