

How Relevant are Term Limits?

BY WILLIE CHENG



**It can be difficult for leaders to let go.
Having term limits can help ensure the necessary
leadership renewal and ease the transition process.**

Term limits, which set a maximum tenure for incumbents, are often employed as a tool for effective governance in both political and corporate spheres across the world.

Term limits in Singapore

In Singapore, term limits have long been *de rigueur*, especially in government echelons. Permanent secretaries became not so “permanent” after a 10-year

limit was introduced in 2000. In the military, officers mostly retire by age 50.

Governing boards, driven mainly by regulatory requirements, have accepted term limits for their members.

In the 2023 revision to the Code of Governance for Charities and Institutions of a Public Character (IPCs), the Charity Council introduced a 10-year term limit for the governors of these organisations.

This is aligned with the Code of Corporate Governance and Singapore Exchange Listing Rules stipulating that independent directors who have served more than nine years will no longer be considered independent after the end of this year.

When this so-called “nine-year rule” was first introduced in the Code of Corporate Governance in 2012, a long-serving director could nevertheless be declared independent after “a particularly rigorous review” by the board. In the 2018 revision, the rules were tightened, requiring the continued appointment of a long-serving director as independent to be approved by a two-tier vote of shareholders.

However, concerns about the gaming of these rules led regulators to hardcode the nine-year rule in May 2023, with the change taking effect on 1 January 2025.

What might be surprising, though, is that the nine-year rule is not strictly about director tenure but rather about director independence. In effect, a director can continue to stay on a board after nine years, but as a non-independent director. There are, however, other rules on board composition that restrict the proportion of non-independent directors.

The nine-year term limit for independent directors will also serve as the benchmark in the newly refreshed ASEAN Corporate Governance Scorecard. This limit will be applied regardless of whether it is embedded in the regulatory framework of the respective jurisdictions.

While term limits are common on boards, they are less prevalent at the CEO and senior management levels, where the emphasis is typically on continuity, expertise and performance. Any necessary leadership changes are generally expected to be managed by the board – though, as we will discuss later, this may not always be the case.

Controversy over term limits

Term limits are sometimes viewed as a blunt instrument, sparking contention when they affect specific individuals and situations. The contention becomes particularly pronounced when term limits are being introduced, adjusted, or removed.

Such controversies are more frequently heard in the political space.

An amendment to China’s constitution in 2018 removed the presidential term limit, thus allowing China’s President Xi Jinping to rule indefinitely. Five years later, President Xi was unanimously awarded a five-year term at a time of severe economic challenges and rising tensions with the US and others.

The endorsement of Xi’s appointment (2,952 for, 0 against) by the ceremonial National People’s Congress was a foregone conclusion as all potential rivals had been sidelined. There was no national debate as to whether a leader should be allowed to stay on for as long as they choose.

Russian President Vladimir Putin was one of the first to congratulate him upon his reappointment. President Putin himself was recently re-elected for at least another six years earlier this year after he passed a controversial legislation that reset his term limits to zero-out his past terms.

He argued that when a country is experiencing shocks and difficulties, stability is more important and must be a priority.

In neighbouring Malaysia, when the Pakatan Harapan opposition alliance came to power in 2018, one of its

key promises was to institute term limits for the offices of prime minister and other leadership positions.

In the subsequent general elections in 2022, the 10-year term limit for key positions at the national and state levels was again mooted. So far, no bill to limit the tenure of the prime minister has been tabled by the unity government yet.

At the state level, only Penang has enacted the two-term limit for its chief minister, according to a report in *The Malaysian Insight*.

Both advocates and critics of term limits can be very vocal about their positions.

Arguments against arbitrary constraints

Critics argue that term limits result in the loss of institutional memory and invaluable experience when a strong performer walks out the door of an organisation (or nation). They assert that term limits are artificial constraints that prevent highly valued individuals from continuing to serve even though they are both capable and willing. They see term limits as arbitrary “use-by-dates”.

Instead, they prefer mechanisms such as nominating committees, performance evaluation processes, human resource reviews and voting by constituents to determine whether incumbents are, in fact, suitable and fit to continue serving.

Not surprisingly, it is often those who are directly affected by term limits – the office holders and their supporters, especially those who would presumably benefit from the status quo – that tend to be the most outspoken in their objections. Thus, then-Prime Minister Datuk Seri Najib and the former ruling UMNO party criticised and rejected the proposed two-term limits in Malaysia when they were in power.

Argument for renewal

Advocates of term limits usually point to the potential or actual abuse of power by long-serving incumbents. They point to 19th-century historian Lord Acton’s

axiom: “Power tends to corrupt, and absolute power corrupts absolutely.”

In his analysis of the effect of power on leaders, Professor David Chan (“The unbearable weight of power”, *The Straits Times*, 4 February 2017) concludes that there is much truth to the corrupting influence of power. He cites behavioural science studies that show that power can and does corrupt, and it can happen to ordinary, decent people.

Another common reason cited in favour of term limits is organisational renewal and the need for “new blood”. It is natural for those who have been around a long time to be too complacent and limited by past successes, not to mention a feeling of indebtedness to their supporters. A change in players can bring much-needed energy and fresh perspectives.

Proponents of term limits are also generally sceptical about the objectivity of mechanisms such as nominating committees for determining the suitability of incumbents. These processes, they argue, can be captured, controlled or co-opted by those in power.

Communist regimes provide the clearest examples of this. While few world leaders come close to the 52-year reign of Cuba’s former head of state, Fidel Castro, it is interesting to note the lack of opposition within communist regimes to long tenures – despite term limits in place.

The lack of internal opposition to the current regime of China’s President Xi and Russia’s President Putin starkly contrasts with the condemnation of the moves in the international media.

Introducing term limits

It may come as no surprise that term limits are often introduced after the exits of long-serving incumbents.

Indeed, a limit of two terms of five years for the Chinese presidential post was introduced by then-

leader Deng Xiaoping in 1982 to “change the over-concentration of power” after decades of turmoil under Chairman Mao Zedong. That, of course, has now been dismantled.

Similarly, in 1987, the Philippines restored its 1935 constitutional limit of a single term of six years for the president, following the end of the late President Ferdinand Marcos’s controversial 20-year rule.

Soon after Malaysia’s longest-serving prime minister, Dr Mahathir Mohamed, stepped down in 2003 after 22 years in office, there was a great deal of discussion in the country’s political circles about limiting the prime minister’s tenure. However, this never came to pass. Ironically, Dr Mahathir championed a two-term limit for the prime minister “to curb corruption” after he stepped down.

In 1975, the US Congress mandated a 10-year term limit for the Director of the Federal Bureau of Investigation (FBI) because of alleged secret abuses of power by J Edgar Hoover. Mr Hoover had headed the FBI and its predecessor organisation for nearly 48 years, serving under eight American presidents.

It is not just in government that power can be wielded for far too long. Nonprofit organisations have also found that a lack of effective mechanisms to move long-serving leaders is not healthy. In Singapore, SATA CommHealth, Singapore Computer Society and the YMCA introduced term limits for the top positions after the departures of long-serving incumbents.

The Asian way

From a practical standpoint, term limits can have a clarifying effect that promotes organisational renewal. Knowing that there is a definitive deadline could galvanise a leader – and if not the leader, then at least those around who care about the organisation – to plan effectively for succession.

This is particularly useful in the Asian context where “face” and respect for elders can be more important

than reason. We have seen situations where peers and subordinates do not know how to tell a person in power that it is time to move on.

A veteran headhunter once said that the single most difficult question that boards and human resource professionals face and shy away from raising with their CEOs is the CEO’s succession.

Term limits help cut through such angst. Instead of expending negative energy on the question: “How do we persuade the office bearer to step down?” they allow organisations to focus on the crucial task of finding and grooming the right successor.

Without term limits (or at least a definitive end date), renewal and succession planning, even if acknowledged as important by an incumbent, may be just lip service.

Many years ago, I met up with a successful entrepreneur to persuade him to part with some of his newfound wealth (after a substantial liquidity event) for a charitable foundation. Observing that I had recently retired, he said, “I would like to retire too, now that I have grown the company to this stage. But it’s a challenge finding someone to take over. Could we catch up over dinner so that I can learn from you how I can make this happen?”

Towards the end of our conversation, having understood his situation better, I told him, “You are undoubtedly enjoying your job, and that’s a good thing. You can retire if you really want to. But, frankly, I don’t sense you’re ready to retire anytime soon. Nevertheless, I am more than happy to have dinner with you to discuss the matter further.”

We never had that dinner. That was more than 16 years ago. The last I checked, he was still the company’s chairman and CEO. ●

Willie Cheng is a former chairman of SID. This article is adapted from an eponymous chapter in his book, *Doing Good Better: Choices and Paradigms in the Social Ecosystem*.