ASK MR SID

Dear Mr Sid

Re: Taming a Young Turk

I am the non-executive chairman of a listed company engaged in high-end retailing. Our exclusive *haute couture* boutiques across Asia sell elegant designer clothes and accessories. As the region grew wealthier, so did we.

I believe we have perfected a business formula that works splendidly. Board meetings are relaxed, and we often say, "If it ain't broke, don't fix it." Management has done an excellent job delivering results, and the future looks bright.

However, a newly-appointed young director (the son of our majority shareholder) has started ruffling feathers on the board. He fancies himself a disruptor and is brimming with radical ideas that, frankly, we don't need.

For example, he's pushing for more tech in the business and a shift to an eCommerce model. I have explained that our success relies on the boutique experience, personal touch and exclusivity – all of which cannot be replicated online. Our typical clientele is also cautious of online shopping due to concerns about scams and counterfeit goods.

Another of his passions is ESG. He's clamouring for a dedicated committee as though we don't already have enough regulatory overhead. I have explained that climate change has little bearing on us, given our low production volumes, handmade sustainable products and ethical practices. We support charitable causes by donating our luxury goods to events such as golf tournaments and charity dinners – surely, that checks the "S" box in ESG? And our governance was fine (until he came on board).

Despite my efforts, I cannot seem to convince him that the best course is to stay the course. I respect his Harvard degree and his youthful energy, but surely industry experience and age-old wisdom are what really matters in our sector.

How can I rein in this disruptor, given his relationship with the majority shareholder?

Yours sincerely,

Defender-Against-Disruption

Dear Defender-Against-Disruption

Thank you for your letter. Your frustration is understandable – many of us feel unsettled when confronted with change, especially when the status quo seems to be working so well.

Before addressing how to handle your young director, let us first examine the key issues he has raised: eCommerce and ESG (or environmental, social and governance) concerns.

eCommerce

You may be correct that the boutique experience, exclusivity and trust are central to your brand's success. These elements form the bedrock of luxury retail.

However, technology has become a game-changing disruptor across industries – and luxury retail is no exception. Ignoring technology's potential could leave you vulnerable.

Consider Hermès, which initially resisted eCommerce but eventually embraced it through a carefully curated online platform that preserved the brand's exclusivity. Customers can browse select items online, yet the brand continues to emphasise its craftsmanship and heritage.

Similarly, Burberry, a pioneer in digital transformation among luxury brands, seamlessly integrated technology to enhance both online and in-store experiences. For instance, they adopted augmented reality for virtual fittings, allowing customers to preview collections digitally before purchasing.

These brands did not merely "go online" – they used technology to complement and elevate their luxury identities. For your business, this could mean exploring innovations such as private virtual shopping appointments, exclusive online collections, or personalised digital experiences for VIP clients. The goal is not to replace the boutique experience but to expand it into new spaces that resonate with evolving customer preferences.

ESG

ESG considerations are no longer "nice to have." They have become essential strategic priorities, even in luxury retail.

Today's high-end buyers, particularly Gen Z and millennials, increasingly value sustainability, ethical practices and climate impact. They scrutinise brands for their commitment to ESG values and reward those that demonstrate leadership in these areas.

While your handmade products and charitable giving are admirable, they fall short of a comprehensive ESG strategy. ESG can be a powerful branding tool. Consider Gucci and Chanel, both of which have embraced sustainability as part of their core identities. These brands champion initiatives like carbon neutrality, circular fashion and responsible sourcing, which resonate with socially conscious consumers.

ASK MR SID

Establishing an ESG committee may feel like an additional layer of bureaucracy, but it could position your company as a leader in sustainable luxury. Think of it not as a burden but as an investment in long-term reputation and resilience.

Resilience beyond eCommerce and ESG

Your young director's push to embrace technology and ESG is not just about these individual issues. It is about the resilience of the organisation – and the board.

Boards that rest on past successes risk being blindsided by emerging challenges. In addition to digital transformation and sustainability, consider risks like:

- **Geopolitical tensions.** The US-China rivalry and conflicts in the Middle East and Ukraine can significantly impact trade policies, tariffs and cost structures.
- **Supply chain vulnerabilities.** Global events such as port strikes can disrupt supply chains, leading to delays and increased costs.
- **Shifting demographics.** Younger, affluent consumers are more inclined to expect a seamless online experience, even for high-end purchases.

Your declaration, "If it ain't broke, don't fix it", while understandable, can be dangerous. Your boutiques may thrive today, but are they future-proof? A reluctance to innovate could cost you your competitive edge.

Sometimes, the disruption you fear is exactly what your market demands. Building a resilient board requires vigilance and a willingness to adapt.

Working with the Young Disruptor

Ignoring your young director is not an option, especially as he represents the majority shareholder. However, more importantly, his views *should not* be dismissed because they have the potential to be constructive. His Harvard education and energy are not threats – they are assets.

Instead of seeing him as a thorn in your side, view him as a catalyst for innovation. Here are some suggestions for working with him:

- **Welcome and contextualise contributions.** Acknowledge his enthusiasm while helping him understand the company's history, business model and strategic priorities. This can help him frame his suggestions within the company's context.
- **Engage constructively.** Invite him to present detailed proposals at board meetings. This approach demonstrates respect for his ideas while ensuring decisions are evidence-based and collective. For promising ideas, consider piloting them on a small scale before full implementation.
- **Mentor and guide.** Pair him with experienced directors who can help temper his enthusiasm with practical insights and actionable strategies.
- **Balance governance and ownership.** As the son of the majority shareholder, his views carry implicit weight. Navigate this dynamic by emphasising collective decision-making and adhering to governance principles. Moreover, you could leverage his connection to the majority shareholder to secure buy-in for strategic initiatives.

Board improvements

Most of all, let the new director and this situation prompt a broader reflection on your board's effectiveness. Here are some improvements to consider:

- **Skills and diversity audit.** Assess whether your board has the expertise needed for today's challenges. If necessary, consider adding directors with experience in digital transformation, ESG or consumer trends.
- **Committees and advisers.** Beyond an ESG committee, consider whether a technology committee or advisory panel of external experts could add value.
- **Culture of challenge.** Foster an environment where directors feel empowered to question the status quo. Constructive dissent often leads to better decisions.
- **Continuous learning.** Commit to ongoing education for the board. Require management to research and present case studies on how other companies are addressing trends in luxury retail. Organise study trips or retreats to deepen the board's understanding of key issues.

Harness not tame

In summary, rather than "tame" your young director, harness his potential.

Use this opportunity to lead your board into a future that respects tradition while embracing innovation. Even the most exclusive luxury brands must evolve – or risk irrelevance.

Yours sincerely,

Sid

Mr Sid

Who is Mr Sid?

Mr Sid is a meek, mild-mannered geek who resides in the deep recesses of the reference archives of the Singapore Institute of Directors.

Burrowed among his favourite *Corporate Governance Guides for Boards in Singapore*, he relishes answering members' questions on corporate governance and directorship matters. But when the questions are too difficult, he transforms into Super SID, and flies out to his super network of boardroom *kakis* to find the answers.

Mr Sid's References (for this question)

Board Guide
Section 2.5: Board Leadership
Section 2.6: Board Committees
Section 2.8: Diversity
Section 4.3: Innovation
Section 4.10: Corporate Social Responsibility and Sustainability
Section 6.2: Board Dynamics

Boardroom Matters
BT, 9 Sep 2024: "Managing Emotional Dynamics for an Effective Board" by Karen Loon
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BT, 14 Jun 2021: "Making Sense of Risk in an Interconnected World" by Irving Low
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Governance for Outstanding Organisation Directors Programme, SGD3: Board and Management Dynamics
SID-SMU Directorship Programme, SDP1: The Role of Directors – Duties, responsibilities and legal obligations
SID-INSEAD International Directors Programme, IDP2: Board Dynamics, Efficiency and the Role of Committees