

## A Report on



# Regional Directors' Conclave

Theme: **Boardroom Challenges in the VUCA world**

January 25, 2020, Chennai

Institute of Directors (IOD) organized a Directors' Conclave on the theme '**Boardroom Challenges in the VUCA World**' on January 25, 2020. The venue for the event was hotel 'The Accord Metropolitan', Chennai. Frost & Sullivan was the 'Knowledge Partner' and Institute of Cost Accountants of India was the 'Conference Partner'.

## INAUGURAL SESSION

The session started with the lighting of the lamp. **Mr. R. Srinivasan**, Regional Director, IOD – Chennai, delivered the 'Welcome Address' to the IOD members and delegates assembled for the day. **Mr. M. S. Sundara Rajan**, Chairman IOD Chennai Region and former Chairman and Managing Director, Indian Bank, in his 'Introductory Address' briefly elaborated on the concept of VUCA (Vulnerability, Uncertainty, Complexity, and Ambiguity) and its relevance for various functions of the Board of Directors in the modern corporate world. He briefly explained the topics for the day on various issues about VUCA such as Data Privacy Challenges, Insolvency & Bankruptcy Code, Digitalization, Risk Identification & Mitigation and frequent resignation of Independent Directors.

**Mr. N. K. Ranganath**, Managing Director, Grundfos Pumps India Pvt. Ltd. & former Chairman, Confederation of Indian Industry, Tamil Nadu in his 'Theme Address' mentioned that Independent Directors have to safeguard the interests of not just investors and promoters, but also minority shareholders, bankers, employees and the customers. Noting that there are many inconsistencies in Policy, Ranganath added that, it has become an 'Ominous Responsibility' to become a member of the Board after the advent of Companies Act 2013. Ranganath highlighted the need for code of ethics and good whistleblower policy to bring transparency in the Business. He added that Disruption and Compliance are the two biggest challenges faced by Boards across the world today.

**Mr. R. Srinivasan**, Editor, Hindu Business Line in his 'Special Address' opened the discussion by listing two major challenges faced by the boards in the VUCA world such as dealing with disruptions and complying with rules and regulations of the statutes. He mentioned a few disruptions such as technology, legal changes, competitors, environmental changes, etc. which affect various industries. He stated organizations should develop the ability to deal with disruptions. He also highlighted the fact that some of the small and medium industries in Germany are market leaders in Europe or globally and urged the need to develop the Indian MSME sector to make them globally competitive. The responsibility of the board is not only to manage the present but also to secure future transactions and

deal with disruptions by being innovative. The major factor to build such innovation in an organization is diversity, he added. He also emphasized strong financial planning to ensure the growth of an entity and elaborated on the challenges in complying with legal regulations. To ensure compliance, the directors should understand the spirit of the law than the letters of the law, he opined. He also quoted the NPA crisis in the banking sector in India and concluded his speech by stating that the directors should take pro-active steps to combat disruptions as well as adherence to the legal regulations.

**Mr. Darrell Huntsman**, CEO, Frost & Sullivan, in his 'Special Address' discussed the role of board members in adding immense value to the enterprise. He said that boards should always ensure compliance, integrity, and ethics. A company's long-term value is driven by growth and not just profitability, competitive advantage or market share, and quoted the example of Amazon to highlight this fact. Growth is an important indicator of a company's sustainability and the three key measures to ensure the growth of an enterprise are efficient management of resources (capital, employees), proper decision making and adaptability. He concluded the session by stressing that the directors should ensure optimum utilization of the increasing growth potential in India for a better future.

**Mr. P. H. Arvinth Pandian**, Senior Advocate and Additional Advocate General, Government of Tamil Nadu stated in his 'Special Address' that the existence of the legal system dates back to more than 1000 years and quoted the epic 'Arthashastra' as an example. A person should try to understand the spirit of the lawmaker rather than the letter of the law and urged professionals such as Chartered Accountants (CA), Cost and Management Accountants (CMA), Company secretaries (CS), Advocates, etc. to brief clients regarding the spirit of the laws rather than mere words of the law. He also explained the evolution of various compliance legislations such as the Sarbanes Oxley Act (SOX Act) and the situations that led to the implementation of such reporting requirements. He concluded his speech by adding a new dimension to the VUCA concept - VUCAH 2.0 which should focus on Vision, Understanding, Courage, Adaptability and Health/Healing.

**Mr. Anand S**, Vice President, Frost & Sullivan took a '**Special Session**' on '**The Future of the Future**'. He highlighted how digitization is increasingly being embraced as an integral part of corporate DNA, Mr. Anand provided a thought-provoking session on the role of technologies that are driving disruptive innovations which in turn are fueling newer business models globally. He further elaborated on the 5 key levers driving disruptive innovations illustrated through Frost & Sullivan's Innovation Engine



**Mr. N. K. Ranganath**, Managing Director, Grundfos Pumps India Pvt Ltd. and former Chairman, CII Tamil Nadu, lighting the lamp before the Inaugural Session.



**Mr. Sathish Mathur**  
CEO  
PINC Insurance during his address in the session on 'Risk Mitigation for Directors'



**Mr. M. S. Sundara Rajan**  
Chairman, IOD - Chennai Region and former Chairman and Managing Director, Indian Bank, during his address in the Inaugural Session.



**Mr. N. K. Ranganath**  
Managing Director Grundfos Pumps India Pvt Ltd during his address in the Inaugural Session.



**Mr. R. Srinivasan**  
Editor  
The Hindu Business Line during his Special Address in the Inaugural Session.



**Mr. Darrel Huntsman**  
Global CEO, Frost & Sullivan during his Special Address in the Inaugural Session.



**Mr. P. H. Arvindh Pandian**  
Senior Advocate and Additional Advocate General, Government of Tamil Nadu, during his Special Address in the Inaugural Session.



**Mr. S. Anand**  
Vice President, Frost & Sullivan delivering his Special Address on 'Future of the Future'



**Mr. Ramkumar Ramachandran**  
Principal Consultant Ascentant Corporation during his address on Data Privacy



**Mr. Vimalathithan Natarajan**  
Director Anand Rathi Wealth Advisors Ltd. addressing the audience on 'Wealth and Treasury Management'



**Dr. CMA Gopal Krishna Raju**  
Chartered Accountant Insolvency Professional and Registered Valuer, during his address on 'Sustainability Reporting - Board Challenges'



Kaleidoscope and detailed the “Global Top 50 Technologies” that are likely to have an immense impact on businesses in the near future. He expanded his narrative on the top 50 technologies with specific examples: how India has witnessed the world's first telerobotic surgery at Ahmedabad in 2018 and continued by highlighting impact potential and emerging use cases across specific technologies such as Augmented Analytics, 5G Chipsets, Self-healing Technologies, Collaborative Robots, amongst others.

## PLENARY SESSION – I

### ‘Data Privacy’

**Mr. Ramkumar Ramachandran**, Principal Consultant, Ascentant Corporation was the Session Speaker and shared an overview of cybersecurity threat perception in India; close to 50% of boards do not pay attention to the significance of data security. He went on to highlight data security issues such as corporate espionage, insider threats, presence of hackers, activists, low-security awareness, etc. that have a very serious impact on businesses. He quoted examples from worldwide organizations such as Equifax, Travelex, and Sony where data theft had a long-lasting impact on their business. At the board level, he stressed that there should be a clear policy on personal data, sensitive data, data privacy governance, third-party verification, and cyber insurance. He elaborated about data privacy frameworks across the world such as General Data Protection Regulation (GDPR) in Europe, California Consumer Privacy Act (CCPA) in California (also adopted by many other states in the US) and India's own Personal Data Protection (PDP) Bill. Strict fines are imposed on anyone not adhering to the respective laws on the collection, storage, and usage of personal data. He concluded by explaining various compliance requirements in the said frameworks such as BS 10012, ISO 27701, etc. and explained the process of implementing data privacy in an organization.

## PLENARY SESSION – II

### ‘Wealth and Treasury Management’

**Mr. Vimalathithan Natarajan**, Director, AnandRathi Wealth Advisors Ltd. was the Session Speaker. Mr. Natarajan discussed the importance of wealth management; wealth management strategies should be devised based on the investor's objectives rather than merely going by investment options available with wealth managers, he mentioned. He elucidated the difference between product buying and actual wealth creation. He explained the 4 objectives to be considered while devising a wealth management plan: growth objectives, tax objectives, risk financing objectives and estate planning/zero transmission loss. He spoke about the various stages in the process of wealth management, namely, identifying sensible objectives, framing a preferred strategy, implementing and monitoring the strategy. The speaker also listed six risks related to investments: Equity Risk, Credit Risk, Liquidity Risk, Interest Rate Risk, Forex Risk and Event Risk. The session concluded with a discussion on few indicators of valuing risks such as Beta, Standard Deviation, Value at Risk (VAR), credit ratings, Altman Z Score etc.

## PLENARY SESSION – III

### ‘Corporate Scorecard 2.0’

**Dr. CMA Gopal Krishna Raju**, Chartered Accountant, Insolvency Professional and Registered Valuer took a session on ‘Sustainability Reporting – Board Challenges’.

The center point of the talk by Dr. Raju was the fast-paced world moving on from the traditional Financial Reporting to Sustainability Reporting. Sustainability Reporting framework includes Financial

Reporting, Social Reporting, and Environmental Reporting and is designed to give a wholesome picture to all the stakeholders involved. The concept of Triple Bottom Line (People, Planet and Profits) was first used in 1981 by Freer Spreckley in his book on Social Audit. There were further developments on similar lines in the year 1997 by John Elkington. But an official International Integrated Reporting Committee (IRC) was formed by Prince of Wales in the year 2009 followed by setting up of IIRC Council in 2011. In India Ministry of Corporate Affairs came up with National Voluntary Guidelines in July 2011 based on 9 principles - Ethics, Safe Goods & Services, Promoting well-being of Employees, Respecting Interests of all stakeholders, Respecting Human Rights, Protection of Environment, Responsible influencing in Public Policy, supporting equitable development and providing value to consumers. Further in 2012, SEBI vide a circular made the top 100 listed companies in the Bombay Stock Exchange to submit a Business Responsibility Report. Dr. Raju ended the session by citing few examples in India from the states of Rajasthan and Tamilnadu where an organization operates entirely on the resources produced by themselves without depending on any external sources and thus achieving self-sustenance.

**CMA Mr. V Mahesh**, Promoter & CEO, V Mahesh & Associates, Company Secretary & Insolvency Professional took a session on ‘Insolvency & Bankruptcy Code’

Presenting on Insolvency & Bankruptcy Code (IBC), Mr. Mahesh stated that this topic has thrown up many surprises since its inception. This code has brought a few major companies into the purview of IBC proceedings. The crucial part of this code is that even the operational creditors are bestowed with the powers to file a petition against the company. The role of directors is to ensure they closely monitor the cash flows of the company regularly. Once the company becomes insolvent; all the powers of the directors are automatically transferred to an Interim Resolution Personnel appointed as per the law. However, the directors continue to be liable under Sec. 138 of Negotiable Instruments Act, 1881. The key duty of the director with regards to IBC is to ensure that the company does not become insolvent, by having a robust system supported by regular transaction audits and forensic audits.

## PLENARY SESSION – IV

### ‘AI and Block Chain for Future Boards’

The Session Speakers were:

1. **Mr. P. S. Praveen**, Country Manager, Transaction Network Services
2. **Mr. Rajaram Venkataraman**, President, Software Process Improvement Network (SPIN), Chennai & CEO, Veltech TBI

Mr. Praveen presented an overview of blockchain technology, types of blockchain, why it is important, and cited specific use cases in India. As an example, he pointed out how India in the recent past has witnessed cases of fire accidents destroying physical records in cities like Delhi and Mumbai, and how blockchain can eliminate the threat of loss of physical records due to natural disaster, a major hack or negligence. He also highlighted how blockchain is being increasingly included in board agendas and is becoming a game-changer that has immense potential to redirect existing business models.

**Mr. Venkataraman** commenced with a quote from Mr. Sundar Pichai, CEO, Google on how AI is more profound than fire or electricity and how common standards need to be developed to the benefit of all humanity. He further presented the state of AI adoption globally and highlighted countries at the forefront of AI adoption. And also elaborated on the significant impact AI has on the boardroom and narrated specific use cases such as Einstein AI from Salesforce and Vital from Deep



**CMA Mr. V. Mahesh**  
Promoter and CEO  
V Mahesh & Associates during  
his address on 'Board's  
Challenges – Insolvency and  
Bankruptcy Code – A Perspective'



**Mr. P. S. Praveen**  
Country Manager  
Transaction Network Services  
during his address on 'AI and  
Blockchain for Future Boards'



**Mr. Rajaram Venkataraman**  
President  
Software Process Improvement  
Network (SPIN) Chennai  
during his address in the Session on  
'AI and Block Chain for Future Boards'



**Ms. Anita Panditaa**  
Vice President  
Liability Underwriting, ICICI  
Lombard General Insurance  
Company Ltd. during her address  
on 'Risk Mitigation for Directors'



**Mr. S. Santhanakrishnan**  
Managing Partner  
PKF Sridhar and Santhanam, LLP  
during his address on  
'Responsibilities of Independent  
Directors in a VUCA world'



**Dr. V. Meenakumari**  
Art of Living Corporate Programs  
during his special address on  
'Secrets of Serene Dynamism'



**Mr. G. Mahalingam**  
Whole-time Member  
Securities and Exchange  
Board of India during his  
Vaiedictory Address



A section of the delegates during the Inaugural Session

Knowledge, a Hong Kong based venture capital fund. The latter focused on companies developing therapies for age-related diseases and regenerative medicine and have appointed Vital, a machine learning program capable of making investment recommendations in the life science sector, to its board. In the course of his narrative, Mr. Venkataraman also cited the 'three-box solution' recommended by Professor Vijay Govindarajan, which offers a strategic roadmap for leaders who want to make their organizations more innovative. Various biases and risks that are associated with AI developments today were also discussed.

## PLENARY SESSION – V 'Risk Mitigation for Directors'

The Session Speakers were:

1. **Mr. Satish Mathur**, CEO, PINC Insurance
2. **Ms. Anita Panditaa**, Vice President, Liability Underwriting, ICICI Lombard General Insurance Company Ltd.

**Mr. Mathur** discussed on the emerging risks in the corporate world and the need for cyber insurance for all the enterprises. Cyber risks are relevant worldwide and especially India, which is the 2nd most-affected country. As the country is moving towards digitization, this topic becomes even more important to address. The cyber attacks are mainly targeting the manufacturing entities and shared few instances worldwide where attacks like Denial of Service happened. Only banks and a few power grid companies have mandated cyber insurance,

which lacks penetration across industries. He highlighted the management responsibilities wherein the directors being the trustees of the company's information may have to incur financial losses for any part of failure because of cybercrimes on enterprises. Mr. Mathur provided a four-step approach to follow namely maintaining a System Hygiene, Developing a Plan, Mapping Risk Profile and Mitigating the Risk, which will help companies to be prepared in advance to counter the threats in the cyber world. Having cyber insurance will help in multiple ways by covering the losses and liabilities, avoiding interruptions in business and better crisis management.

**Ms. Panditaa** shared an overview of Directors' and Officer's liability (D&O) Insurance. She talked about the need for comprehensive insurance coverage to be taken by directors on the backdrop of the penalty imposed by Section 166 of the Companies Act, 2013 which ranges from 1 lakh to 5 lakhs. Some of the allegations against directors include Privacy breach, Mismanagement, poor financial performances, Insider trading, etc. These charges can be levied by MCA, RBI, SEBI, Income Tax Authorities, Banks, liquidators, etc. Anita highlighted the data on the number of resignations of directors without any reason in the recent years as a testimony to the fact that there should be a proper insurance backing to support in case of any unexpected contingencies. The D&O Policy helps this cause by not just covering the Directors, but also every single officer in the company (both Private and Public). The Policy covers Defense Costs, PR Expenses, Awards, Investigation costs, Emergency Costs, Civil Fines & Penalties in addition to giving Global Coverage. Other highlights of this Policy are it covers retroactive costs, spouse's assets, after

retirement, etc. she concluded.

## PLENARY SESSION – VI

### 'Responsibilities of Independent Directors in a VUCA World'

**Mr. S. Santhanakrishnan**, Managing Partner, PKF Sridhar & Santhanam LLP was the Session Speaker. He presented the recent triggers on the power dilution of the Audit Committee and the prevailing sense of fear among independent directors. He shared interesting statistics such as the average age of Board Members is at 63 years and the youth are not very keen about joining the board. The percentage of women directors has increased from 7.9 in 2014 to 15 in 2019. The speaker also stressed upon a clear demarcation between the regulator and independent auditor's role in the law to ensure the smooth functioning of the system. He highlighted several concerns faced by industry professionals in complying with laws and regulations. The role of Judiciary was also discussed wherein it takes years for settlement of lawsuits. These issues have increased the insecurity among independent directors to continue their position. He prescribed a 5C formula for independent directors namely consider, consult, counsel, coach and confront to aid them in their decision-making process.

## SPECIAL SESSION

### 'Secrets of Serene Dynamism'

**Dr. V. Meenakumari**, Art of Living Corporate Programs mentioned that a positive mindset is key to take a correct decision at any given point of time. The directors face several challenges in their day to day businesses while taking crucial decisions. The session was about channelizing the Mind, Time and Energy in a positive direction for ensuring better decision making. She elaborated on the various characteristics and potentials of human mind. The speaker then

brainstormed with the audience on things that impact a person's daily lifestyle. Answers ranged from food, environment to thoughts, people and very importantly the air we breathe. The speaker conducted some breathing exercises for the audience to free up their body, mind, and thoughts and insisted the delegates to practice the same regularly. Positive energy aids positive thoughts which enable positive business decisions, was the takeaway from this session.

## VALEDICTORY ADDRESS

By **Mr. G. Mahalingam**, Whole-time Member, Securities Exchange Board of India (SEBI)

**Mr. Mahalingam** in his 'Valedictory Address' highlighted that in this complex economic situation, Independent Directors serve as the gatekeepers of the company and shoulder the responsibilities. He explained the role of SEBI which has the primary duty to safeguard the interests of investors and the roles and responsibilities of Auditors, Audit Committee and the reliance placed by stakeholders on the Auditors Report. Mr. Mahalingam also stressed upon the importance of related party transactions and monitoring them closely. He then drew attention to the policy making process of SEBI wherein a draft policy is circulated in the public domain to obtain opinions from various groups and advisory committees before framing the policy.

The session came to a close with the speaker explaining the need for nurturing ethical behavior across the relevant parties and compliance with the laws and regulations for better governance and improvement.

Compiled by

**Mr. R. Srinivasan**

Regional Director – Chennai Region  
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