

“Future Boards: Leading Strategy to embrace Sustainability”

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Today's corporate landscape is vastly different than, what it was 2 decades back. The change is pushing companies to be more transparent and accountable for their actions. Thus their approach towards stakeholder engagement, disclosure, corporate governance, and corporate social responsibility, have become vital part of their sustainability strategy.

A company is a separate legal entity, different from those who put in the capital, or from those who manage it. In between is the board, acting in the best interest of all stakeholders. The directors have to add long term value through the execution of a well thought out strategy, in a competitive and changing world. Independent directors add value and bring balance in the board, in terms of skill and experience. The success of the board will largely be a function of the quality and diversity of experience and skills, of the team of directors on the board.

The role of the board is to govern on behalf of the owners, and acting for the owners. Boards face the problem of where and how to draw the line between direction, which is the task of the board, and management which is the task of the executive. The board has to discipline itself to deal with every issue, through a policy. The board has both to prescribe and proscribe. Its disclosure and transparency will be reflected in a fair and consistent, 'Integrated Reporting

system'.

Corporate boards are the most important institutions in capitalism. The key performance indicator (KPI) for the board, would finally reflect the sustained financial health of the company. Pride in performance, is the beginning of the quality.

Effective boards having the right mix of skills and experience, and having the counter balance of independent non-executive directors, who are both knowledgeable and challenging lead successful companies. Corporate governance is now at the centre stage. The annual performance evaluations of boards, directors, and chairman have now become mandatory for all listed companies. The external evaluation is for greater transparency, and to assess how candidly boards are addressing their own performance, and suitability of independent directors.

All too often, we hear about how dramatically the role of directors has been changing in recent years. The impact of emerging disruptive technology and global business dynamics, now place directors under high pressure, and in difficult positions. What has changed during the last 2 decades, in the wake of major corporate fiascos, is that 'boards have been placed in the fishbowl of public scrutiny'.

Concentrated ownership has been an important feature of India's private sector for the past seven decades, because of institutional voids, like the absence of specialized intermediaries in capital markets. India's distinctive corporate governance issues originate from the high percentage of companies, that are family-owned. At present, one-third of Indian companies are controlled by one or more families, in concert with one another. Most family owned businesses are unable to discern, that there lies a dichotomy between the business and the personal affairs of the family. Thus, decisions are often made to suit the family, and not necessarily are in the best interest of the firm.

The revised 'Principles of Corporate Governance' issued by OECD are a public policy instrument, to guide governments, regulators, stock exchanges, investors, corporations and others, in their efforts to improve the legal, regulatory, and institutional framework for corporate governance. Key elements of good corporate governance include honesty, ethics, transparency, trust, integrity, responsibility, accountability, mutual respect, and commitment to the organization.

Where do the new directors learn about good and bad board decisions, when there is no institutional memory to rely on? The good judgment, courage, ethical principles and accountability need not be restructured nor reinvented, because deep down directors want to do, what is right for their companies and their shareholders. Corporate governance of a company depends entirely on the leadership role played by its board.

The world is experiencing and encountering immense, cultural, social, political and organisational transformation. The responsibilities of the board of directors have been on the corporate agenda and a matter of concern, for decades. The directors are expected to collectively devise strategy for the organisation, and monitor effectiveness of the company's performance. The board is a vital pillar of the robust Corporate Governance framework. They have to provide return on investments on a regular basis, yet ensure long term sustainability of the organisation.

An organisation is only as good, as those who lead it; it is the corporate boards who define the vision, strategy and goals, manage the risks, set the tone, and create the culture and ethics of every organisation.

Business excellence is about embarking on a journey, to attain world-class standards of performance. It is a journey without a finishing line. Organisations have to continuously improve and innovate on their management system and processes, to stay ahead of the competition. This requires them to build a sound foundation, energize their people, sustain their leading edge, and transform themselves into a high-performance organization. The business excellence case for good governance and long term sustainability is well-established.

The 'UN's 2030 agenda for Sustainable Development', and the SDGs '17 goals' and '169 associated targets', provide a good opportunity for businesses to align their strategic goals with these globally agreed sustainability targets.

India is already close to reaching the status of most populous country in the world. While India is home to 17% of the world's population, it has only 2.4% of its land mass, and 4% of the world's water resources. I am glad Prime Minister Shri Narendra Modi Ji has drawn attention of the whole nation about population control, on his 15th August address to the nation, from the ramparts of 'Lal Qilla'.

IOD's major initiative of introducing Golden Peacock Awards, for fifteen different corporate functional areas have certainly helped motivate and raise the quality and the governance standards through competition. I also understand the transparent three level assessment process, followed by a Jury clearance, was set up by the Late Justice P.N. Bhagwati, Padma Vibhushan, and former Chief Justice of India.

Excerpts from the speech delivered by Lt. Gen. J. S. Ahluwalia, President, IOD, during his Opening address at 2019 Directors Conclave)

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