



# Weaponasing The Indian Boardroom

he Public Company Accounting Reform and Investor Protection Act also termed PCARIPA was enacted by the 107th United States Congress on 30 July 2002. But interestingly that was the last day it was remembered by the alphabetic soup of the 7 letters. Instead the financial fraternity instutionalised this piece of legislation as the Sarbanes Oxley Act 2002, a tribute to the duo Senator Paul Spyros Sarbanes and Republican Michael Oxley who sponsored the bill to make Wall Street accountable to their governance mandate. It was this Landmark governance legislation that set off broad changes in corporate governance, including board independence, board and audit committee composition and audit committee processes in a land that is widely revered to have the best governed boardrooms on this planet. Similar winds of change have been blowing in the corridors of corporate India too. The acceptance of the Uday Kotak Committee recommendation on Corporate Governance has strived hard to champion global best practice into the Indian Boardroom, and among it - The Disclosure of

Expertise/Skills of Directors is one of these key recommendations that will start making its way into the Annual Reports in 2019-20.

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### What does the disclosure entitles?

All listed entities are to disclose a chart or a matrix setting out the skills / expertise/competence of the board of directors in its Annual Report containing a list of core skills / expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively,

and those actually available with the board in the Financial Year -2018-2019. Further, detailed disclosures of competencies of every board member, along with their names have to be disclosed in the Annual Report for the Financial Year 2019-2020.

There are no doubts in anyone's mind that, just like any other function in an organisation, talent management in the boardroom is indeed a strategic imperative in generating long term sustainable shareholder value.

American Statesman and retired US Army four star General Colin Luther Powell once mentioned "Only by attracting the best people will you accomplish great deeds.". This ethos is very true in both letter and spirit even in board member selection, where the key elements of talent management - attracting, developing and retaining talent truly should be adhered to.

#### **Setting Course into the Future**

As the board's role continues to evolve, and investor and regulator expectations for board oversight and engagement increase, board composition and succession planning are increasingly critical to help position companies for the future. But what are the key elements for success and what potential challenges do directors have to address is truly an enquiry based question for Corporate India. We should keep reminding our-self that the Era of the Unicorns are bygone, now Indian ideas are stepping into the Age of the Decacorns. A term used for behemoth, aggressive, deep-funded, talented business concepts that demand a ten-figure valuation in dollar terms. It's also prudent to be self-aware that among the conventional companies the race to Good-To-Great has inched past a Trillion Dollars with Amazon Inc. being the second corporation standing on this revised start line.

#### Like to have vs Must Have

With all these writings on the wall, we can say with certainty that business ideas going forward would be on measured dosages steroids. With the reckless growth and mindless change all around the landscape, the need for Competent Boards have only got more important to establish direction, ensure resources and provide oversight to the organisation. This is where Indian boards have to play catch-up. Few quarters ago KPMG study on Board Leadership nailed - finding directors with both general business experience and specific expertise and identifying the talent the boardroom requires as the most important challenge companies would face going forward. My series of conversation with my coaching clients have also revealed similar fears for their larger organisation.

#### **Future Focused Boards**

Since the ENRON crisis, world class organisations have started to take board composition more seriously in order to position their boardrooms towards the future. Companies have started actively recruiting with specific perspectives in mind. More often External Coaches are being brought into the board development mandate for improving boardroom interaction, driving individual evaluations and bridging gaps in dysfunctional behaviours. Even in India director on-boarding and director education has seen increased participation by many organisations. This helps preserve talent in the board room and makes weeding out

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underperforming directors an active tactics.

#### **Enhance Diversity on the Boards**

The SEBI guidelines to induct at least one Women director on the board has not yet been taken very seriously. This policy initiative is just one subset that could have addressed Boardroom Diversity agenda in some realistic measure. A PwC annual corporate directors survey displayed multiple aspects to "what board diversity actually means?" It said -Diversity can come from a number of things: gender, race, age, experience, education. Though this survey had a lot of American flavour to it, Indian Boardrooms are no-longer immune to these dynamics playing out. Only bringing in a female director on board will not help build the Board of The Future. Board have to start getting more creative with diversity composition. If Musical Intelligence was captured by Howard Gardner as one of the seven Intelligence forms, getting an accomplished musical mind on board could make a board far more gifted. Similarly, companies grappling with issues of environmental degradation could reach-out for the support of native tribes who have experienced the impact of environmental ravage first hand. These are some extreme examples of getting creative with board composition- but let's not forget "Extreme Situations require Extreme Measures". So, its high time the task to bring Diversity into boardrooms becomes more of a Calling for corporate India than a regulatory imperative.

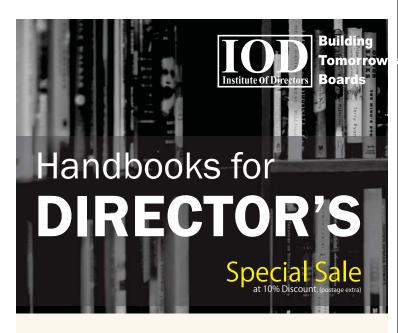
#### Hitting the refresh button

A recent study strongly revealed that a robust annual board assessments should anchor a board refreshment strategy. Indian boards have to start instituting effective mechanisms to achieve this periodic agenda more rapidly. Robust board evaluations, ensuring tenure limit for directors, encouraging boards to build a formal succession plan, getting serious with age limit for directors and above all expanding the size of the board would be some of the mandates we should start addressing. There is no set formula for hitting the refresh button. My coaching years have seen directors in their eighties who are majestic contributors, and I've also seen 40 year olds how are ready to side step too, so there is no set date-of-birth any longer. I remember a client of my mine who recently wanted to get coached around a very simple yet tricky Coaching Agenda. He just wanted to respectfully ask a non-performing director to step-down. After series of conversations he finally decided to make his assault very simple. Next day morning he called up the director and said 'The board has really cherished your presence and is truly thankful to your contribution. Now it's just time for change, as its good for your company"

#### **Now or Never**

If we feel we are all stakeholder in India's growth story, it's time we start taking our boards far more seriously. From just being a guild of wise mortals holding on the last bastion of corporate authority, lets arm our boards to the teeth and start building world beating corporations. Let's start seeing our boards as the best Competitive Advantage our company has, let's start seeing our boards as the best risk mitigation strategy we have ever devised, let's start weaponasing our boards with the best talent plan available. Because let's not forget- just like the Lehman Bankruptcy,we are all approaching the  $10^{th}$  year anniversaryof the Satyam Saga.

\*B. Nandagopal is an executive coach and professional futurist to build leadership. He is the 1st Indian to be empanelled as a member of the Global Association of Professional Futurists.



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