

Regional Webinar on

NRC THE GAME CHANGER BOARD COMMITTEE

FRIDAY | MAY 21, 2021

SHAPING PEOPLE, CULTURE & VALUES



Institute of Directors (IOD), Bangalore Region held its first Regional Webinar for the Financial Year 2021-2022 on May 21, 2021. The theme of the Webinar was **“NRC: The Game Changer Board Committee – Shaping People, Culture & Values”**

The Webinar was hosted online using Zoom platform, and was also streamed live on YouTube. The event witnessed participation of over 200 business participants comprising Business Leaders, Board Members, Directors, Industry & Board Experts, Policy-Makers and Educationists.

Brigadier Rajeev Kapoor, Regional Director – Bangalore Region, IOD welcomed all the dignitaries, participants, distinguished speakers and valuable partners participating in the event and shared his thoughts by highlighting the components behind this webinar.

Mr. Arun Balakrishnan, Honorary Chairman– Bangalore Region, IOD, Former CMD, HPCL and Former Chairman, HPCL - Mittal Energy Limited, in his **'Inaugural Address'** briefly described the theme of the Webinar. He spoke upon some key issues pertaining to Nomination Remuneration Committee (NRC) i.e. Constitution of NRC Committee on lines of Audit



Mr. Arun Balakrishnan

Honorary Chairman – Bangalore Region, IOD
Former CMD, HPCL
Former Chairman, HPCL - Mittal Energy Ltd.



Mr. Rajeev Dubey

Chairman, Mahindra Insurance Brokers Limited,
Mahindra Steel Service Centre Ltd & Mahindra First
Choice Wheels Limited
Member - Governing Body - International
Labour Organization (ILO)
Director, Fifth Gear Ventures Limited

Committee, CSR Committee, Risk Committee etc., with all persons involved having basic knowledge of Finance & Accounting. He touched upon company's policies and applicable statutory requirements related to appointment, removal, remuneration, culture, rewards and evaluation of performance of the Directors, Key Managerial Personnel and Senior Management. He also deliberated on the ongoing pandemic Covid-19 – The Elephant in the Room and its impact on country's Economy, Profitability and Growth of organisation.

Mr. Rajeev Dubey, Chairman, Mahindra Insurance Brokers Limited, Mahindra Steel Service Centre Limited, Mahindra First Choice Wheels Limited, Member - Governing Body, International Labour Organization (ILO) and Director, Fifth Gear Ventures Limited delivered the 'Keynote Address' and touched upon **"How NRC can be a game changer for the organization"**. He started by narrating his real-life experience of the eighteen-month exercise done by the NRC of Mahindra & Mahindra for the Group CEO succession. This was a major event in the life of the organization, since the outgoing incumbent Mr. Anand Mahindra, had been at the helm of affairs for almost three decades, having left an indelible imprint on the strategy, culture and values of the Mahindra Group. He was well known nationally and internationally as an outstanding corporate leader and visionary, who led by the purpose of driving positive

change in the lives of its stakeholders and communities to enable them to rise, and ensured the highest standards of ethics and corporate governance while driving sustained business outperformance. The choice of successor was therefore crucial for all stakeholders.

The questions which were addressed by the NRC in this eighteen-month period revolved around the following:

- Given current reality, expected competitive forces and future strategic business plans, what are the things we are looking for in the incoming CEO? Why?
- How should we rank these requirements?
- Are any organization structure, decision making process and senior leadership changes required in the business as a result of this change?
- What is the process we should follow for this NRC exercise? Who should be the keeper of the process?

- What are the timelines and milestones?
- What, when and how should we communicate to various stakeholders including the selected candidate, those who did not make it, others in the organization, external world including media, financial analysis and other stakeholders?
- How do we de-risk any adverse reactions to the communication?
- After the announcement, what are the possible change management issues that may need to be addressed within the organization and vis-à-vis other relevant stakeholders, including possible attrition in top management and the impact on morale and motivation due to the changes? How should these be managed?

Using this narrative, Mr. Dubey stated that the primary task of the NRC has to do with:

- A. Identification of the skill sets required.
- B. Defining the process and implementation subsequently of the actual selection, evaluation, incentivization and succession planning with respect to Board Directors and Top Management.

This primary task has to be understood in the context of the NRC being a critical link in an interconnected eco-system which the organization uses to achieve its purpose through



Mr. Kavinder Singh
Managing Director & CEO
Mahindra Holidays & Resorts India Ltd.

business performance. The inter - connected elements in this ecosystem, all of them driven by the organizational purpose and rooted in its values, are:

- I. Strategy, people, culture, behaviour, structure, processes and metrics.
- II. The following bodies
 - (a) The Board
 - (b) Other Board Committees
 - (c) Operating Management
 - (d) NRC

It is vital to understand the inter - connectedness of the NRC with I and II above and to remember that the NRC must pursue its primary task in this overall framework.

He said that the NRC should also be mindful of what it should not do, and suggested that the answer to this comes from not being in conflict with,

or duplicating, the roles and responsibilities of the Board, its other Committees and Operating Management.

He concluded his address by saying that ideally the NRC and its members should:

- Focus on unleashing the potential of people and systems to achieve organizational purpose.
- Have one eye on the next step and one eye on the horizon.
- Have humility, good listening skills and respect for others opinions.
- Ask the right questions and avoid hasty conclusions.
- Combine intellect and logic with empathy and intuition.
- Generate trust through authenticity (“say what I think and do what I say”).
- Create cohesive and synergistic dynamics in the committee.

This was followed by an energetic & interactive **Q&A Session** where the participants showed their keen interest in the deliberations.

Mr. Kavinder Singh, Managing Director & Chief Executive Officer, Mahindra Holidays & Resorts India Limited delivered a '**Special Address**' on the “**Expectations of Management from NRC**”. In his informed address, he shared his insight and deliberated on the composition of NRC in terms of Indian & International context where the committee focuses was on composition, criteria in terms of determining qualification, expertise & experience - keeping the investors point of view into consideration. He encapsulated the recommendations i.e.:

Enable the Management – Culture, People & Values: He stated that NRC is a custodian of culture and can bring in big difference in creating High Trust and High Performance by enabling the top Management wherein the committee can play a role of felicitor between NRC, Board and other committees coupled with improvement in people metrics thereby influencing & inspiring the employees' best efforts in terms of attitude, behavior, morale and productivity resulting into High Performance.

He also reinforced on the issue related to Reward & Recognition structure including benchmarking of talent wherein he laid emphasis on PRIDE, VALUES & HONOUR, thereby creating strong bonding/passion with the stakeholders and herein, NRC has a role play in shaping the culture to achieve the requisite performance goals of the organization.

Lastly, he delved on the point of reinforcing the culture through monitoring of compliance, related to code of conduct, ethics, milestones etc. He laid stress on six behaviors adopted during the recruitment/hiring process adopted, which are:

- Can Do - Will Do
- Going Extra mile
- Respect for People – Guest, Colleagues etc
- Creative Restlessness – Thinking out of the Box
- Working Together – Team Work
- Do you Own what you Do – Eye for detail in any assignment

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Mr. M. R. Prasanna, Arbitrator, Mediator and Advocate, paid a tribute by giving an enriching talk and presenting a synopsis of the **Biography of Hon'ble Justice M. N. Venkatachaliah**, Chairman, Institute of Directors, former Chief Justice of India and former Chairman, National Human Rights Commission of India and National Commission for Constitution of India Reforms, on the **Release of the Book – “Justice M. N. Venkatachaliah – The Man & The Judge”**.

It was followed by the **Second Session - Program Address** comprising three distinguished speakers, possessing vast knowledge on the subject who shared their views individually.

The Session had the following Distinguished Speakers:

- i. **Dr. Shalini Sarin**
Board Member; Mentor; Adviser, CHRO; Clean Energy; Entrepreneur
- ii. **Mr. H. N. Shrinivas**
Adviser, Tata Trusts and Former Senior Vice President–HR, Indian Hotels (Taj Group)
- iii. **Mr. Anandorup Ghose**
Partner, Deloitte

Dr. Sarin in her informed address shared that some board members' skills may not match the needs of business during

the crisis thereby presenting a unique opportunity to re-assess the skills, experience & bandwidth to fit the future boardroom needs. Besides knowledge of HR, labor laws and executive compensation trends need to focus on business resilience, business continuity and health and emergency welfare.

She emphasized that NRC plays a pivotal role in aligning talent strategy with business strategy, in addition to validated succession plans. Besides assessing organization performance and commensurate rewards - NRC also needs to consider extending welfare and health benefits while investing in digital support to ensure WFH with least disruption.

Keeping employee engagement and culture intact another key differentiator for building organizational resilience to handle crisis & its impact on reputation. What kind of leaders does the organization need? What is the impact on our talent especially in light of the long COVID? How many times in a year does the board discuss leadership? Does the board only give its blessings or are they spending time to guide and mentor the Key Managerial Personnel. Like the Audit Chair, NRC Chair also needs to exercise 'Independence' & not play a passive role on board nomination diversity and the right skills & experience; Board evaluation and finally, Board succession & retirement.

The impact of a poor Audit Committee decision will soon be visible; however, a poor NRC decision is likely to reflect after a



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Mr. Anandorup Ghose

Partner
Deloitte



Mr. R. G. Rajan

Board Member, National Governing Council
& All India Honorary Director, IOD and
Former Chairman, RCF & SCOPE

longer period. The time context is very different therefore, building an external ally with Hewitt or Deloitte is recommended. She also added that recent annual reports include ESG disclosures. In order to gain higher investor confidence, robustness of the talent strategy and culture is desired, as it has a significant impact on business.

Mr. Shrinivas highlighted the importance of senior leadership driving core values and code of ethics and business conduct, across all levels of the organization. He emphasized that it should form an important element for directing and executing an organization's strategy and also underlined the value of building a high performance work culture which is inclusive and addresses the changing aspirations of multiple stakeholders, such as customer, employee, vendors, society, etc. He also highlighted that it is important to establish well thought thorough processes which helps in tracking the performance of the company in meeting stakeholder needs, which leads to implementing improvement action plans; Building leadership pipeline through a clearly defined succession planning process which becomes a key element of such long term strategy. With such board level supervision of building talent, value based leadership and building strong relationship with all the stakeholders, the organization nurtures a culture of continuous learning and high performance. Only such a focus on people values and culture, enhances value creation, and helps in building long term sustainability and success.

He also underlined the importance of establishing the necessary metrics - which accurately tracks performance of a few strategically chosen non-financial measures. This helps in aligning values and long-term value

creation measures to leadership performance - the vision and mission. The non-financial performance measures could be - customer, loyalty, employee engagement, market share, talent retention, revenue from new /innovative products, product adoption rate etc. Such a program of tracking a few critical non-financial performance measures and Board level review by NRC leads to acting on the trends of those measures, leadership alignment behavior and core values to long term business strategy; Laying foundations for a lasting organization with strong basics.

Mr. Ghose, in his learned address, covered aspects related to the role of the NRC in helping organizations frame and drive an appropriate rewards strategy. His talk highlighted the nature of challenges that NRC's have faced in the last few years with significantly higher levels of scrutiny in their decisions both by shareholder advisory groups as well as extensively by media. He highlighted how NRC's need to balance a fine line between managing multiple and sometimes conflicting stakeholders, including management, regulators, shareholders and various interest groups like environment etc. His clear recommendations were for the NRC's to ensure that they are aware of the nature of changes that are happening in executive pay structures (including new regulatory requirements), along with that it is important for the Committee to constantly be aware of the moral hazards that are inherent in compensation decisions and the need to keep constant focus on business strategy while determining rewards. Finally, he recommended that the NRC's should retain a constant focus on driving higher levels of communication with all stakeholders to ensure there is minimal confusion on the rationale for decisions.

The Session was followed by an interactive **Q&A Session**.

Mr. R. G. Rajan, Board Member, National Governing Council & All India Honorary Director, IOD and Former Chairman, RCF & SCOPE, gave the **Summary of Recommendations** as deliberated by all speakers. He also extended a **'Vote of Thanks'** to all the eminent speakers & attendees for their participation, questions and interaction.

A special thanks & gratitude was conveyed to the Partners of the Event for their generous support; Webinar Partner – **Hindustan Petroleum Corporation Limited (HPCL)**, Principal Partner – **National Fertilizers Limited (NFL)** and Associate Partner – **Hindustan Insecticides Limited (HIL)**.

Compiled by:

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