



Responsibility of Independence Authentic Leadership with Emotional Intelligence

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“The price of Greatness is Responsibility”

~ Winston Churchill

INDEPENDENCE is perhaps the most sought after state of being by all human beings and all societies. But if we think that independence is a luxurious right to think and do as we wish, we harm ourselves and our organizations and eventually drag our independence into peril. Independence, in fact, is a respectful opportunity to do what is right. To understand what is right in the given context, and to express assertively with proactive logic, at the right time, is not so easy. Particularly when the task is about listed business corporation having stakes of large number of people and institutions, it carries immense significance. As we grow in the leadership roles of supervising, monitoring and guiding the top managements of the companies, this task of thinking, understanding and convincingly presenting what is right carries a huge responsibility, the reward of which is greatness, manifested in self-esteem and self-actualization. The role of an Independent Director, therefore is one of the most superior leadership roles wherein without interfering in the day to day management of the company, you lead the leaders and act as an aware and vibrant trusty to ensure not only the legal compliances but also to make sure that the company, on one hand, is discharging its responsibility towards the stakeholders and on the other hand it is formulating and effectively executing the business strategy that helps the company move on to achieve sustainable growth.

The recognition and honour of independence signifies greatness, visible strength to stand on own wisdom and wit and moving forward without any external support. Independence is

built on self-esteem which goes beyond self to build institutions, create leaders, spot opportunities and see through the emerging environmental symptoms to prepare for the future. Independence is earned through entrepreneurial pursuits, struggle to reform and above all a passion for excellence. The larger objective of this article is to empower Independence.

Unfortunately there are fewer people around who can see and believe in the tremendous transformational potential of independence. It enables you to navigate beyond the horizons created by the prevailing knowledge and beliefs. Independence enables you to spot manipulations and logics built on influenced interpretations serving hidden vested interests. Passionately nurtured independence helps you to be sensitive to unobvious behaviors and vibrations around. It inspires to unlearn and learn and to be guided by dynamic contextual wisdom. But independence is not a hat to wear. In fact independence is not given by someone. It is passionately built with the process of self-explorations, environmental scanning, learning, taking up challenging roles and above all playing all roles with appreciation and responsibility.

Unfortunately this century began with massive accounting frauds at Enron Corp. and WorldCom in USA which was extremely shocking not only for the Wall Street but for the entire global financial sector and security markets. While regulatory bodies and associations of business community were engrossed with the analysis of causes of such scams, fixing responsibilities and reforming the whole system to prevent such happenings in future, Satyam Computers in India emerged with a huge scam of more than 14k crores. All these corporate frauds have been attributed to ineffective corporate governance and the role of independent directors (ID) came up for extensive discussion,

multi-dimensional analysis and reformative restructuring. Consequently the governments stipulated stringent norms to make everyone realize the great responsibility of IDs.

Past several years, on one hand we have been experiencing that there is an inadequate flow of competent and responsible people to be invited to serve the corporate boards as IDs and on the other hand, large number of people with rich experience and qualifications are scared to take up independent directorship. In fact many of the existing IDs are worried about the legal recourses that can be initiated against them in case of any wrong action or decision of the board. With a view to solve this problem, the Ministry of Corporate Affairs, Govt. of India has done extensive work which is admirable. The introduction of mandatory self-assessment tests, several online courses on issues of corporate governance, empanelment of IDs and creation of a data base of qualified candidates for the role of IDs etc; will go a long way in ensuring that the current and prospective IDs have adequate knowledge of corporate regulations, accounting principles, basic corporate finance and latest business laws.

But when we revisit the causes of all the large scandals which had shaken out the global corporate confidence and with respect to the role of IDs, we find that the IDs on the boards of these companies were people of great eminence and were distinguished with extra ordinary level of relevant knowledge and huge intellectual prowess. How did they grossly falter in their role of safeguarding the interest of the stakeholders? This is a big question which forces us to think beyond knowledge and wisdom. In the case of Satyam scam of a huge magnitude of stakeholders' wealth, the ID who chaired the board meeting which cleared the Maytas deal against the good governance

norms was Dr. M. Rammohan Rao who was Dean of a B-School of global standards. His knowledge, experience and wisdom could hardly be questioned. Another ID on Satyam board was Prof Krishna Palepu, the Ross Graham Walker Professor and Sr. Associate Dean of international development at Harvard Business School. Prof Palepu was considered to be an authority on corporate governance. Obviously, he must be considered to be best fit in the non-executive directorial role. We therefore need to ponder upon the reasons which made the people of proven knowledge, experience and intellectual property to be so negligent to depreciate their role by acting so carelessly, without a foresight of the consequences of the board decisions. The readers will please appreciate that how and when to use the knowledge and wisdom, depends on the person's Attitude which activates the senses of the watchdog of the board, creates a spontaneous urge to rise to the responsibility of the role and provides moral courage to take stand against wrong and unethical decisions in the meeting.

In all such cases where men of wisdom failed to prevent wrong decisions in the board, it can be easily seen that they (some of the IDs) were emotionally carried away by the cult of the personality, visible charisma and the flamboyance of the chairman of the company. Under this influence their rich intellect and conscious authenticity was suppressed and consequently they couldn't even observe the fraudulent or strategically wrong proposals and biased articulations in the board meetings.

Having concluded that knowledge, wisdom and experience are very much required but not enough to deliver responsible performance in a role of high importance and value like that of an independent director and having understood the factors influencing the ID's conduct in the board, this article attempts to

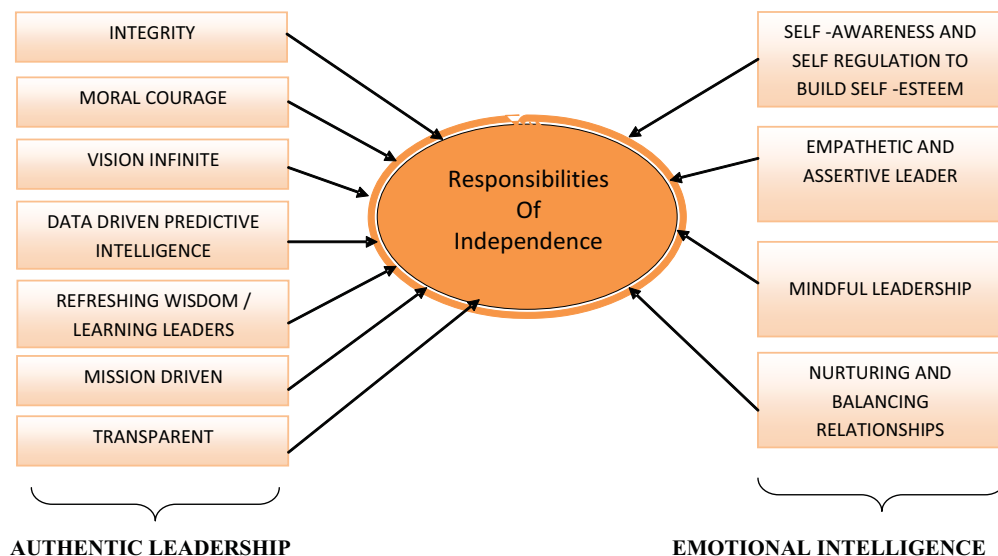


Figure: Authentic Leaders with Emotional Intelligence

fill the gap in the development/grooming process of the functioning and prospective independent directors. The author seeks to propound that the IDs should be **AUTHENTIC LEADERS with EMOTIONAL INTELLIGENCE.**

Authentic Leadership

Independent directorship is a leadership role of a trustworthy friend, philosopher and guide. They are a beacon of hope to ensure that ethics and prudence prevail in the board deliberations. They are self-actualized individuals with the powers of their learning, clarity of thought and awareness of roles and responsibilities. They being authorities in governance wisdom, have power to take a complete view of all dimensions of the situation or issue and see the value to be held for guiding the board decisions. They are upright personalities and have strict regard for what is right. IDs need to be conscientious persons who stand up against any unfair thought or decision. Authentic leadership is characterized by following factors:

INTEGRITY

Integrity represents the honesty and consistency of the character. Character before competence is critical for a really independent director. Integrity is the wholeness of thinking, expression and deeds. People of integrity do not compromise on their moral and ethical principles and role related values. Independence of IDs requires that they practice integrity and exhibit commitment to the trusteeship role of the Board of Directors. Their wisdom should guide the proactive articulation of their factual logic. This becomes possible when neither there is any fear or greed nor any intellectual bias that can obstruct transparency with dignity of relationships.

MORAL COURAGE

IDs need moral courage to rise to express their support or dissent for /against something despite the risk of some adverse consequences. There are several instances in the board meetings of some of the companies where one or more IDs, have shown moral courage to quit the board, boldly expressing their disagreement with the arguments leading to wrong, biased or unethical decisions. In case of board or committee discussions moral courage supports the mental alertness and dignified brave expression intending to enforce the superior most responsibility of board and ethical norms. This moral courage is always backed by the confidence generated through in depth and thorough study of all factors which can influence the discussion on some agenda item.

VISION INFINITE

IDs are essentially visionary leaders. Researches and deliberations on sustainability issues have made it ample clear that growth prospects in the emerging future of immense complexity, can be created through a conscious process of envisioning. The top most leaders of the company, including the

board of directors create a robust vision for the company, out of their big dreams, carefully aroused aspirations of people and navigation through the changing environment. For continuation of the flow of excellence, vision has to go beyond business results. IDs would find a wisdom in envisioning the future of all stakeholders, society and mother nature because excellence is the dynamic confluence of high aspirational explorations and collaborative initiatives.

DATA DRIVEN PREDICTIVE INTELLIGENCE

Environment is changing very fast in its various dimensions. IDs are leaders who have the responsibility to steer the company into the unforeseen future. They need to harness the skills of drawing paradigms of future possibilities. Leaders of all times have been able to formulate winning strategies through their predictive intelligence. Predictive intelligence has become a ready possibility with the help of data analytics. Many successful executives are able to plan for future with the help of data analytics. Predictive intelligence can be applied to behavioral issues also which have a bearing on the dynamics of the communication and behavior exchanges in the board meetings.

REFRESHING WISDOM/LEARNING LEADERS

Most of the IDs are highly learned and accomplished people. But because the context and objective keep on changing, they are required to keep abreast with the latest changes in legal framework, competitive forces, digital transformation, cyber security and aspirations and behavioral issues of the three generations X, Y and Z working together in different roles. On the very basic level they must know in detail, the business and internal environment of the company. To discharge their responsibility of facilitating the excellence of the company, their strength of learning will help them read between the lines to spot something that requires more clarification. Interestingly learning leaders have more questions that pave the way for correcting/preventing something wrong.

MISSION DRIVEN

Authentic leaders are driven by the mission of the company. Mission is the purpose of existence and sustained growth of the company. As change leaders, IDs remain aware and vigilant to monitor that the company is moving ahead on the path drawn by the mission. Those directors who do not ensure that the board decisions are serving the mission of the company, may sometimes facilitate short term gains but in the long term, the sustainability may face several hurdles. Unfortunately many directors know the importance of mission as a mere identification to help in marketing endeavours.

TRANSPARENT

A transparent person does not hide or conceal. He is like an open book. He does not tell lies and has no secrets. In the role of an ID, integrity and transparency are the bones of their visible

personality in the board. Authentic leaders, being excellent communicators are masters in presenting themselves in a way that they don't appear to be aggressive or offensive. The independence earned through transparency always supports them in choosing the best time, the best words and an appropriate tone to express facts and feelings wherever required to safeguard the interest of the stakeholders and to follow the vision of the organization.

Emotional Intelligence

Some IDs with enviable background of very rich experience and professional qualifications from world's top institutions are not able to squeak in front of a flamboyant and dominating chairman of the board. Some very active directors just ask the right question and then sit back to let the board/management decide. In some other situations the directors are swayed away by a great optimistic presentation having lot of praise for the board members. Independence, in order to survive and prevail, needs that the IDs develop themselves to become Primal Leaders who are mindful and lead with Emotional Intelligence. Emotional Intelligence is a well discussed area and all directors know it well. In this article, therefore, we are discussing only four constituents of EI which will empower the IDs to function in the board with more confidence:

SELF-AWARENESS AND REGULATION TO BUILD SELF-ESTEEM

Having appreciated that the role IDs is a leadership role, when we try to distinguish the great leaders from merely good ones, we find that the journey of effective leadership starts from self-leadership and it passes through the catalytic milestones of Self Awareness and Self-regulation and helps the person attain self-esteem and self-actualization. Those who are expected to lead corporate governance are required to be excellent at self-governance. Firstly the prospective and functioning directors need to believe in the tremendous potential within their individual personalities. They need to get rid of the external influencers and their self-development process must go on with self-regulation. Hallmarks of self-awareness are realistic self-evaluation, thirst for constructive criticism and efforts to develop oneself to acquire self-confidence. Self-regulation is like becoming your own boss, practicing mindfulness and controlling or redirecting the moods and impulsive behaviors to reach the leadership level which is required to enjoy independence and to add value to realize the organizational vision.

EMPATHETIC AND ASSERTIVE LEADER

In an important meeting like that of board of directors of listed public limited companies, there are a lot of exchanges which are influenced by the emotional makeup of other members and the chairman himself. Quite often, some members are emotionally

attached to some idea, thought or logic or some come to the meeting with their preconceived notions about some people or issues. How quickly and rightly one understands others' emotional makeup, determines the degree of success in making that person appreciate your logic. The IDs are there to help the boards and managements make best possible decisions in a given situation and for this they have to be assertive and steer the discussion intelligently to build consensus on mission driven right decisions. Assertiveness with harmony and compassion is an important leadership skill which can be developed with the help of meditation.

MINDFUL LEADERSHIP

Sometimes board meetings have stressful environment. The leaders who thrive in the stressful situations are those who gently notice what is going on in the present moment, analyse the influencers of the arguments, without passing a judgment. J Krishnamurti said; 'The ability to observe without evaluating is the highest form of intelligence'. In several cases the reality is that important decisions made by people bearing high responsibility and having best intention and information, are hopelessly flawed. Sometimes human brains leap to conclusions and are reluctant to consider alternatives. It is therefore necessary for responsible leaders to observe and restructure their content and style to steer the discussion in right direction. Falling in love with our own conclusions may sometimes obstruct the whole process. Mindfulness will help to subtly make and adjust our own decisions. IDs should become emotionally agile. In board matters, if directors pay excessive attention to their internal noise, they may miss out on something very valuable for the issue.

NURTURING AND BALANCING RELATIONSHIPS

IDs have fiduciary duties of diligence, care and acting in good faith, which need responsive and harmonious relationships. Fostering strong relationships with all functionaries in the board starting from company secretary to chairman and lead director is of crucial importance. Since IDs are leaders of leaders in functional management roles without having a direct control, they have to have special behavioral abilities of constant touch and empathy. Recalling what happened in the boards of two most respected companies in India, we can appreciate the importance of nurturing and balancing relationships. Directors should ideally try to understand the mental and emotional makeup of Chairman, other directors and the CEOs and value them in their respective roles and distinctions of outstanding capabilities. Continuous flow of communication with mutual regard and compassion greatly helps in balancing the relationships. But good relationships must always facilitate appreciative enquiry and analysis of relevant information. In fact, it is through questioning and asking for details, that meetings serve their agenda with dignity and mutual regard.

Authenticity and Emotional Intelligence have inexhaustible potential to empower the people of distinguished knowledge, wisdom and experience to enjoy independence in real sense and guide the companies to grow with excellent corporate governance.

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