



Boards: Bridge between Companies and Communities

Mr. Sunil Kant Munjal

Chairman
Hero Enterprise

Justice Lalit, Lt. Gen. Surinder Nath, Mr. Tuhin Kanta Pandey, Mr. Nitin Sethi, Mr. Jayant Sinha, Ladies and Gentlemen.

I was actually going to talk about the theory of boards, etc., but actually most of what I was going to say has been said earlier by **Lt. Gen. Nath** and by **Mr. Sethi** now.

Let me talk about why we need to actually have this conversation.

Companies have been around for a long time, and so have boards. So what has changed? This conversation has become the front and centre of more and more interaction between industry and industry, between government and industry, between industry and regulators, and between industry and society.

So I think one thing that has happened is that over the last 70–80 years, we have followed a 'market economy model' so successfully that there are actually improved economies and a lot for a large section of society. But it also created extreme diversity between the top end of economic wealth and the bottom end, a gap that seems difficult to fill. And that has started to create multiple other impacts on how societies behave and how leaders and governments look at regulation. So I think it is important that we question the very compact relationship between industry and society at large. Which is why you see, country after country, nudging industry to take a more active and proactive role in looking at social issues.



We are doing a magical thing today. India is doing two things concurrently, which most countries have done at separate times. One, developing our physical infrastructure, and second, building our digital infrastructure.



It is clear that what was once seen as the only role of industry was to be efficient, make profit, and serve the needs of employees, customers, and shareholders. That is no longer a valid conversation. It's not enough. Therefore, the role of the boards becomes important because they operate as a hedge between a company, the executives, and the owners, as well as a bridge between the company and society, both of which have very critical roles. In a world that is changing so rapidly, a world that is looking at technological obsolescence of things that looked modern even 5 or 10 years ago, a world, as we heard from Mr. Jayant Sinha now, is rapidly spiralling into a situation that seems irretrievable if we don't turn it around now, meaning today and tomorrow. It's not something we can leave for the next decade.

So, some parts of the world that became smart or conscious a little bit earlier started doing things in such a way that they would have less of a negative impact on the planet itself. But that is not enough of us; it's a small portion. Also, the western world and the developed economies have built and developed models that are highly abusive to the planet. But they've got to a point now that, with both per capita incomes and the size of their incomes, they are now able to develop technologies and spend to deploy these technologies to build a cleaner world. But even so, we are actually not doing enough; we are certainly not doing it fast enough. So I think therefore, the role of boards must be seen, not just as the holders of the philosophy of the enterprise or the conscience keepers of the company, but as a bigger role as a bridge to community and society.

So I am going to talk about two or three things. I will not talk about topics that have already been discussed about the actual roles, both the theoretical and practical applications of regulations.

We have had, of course, traumatic changes in regulation over the last few decades. Things that were commonplace, such as the behaviour of boards, board members, and companies, even 20 years ago, could get most people into jail today. This is not about companies alone; this is about society. The behaviour of society and the acceptance of the behaviour of society itself have changed. Therefore, companies, which are important instruments of economic development in our system, must be the flagbearers of this change. It is therefore important that we are not forced by the regulation to have diversity on our boards.

Diversity is actually an advantage; it gives you a view and perspective from which you have a 'n' block, a set of individuals running boards; they would never have the same visibility. We of course have had to put a regulation in place to bring women on Indian boards, but if you think about it, they are actually much better at multitasking, they are also the smarter half of the planet, and they approach things with empathy. So there are multiple things that actually come to the fore if you allow more women into the mainstream. And if you think, for our own enlightened self-interest as a nation, we should do this rapidly, I see the next big wave of growth in India coming from three or four things, and this has to be one of them. More and more women are already involved in economic activity; there's a lot we just don't recognise. Running homes and bringing up children—and I am talking about those who are living at home and working at home—has a massive value if you start to put numbers to it.

Some years ago, we organised an event in Ludhiana, and Ludhiana is very typical of small-town India; although it's no longer a small town, I am talking about their culture, where women typically stay at home and men will go out and work. So I



The role of boards must be seen, not just as the holders of the philosophy of the enterprise or the conscience keepers of the company, but as a bigger role as a bridge to community and society.



said, 'How do you learn management from your wife?' and I got a call from two people, "What is wrong with you? *Mein kaam chalata hun, mujhe kya sikhayaingi meri beevi.*" (I am the one running the business; what will my wife teach me?) So I just asked him two questions: 'Have you had the occasion when you went to the factory (because most people run factories there), and you were told that there is no production as we have a total stock out? He said, Yes, it happens sometimes.' 'So does it happen that you went home in the evening and were told sorry there is no dinner because there was a stock-out? Please think about who is the better manager here.

If we take a step back and look at what we do objectively, we will automatically start to make some changes. Behaviour towards those who are less privileged, because we are a nation where millions of people still do not get two square meals a day. We don't know why we got this privilege; we were born into a family and got an opportunity and access to education and the role that we have. It is also a responsibility, therefore, to reach out beyond ourselves and build society into a stronger and better community. I'm pretty sure that it was not their aspiration when they were growing up to do these jobs. So can we give their children the choice? Let them make a decision about what they would like to do by ensuring there is sufficient and quality education available for all of them and that there is a good upbringing available through a safety net of good healthcare, access to opportunities, and mobility.

We are doing a magical thing today. India is doing two things concurrently, which most countries have done at separate times. One, we are doing one of the most amazing developments of 'physical infrastructure' at one time, in one nation. I am not sure it's been done anywhere else at this pace at this time. We are building over 100 airports, 27 seaports, and the largest road network in the world ever imagined. It is bigger than North America, bigger than Europe, by the way, and bigger than China's. We don't often talk about all of these things



All of the companies, both those in manufacturing and services and those related to agriculture, have a critical role to play in building the backbone of the economy, creating opportunities, creating jobs, creating prosperity, and therefore, building a more resilient, healthier, and certainly happier India.



because they happened at different tiers. And, at the same time as building this physical infrastructure, we are also building the 'digital infrastructure'. On top of the digital infrastructure, we also started to top it with good software, good applications, and good use of those. Not enough yet, but clearly we've made a good beginning.

So I think we are uniquely positioned in the world; we already have one of the most valuable assets, i.e., people, but not enough access to opportunities. We are at a tipping point, but that is going to change, which is why it is important to look at our development model. Which is why it is important to look at the points of Mr. Nitin: How do we provide knowledge, resources, and skills to people with integrity, ethics, and a vision that looks at the long term and also focuses on the actions of day to day—today and tomorrow? It is this combination that will build what we can potentially call the best companies in the world, and these companies need to be guided by a board that is balanced, with different views, different opinions, different exposures, and different experiences.

One of the things that we have lacked for some time now is enough focus on research and innovation. That has started to happen too. If you look at the almost wonder of what is happening through the startups in India, it almost defies

imagination if you were sitting 10 or 15 years ago. I don't think any of us would have imagined that this would happen so rapidly in India, that so many bright, young, and not so young people would get up and say, 'I want to give up this job; I'm going to become an entrepreneur, and I am going to risk everything on just this idea that I have and that I'm committed to'. So as an investment office, one of the things we do is encourage early-stage companies. What we look for are founders who are extremely passionate and committed to what they do, that the product or service that they focus on has a felt need, that they have the ability to become leaders, that they actually do some lateral thinking, that they know how to deal with people, and that they are also able to spin around on a coin if the situation changes, because we tested this during COVID with a number of these companies.

We asked them to do a pressure test like they do for banks. So we said, what happens when your revenue falls by 25%, 50%, or even 100%? Do you have the ability to survive? Do you have the ability to stay afloat? It was fascinating how that made us look internally, at ourselves as companies, differently. We all used to talk about planning for eventualities, but this was kind of a black swan event. I'm not sure that any of us imagined or planned for it, but it did make us think. And I think that in many ways, it made the system stronger and more resilient. I just hope we do not forget the lessons quickly as we get back to life, which is more normal than it was during the COVID period.

So the roles of the board will also become important, as they are the custodians, in some sense, for the future of the companies as well. All of the companies, both those in manufacturing and services and those related to agriculture, have a critical role to play in building the backbone of the economy, creating opportunities, creating jobs, creating prosperity, and therefore, building a more resilient, healthier, and certainly happier India. ■

Good luck and thank you.

**Excerpts from the 'Keynote Address' delivered by Mr. Sunil Kant Munjal, Chairman, Hero Enterprise, at the 'Opening Session' of IOD's Annual Directors' Conclave held on August 10, 2023, in New Delhi.*