

THE ECONOMIC TIMES, MUMBAI, FRIDAY, MAY 3, 2019

CONSUMER CONNECT INITIATIVE

THE FREE BOARD

Freedom at work is directly linked to one's performance, and it holds true in the case of our Boards as well. Are they given enough freedom to take decisions? Some senior board members discuss



Panellists of the Amrop-ET Best Boards roundtable discussion in Delhi

“The construct and culture of the company determines how free the board is. Also, a lot depends on the quality of the chair and the nature of independence”
NAINA LAL KIDWAI, Past Chairman & Country Head, HSBC

“Composition of the board is critical as it determines how democratic it is. On global boards, a director can be very young but is treated at par with those who are more senior”
ANIL CHAUDHRY, Zone President & MD, Schneider Electric

“It's the balance in power that often determines where the power lies – with the board or with the promoters. I have seen Boards which are very democratic, while some not so much”
SIRAJ CHAUDHRY, Advisor, Cargill India

“I represent a major shareholder as a nominee director on the board of an MNC. I have never faced any issues in terms of freedom of speech nor have been asked to protect any one's rights”
SANJAY KAPOOR, Senior Advisor & Independent Director

“What are the duties of a director towards a company? What is the role of a nominee director? It needs to be penned down. Democracy on Boards is laughable”
JYOTI SAGAR, Chairman and Founder, J. Sagar & Associates

“I have not had any major issues with my CEO. We are pretty close and mostly it is a joint proposal that goes to the board. There have been no major disagreements so far”
DR. ARVIND LAL, Chairman & MD, Dr. Lal Pathlabs

“For better risk management, we need to look at the framework of risks – whether the Board is looking at it narrowly. Also, if future disruptions are being considered when taking such decisions”
SAURABH SRIVASTAVA, Co-founder & Director, Indian Angel Network

“By and large members who come from good background know where to convey what. Sometimes, they may convey their thoughts after or before the board meeting as well to avoid conflicts”
ASHWANI WINDLASS, Director, Max India

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“As is evident in this discussion, Indians are a noisy lot so democracy clearly is not much of an issue,” Naina Lal Kidwai's remark left the members grinning. But is it really the case or the reality differs in perspective? As Jyoti Sagar put it, “Democracy of Boards, laughable.”
 The second roundtable of India's Best Boards initiative was all about assessing freedom on the table. Are our boards democratic enough? How do they fare in comparison to

said Kidwai, Past Chairman and Country Head, HSBC.
 The composition of the Board also determines how democratic it is. Agreed Anil Chaudhry, Zone President and Managing Director, Schneider Electric. “On Indian Boards, senior members enjoy a lot of respect. On global boards, a director can be very young and can be held at par with others who are more experienced.” Sometimes, conveying the right thing at the right time is important, and sufficiently senior board members know that well. “It is not necessary, everything

Chaudhry, Advisor, Cargill India.
 Tiffs between promoters and CEOs are common and sometimes may ruin the fortunes of a company. Dr. Arvind Lal, Chairman and MD, Dr. Lal Pathlabs shared his side of the story. “I have not had any major differences with my CEO (Om Manchanda). It is probably because we share a bond and so there are no issues in terms of attitude and maturity. Also, he is many years younger to me, so I mostly get my way (laughs).” Saurabh Srivastava, Co-founder and Director, Indian Angel Network, (a Board member of Dr. Lal Pathlabs) seconded Lal on that. “It is

Management Consultant. However, times are changing. These days head-hunting firms are involved, which specialise in looking for board members. “Business is also getting complex so getting the right mix becomes important. What boards could look like 10 years from now may be very different,” said Windlass. There is also a demand for directors under 50. “We are also looking at people who have never been directors. So, we can have a pool of directors who are not very famous or trophy directors,” Preeti Kumar, Managing Partner, Amrop India remarked.

Being on Boards can also be a very good leadership training for CEOs, Siraj said. “I endorse that, it can be a great self-training exercise,” Kidwai added. Sometimes, it can be a challenge too. “In consumer and tech industries we get pretty young CEOs but getting them on board sometimes becomes a pain when they get more involved in the intricacies than is required,” said Maninder Singh Juneja, MD & CEO, National Bulk Handling Corporation.

The Directors also brought to the table certain key aspects on which Boards should be assessed. Sustainability and environment, nature of the company, age of the company, not-for-profit companies, health and safety and role of women on Boards were echoed as some key areas that need to be kept in mind before assessment.

Risk management and how much time and importance the Board should give to that was a key discussion point. “It begins with risk awareness, so it is important to know whether the board even understands what risks the company is facing. Also, is risk awareness leading to risk aversion rather than risk management?” Siraj said. The overall risk framework is also important, agreed some members.

Risk management cannot happen unless the management and the board are in reconciliation. “It is a rarity. Risk management lies in prioritising and quantifying risks,” said Kapoor.
 “As in the case with global boards, Indian boards too should have specific time devoted for discussing risk management. It also can be a good measure to determine whether it is being discussed in detail by the Board,” said Kidwai.

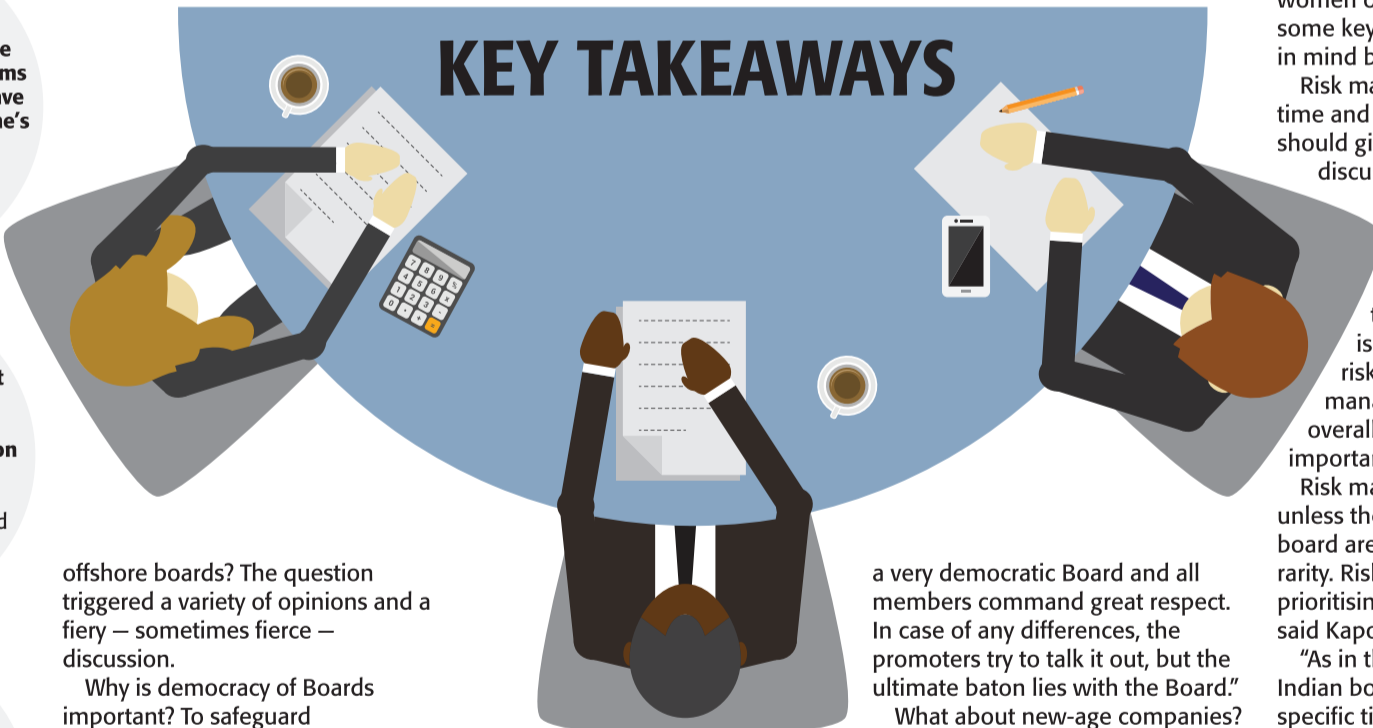
The role of committees and their importance to the Board also found resonance with the members. They are the real changemakers, agreed all unanimously.
 The roundtable was held as part of The Economic Times' and Amrop's latest initiative to identify and award the most effective boards of India, in partnership with process partner IiAS.

Process Partner
IiAS INSTITUTIONAL INVESTOR ADVISORY SERVICES

“Creating a pool of top quality directors is a focus area for us. Building a pool of younger directors – below 50 – who are not just trophies. We are advising clients to go for this new pool of directors”
PREETI KUMAR, Managing Partner, Amrop India

“We have seen that in consumer and in tech industries we get pretty young CEOs. However, getting them on board in some cases was a challenge as they got more involved than was required”
MANINDER SINGH JUNEJA, MD & CEO, National Bulk Handling Corporation

- 1 Companies that have gone through transition times (a new CEO taking over or a family-run business becoming professional), should be assessed as the role of the Board in such times is critical
- 2 Boards of new-age companies should also be assessed as they are huge contributors to the economy and huge guzzlers of capital
- 3 Committees should be assessed too as they are the biggest drivers of governance within a company. The way the Board relies on the committees means their strength becomes critical
- 4 There should be more awareness in the Board regarding the risks taken by a company. A certain amount of stipulated time should be devoted to risk management by the Board
- 5 Democracy of the Board depends a lot on the promoters and also on the calibre of the Board. It's the balance in the power that often determines where the power lies
- 6 Young CEOs should be encouraged to sit on Boards of other companies. It could be a great self-training exercise and also increase the pool of independent directors



offshore boards? The question triggered a variety of opinions and a fiery – sometimes fierce – discussion.

Why is democracy of Boards important? To safeguard shareholders' interest, quite obviously; to ensure the promoters don't have a free run and ignore the Board's mandate; to keep investors' faith in the company and take decisions that are for the company's betterment. And what determines that? Several parameters. “I cannot think of one company whose culture was the same as the other and democracy on Board depends a lot on that; it also depends on the quality of the chair and the nature of independence. Indian boards are complex as they have all sorts of nominees and many of them come with some agenda. Offshore boards are a little disciplined in that regard,”

has to be poured out during the Board meeting, some things can be discussed either before or later,” said Ashwani Windlass, Director, Max India. Sometimes, it is just about power play. “It's the balance in power that often determines where the power lies. My experience has been diverse in this regard; there have been Boards which were very democratic, while few others not so much,” said Siraj



Director, Helion Venture Partners.
 The debate then turned towards the importance of quality and talented directors. Do we have the right pool of independent directors and is it enough? Perhaps not. “For an independent director one has to have the time to devote as he has to really sink in to be able to participate deeply in the governance of the company,” said Indrajit Banerjee, an Independent

“One should have the time to devote and has to really sink in to be able to participate deeply in the governance of a company. And to be able to do that you need to have the right people on Board”
INDRAJIT BANERJEE, Independent Management Consultant

“In Boards of new economy companies, you either die or take it to the top. And as board members we help them navigate inflection points which are around capitalisation, strategy and pace of growth”
SANJEEV AGGARWAL, Senior MD, Helion Venture Partners

“We have seen that in consumer and in tech industries we get pretty young CEOs. However, getting them on board in some cases was a challenge as they got more involved than was required”
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“The ability to see what is coming next globally and locally is a big challenge as Boards mostly function in silos”
–SANJEEV AGGARWAL, Senior Managing Director, Helion Venture Partners

ON CHALLENGES

“Devoting enough time to the things that really matter such as strategy and risk management and not getting bogged down by various compliances is important”
–NAINA LAL KIDWAI, Ex-Country Head, HSBC

“Forecasting and risk management from technology and business disruption point of view is most critical”
–ANIL CHAUDHRY, Zone President & MD, Schneider Electric

“There is a generation gap between the Board and the nature of business they govern, so aligning the two is a big challenge”
–SIRAJ CHAUDHRY, Advisor, Cargill India

“Lack of transparency is the biggest challenge. If someone doesn't want to tell you something, you will never figure it out”
–SANJAY KAPOOR, Senior Advisor and Independent Director

“The law makes it mandatory for companies to put forward several key risks before the board. But is that really happening?”
–JYOTI SAGAR, Chairman and Founder, J. Sagar & Associates

“The Board should play a more active role in understanding the challenges faced by the healthcare industry. Because of various government initiatives there's a fear psychosis that is going on”
–DR. ARVIND LAL, Chairman & Managing Director, Dr. Lal Pathlabs

“The current regulations and liabilities as per me is the biggest challenge that Boards face today. It's extremely onerous and keeps many good people from joining boards”
–SAURABH SRIVASTAVA, Co-founder & Director, Indian Angel Network

“The distance that still remains between the Board and the CEO is an issue. The Board needs to be engaged more and should to be kept interested in the company”
–ASHWANI WINDLASS, Director, Max India

“Enough time should be devoted to understand the company well, while keeping your eyes on governance at the same time”
–INDRAJIT BANERJEE, Independent Management Consultant

“The ability to see what is coming next globally and locally is a big challenge as Boards mostly function in silos”
–SANJEEV AGGARWAL, Senior Managing Director, Helion Venture Partners

“How do you build a culture of innovation in an organisation and what can the Board do at that level is a key issue”
–MANINDER SINGH JUNEJA, MD & CEO, National Bulk Handling Corporation

“The role of the Chairman and how he/she leverages the Board is going to be the biggest challenge going forward”
–PREETI KUMAR, Managing Partner, Amrop India