



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

## WHAT MAKES AN EFFECTIVE BOARD

A Board's effectiveness is mostly determined by its composition, culture and character. But how do these parameters become the enablers for a perfect Board? An expert panel discusses

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A good team of directors is often the biggest guiding factor for any organisation. Their role is critical to the company's future and their advice key to its wellbeing. So, how do we define a perfect board or a great board? Are there any set parameters on which their performance can be benchmarked? There cannot be any one answer to that.

The third roundtable of India's Best Boards was all about discussing how can a Board be more effective, what should be its duties, and what should be its structure. "The way a Board member is hired really effects the structure of the board. Globally, there is a structured interview process for hiring members, while in India one just gets a call from the Chairman to sit on a company's board," said Vinita Bali, Chairman, GAIN as she triggered a really heated debate.

"The Board also consists of non-independent directors who represent shareholders, so it gets curtailed by what really are the objectives of the shareholder. Also, the nominated director has to take care of the expectations of the person whom he represents," added Krishnan Ganesh, Co-founder and Chairman, Portea Medical. What about family-run businesses, which have dominant

promoters? Family members are part of boards and run businesses even if they may not be the best fit to do so. Does the NRC even have a process of interviewing a family member before he joins as an executive role?

The discussion then moved on to defining the key responsibilities of the board. Apart from the three key duties of selecting the leadership team and the CEO, ensuring you have the right strategy, and that you have the right governance for the company, the Board is also supposed to ensure that shareholders get rewarded for the money they have put in the company. "Boards have to change just from compliance to how you are making organisations more competitive. How do I create other fundamental foundation elements that constitute a company?" said Krishnakumar Natarajan, Co-founder and Executive Chairman, Mindtree.

What about a diverse Board? Does diversity make it more effective? Yes, agreed most experts. "A diverse Board is critical to the company and decides its success particularly in today's day and age and through its changing lifecycle. It's important to get various perspectives of the industry in," said

Vishal Bali, Co-founder and Chairman, Medwell Ventures. "If all decisions are taken unanimously, I would say something is wrong with the Board," added Ganesh.

Arvind Mediratta, MD & CEO, Metro Cash & Carry, had a slightly different view. "Companies these days are hiring CEOs, who don't necessarily belong to that sector. So for a board which is not involved in the day-to-day operations, it is important to have someone from the same industry," he said. "Also, if you want a Board member to do justice to the position, how many boards should they sit on? There should be a cap on that," he said.

If we are talking about composition and structure, there has to be a way to evaluate that as well. "The evolution of the organisation and the category, both play a role in the kind of boards you need to have. The board should see that acts of commission such as frauds, etc. don't happen. Acts of omission are important too, but the management may not be focusing on them, for example, sustainability," said Susheel Balakrishnan, Managing Partner, 720 Transform Consulting.

Apart from best practices, sometimes there is a lot of learning

from bad practices as well. What happens when there is a company fraud? Is the board in a position to stop that or act as a whistleblower? Absolutely, said Prasad Kumar, Founder, Human Endeavour Associates, assertively. "Character before competence is very critical. Even the snazziest of board members sometimes can't even squeak in front of a dominating chairman. It is to do with the kind of personality you have and whether you have a backbone. It is those moments of truth that build the culture of the organisation."

Richard Rekhy, Board Member, KPMG Lower Gulf, blamed the dominant CEO for a Board's non-performance. "When you have a dominant CEO who roughrides everyone and does what he does, the Board has little or no role to play after that. Whenever there is a fraud, the auditor gets crucified, I am not saying he shouldn't be, but what about the person who committed the fraud?," he asked. Shekar Viswanathan, Vice Chairman and Wholtime Director, Toyota Kirloskar Motors, agreed. "To what extent the Board interacts with the auditors also needs to be ascertained. The Board needs to engage with the auditors and fundamentally understand one thing – accounts is the responsibility of the management as well as the Board."

Moving on from collective responsibility to individual duties, what really should each and every Board member practise? Our very enthusiastic and vocal panel erupted on this. "There is something called work ethics and professional ethics, and we know many Board members who do little to really understand the company they are members of. On global boards, members are paid well and no one can attend a meeting if they haven't read the papers. So, in a way the Board also creates the culture of the company," said Vinita Bali.

"I would like to recommend individual governance rather than corporate governance, if each one of us governs ourselves well in the right direction, Boards would be what we want them to be," said Sandeep Maini, Chairman, Maini Group. "As a practice, I request companies to allow me to attend three of their board meetings as a silent director. It helps me decide if I am competent enough to add value to the Board, and whether my views will be taken in a non-judgmental manner by the other members," he said.

Camaraderie between the members was mooted as the concluding thought of the discussion. "Offsite strategy retreats of the Board should be organised wherein the members get to spend some quality time understanding and challenging each other," said Prasad Kumar. Added Vishal Bali: "If exchange of thoughts doesn't happen between Board members, they can never take the company towards a singular strategy because they have never imbibed what the future of this company should be."

"If the Board among itself and with the management is not in line with the same purpose, then there is going to be trouble," Rituparna Chakraborty, Co-Founder and EVP, TeamLease, said, as the concluding thought of the day.

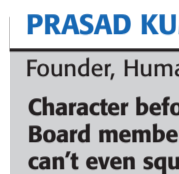
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### ON POINT



**VINITA BALI**  
Chairman, GAIN

In case of global Boards, every year, at least one Board member travels to the country where the company has its operations and meets customers, etc. Does any Board member on any Indian Board even know what its customer looks like?



**PRASAD KUMAR**  
Founder, Human Endeavour Associates

Character before competence is critical. Board members with the snazziest of CVs can't even squeak in front of a dominating chairman. It is these moments of truth that build the culture of the organisation



**KRISHNAN GANESH**  
Chairman, Portea Medical; Promoter, BigBasket, Bluestone, and others

When a Board constitutes of independent members, is it really independent if the chairman invites people to join it? Shouldn't it be done through an independent process?



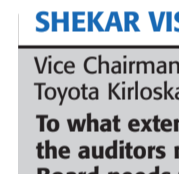
**KRISHNAKUMAR NATARAJAN**  
Co-Founder & Executive Chairman, MindTree

Boards have to change from just compliance to making organisations more competitive. Questions such as how I can pick the right person for the executive team or how do I create other foundation elements that constitute a company, should find cognisance with the Board



**RICHARD REKHY**  
Board Member, KPMG Lower Gulf

Till the basic structure of how directors get appointed to a Board is established, there will not be any control on it. Care should be taken that members should not be from the same industry, otherwise you may just get clones and not a diverse Board



**SHEKAR VISWANATHAN**  
Vice Chairman and Wholtime Director, Toyota Kirloskar Motors

To what extent the Board interacts with the auditors needs to be ascertained. The Board needs to fundamentally understand one thing – accounts is the responsibility of both, the management as well as the Board



**SANDEEP MAINI**  
Chairman, Maini Group

I would like to recommend individual governance rather than corporate governance for Boards. If each one of us governs oneself in the right direction, Boards would be what we want them to be



**VISHAL BALI**  
Co-founder & Chairman, Medwell Ventures

Right Board for the right company is key. A Board should understand a company's strategy and also that if exchange of thoughts doesn't happen between members, it can never take the company towards a singular strategy



**RITUPARNA CHAKRABORTY**  
Co-Founder & EVP, TeamLease

I think agility and continuity in Boards are interlinked. By agility, I mean the ability of the Board to switch gears based on a certain situation. When it should take the management's side and when it should advise a different path may decide the future of the company



**ARVIND MEDIRATTA**  
MD & CEO, Metro Cash & Carry

I have a different view regarding industry knowledge. Companies these days hire CEOs who don't necessarily belong to that sector, so for a Board which is not involved in the day-to-day operations, it is important to have someone from the same industry



**SUSHEEL BALAKRISHNAN**  
Managing Partner, 720 Transform Consulting

The evolution of the organisation and the category, both play a key role in the kind of Boards you need to have. The Board should ensure that acts of commission such as frauds, etc. don't happen



**PREETY KUMAR**  
Managing Partner, Amrop India

Boards are supposed to drive corporate governance, balance shareholders' point of view while taking decisions, and also look at risk management from the governance point of view. The question is, how?

### KEY TAKEAWAYS

1 Composition of the Board is critical. Members from different industries should be made part of a Board to ensure diversity

2 How independent is the Board is key and it starts with a structured interview and hiring process for bringing a member on Board as is the case with global Boards

3 Institution building and stewardship are key elements of Board responsibility

4 Board members should deeply study agenda papers before attending meetings, show basic work ethics

5 A dominating CEO or Chairman shouldn't stop a Board member from dissenting. A yes-board is a catastrophe for a company

6 Sociometry of the Board is key – members should be encouraged and allowed time to spend together, engage and interact so that they get to know each other and challenge each other

