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## Why are advisory boards becoming popular in India?

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While dealing with the spillover of Satyamgate, nothing worked for the accounting major pwc, such was the intense media spotlight and the barrage of negative news. When the heavy overhang of the scandal refused to wither away in the first couple of months of 2009, the firm decided to form an advisory board.

With former Union cabinet secretary Naresh Chandra, former Comptroller and Auditor General VK Shunglu and former Chief Election Commissioner BB Tandon batting on their side, the leadership's effort to stabilise the firm and contain reputational damage received a shot in the arm.

For Gautam Banerjee, the newly minted, Singapore-based chairman of pwc India, the inputs of the advisory board were especially valuable. "It was one of the best things we did in the wake of the crisis. The members gave perspective on what we were doing and how the steps we were taking were being perceived by the outside world," he says.

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Eighteen months on, Banerjee has advised pwc's Indian leadership team to add some members from Mumbai to expand the Delhi-centric advisory council, in order to get more diverse views. Banerjee's boss, Dennis M Nally, the global chairman of pwc, is also a major fan of advisory boards.

"We are starting to see these councils all around the pwc network. The benefit on our part is that all our leaders have grown from within the firm. The only thing the inbred leaders know is what happens within pwc. A group of people who can ask questions on 'why you do this' and 'have you thought about it', is an invaluable resource," he says.

PwC may have been forced to start an advisory board under extreme circumstances but companies in India are now proactively gearing up for this practice. Large Indian groups (GMR, Sanmar Group), large MNCs (Microsoft, Citibank, BAE Systems), smaller MNCs (Experian), consulting firms (McKinsey, Alvarez & Marshall), not-for-profit companies (ISB, Akanksha) and a whole host of PE firms (Advent, Gaja Capital) now have advisory boards. Most of these companies don't want to talk too much about their advisory boards since their members sit on many other statutory boards and the members want to keep their lucrative advisory board positions under wraps.

But why form an additional board when all registered companies already have a statutory board of directors mandated by law? The raison d'être for advisory boards is different for different sets of companies. For conglomerates, there's a need for a set of senior leaders with relevant expertise who can look at opportunities and issues at the group level. The various company level boards within a conglomerate provide strategic input and compliance for a particular company, but at the group level a different kind of strategic insight is needed.

Preeti Kumar of international headhunting firm Amrop is currently running a search for advisory board members for two conglomerates. "Both the conglomerates face growth challenges and both the groups are experiencing huge change. They require help at the group level, something that a traditional company board cannot provide," she says.

Some companies like PwC may need an advisory board only to tackle a specific issue. A large commodity major is busy hiring ex-bureaucrats to form advisory boards to help deal with environmental and land regulation imbroglio it has got into.

For the MNCs, the advisory board serves a different purpose. In some cases, like setting up shop in India, having experienced personalities on the board has its own benefits. When leading search firm SpencerStuart

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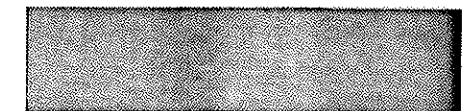
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With MNCs raising their stakes in India, the local management teams feel they require help in understanding the complex regulatory, statutory and economic landscape of India. Consulting firm Alvarez & Marshal set up shop in India in 2008 and six months back, it hired a former regulator and an auto stalwart on its advisory board. "The board is helping us Indian-ise faster," says Paresh Vaish, Managing Director, Alvarez & Marshal.

MNCs, in particular, sometime don't want to dish out management and legal rights to outsiders, yet they do want expert advice. In such a situation, an advisory board fits in like a glove. Without the fiduciary powers that

statutory board directors have advisory boards are a less 'threatening' set-up.

"The advisors can be excellent coaches to the internal management team and the CEO," says R Suresh, MD, Stanton Chase, an international search firm.

Companies take these advisory boards very seriously. Global credit information group Experian's advisory board in India includes, along with its external members (the company doesn't share names and the number of directors), India CEO Vikram Narayan, various strategic business unit heads, Dr Richard Fiddis (MD - emerging markets development).

Global CEO Don Robert sometimes joins in when the group meets, which is usually four times a year. The meetings are conducted just like statutory board meetings with an agenda, action points and financial presentations. "These are self-imposed rules. Advisory board is not a ceremonial initiative for our company," says Narayan.

In a large global engineering company based in South India, the global chairman of the firm is the chairman of India advisory board too. There have been cases, where the global leaders have spoken with the India advisory board members directly to get an unbiased view about a situation or a business issue.

And it's not only the big boys club which is adopting this practise - some smaller firms have also instituted advisory boards. Take IMA India, a boutique economy and market research firm that has Ranjit Shahani, Arun Duggal, Prasad Chandran, Neeraj Swaroop and CEO Adit Jain on its advisory board. "Though we are a privately-held company, the advisory board serves the role of bringing in a lot of value. It helps us bring fresh perspectives from different client segments," explains Jain.

But like any management practice, advisory boards have its fair share of critics too. The toothless nature of the board is what critics point out as its biggest drawback. And the ills of the statutory boardrooms, like 'Groupthink' and the 'golf buddies syndrome' affect advisory boards too. Companies are known to constitute advisory boards to get access and credibility.

For the companies wanting to constitute advisory boards, getting candidates can be tricky. Some experienced members are not comfortable with providing just advice - they'd rather have some level of control that being a statutory board member provides. For some, an advisory role suits just fine because it doesn't come with liabilities listed companies throw up.

"For candidates, advisory boards come without the rigidities and perceived risks that come with the board of directors," says Ronesh Puri, MD, Executive Access. And compensation in advisory boards can be the same as any fiduciary board (no ESOPs for advisory board members though). Advisory boards are here to stay as India Inc changes its orbit and goes global. For the play on global advisory boards, watch this space.

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