

Printed from

THE TIMES OF INDIA

Covid forces cos to relook at board mix, assess independent directors' value addition

TNN | Jul 20, 2020, 04.00 AM IST

Namrata Singh | TNN

Mumbai: The current pandemic, which has challenged businesses like never before, has also got them thinking about the quality of their board of directors. Although the process of examining value-addition by independent directors had started some time earlier, hiring experts said it is only now, since the pandemic, that it is being accelerated. It is understood that in some cases, with valuable suggestions not always forthcoming from board members, CEOs have been all at sea in these unprecedented times.

Executive search company Odgers Berndtson India MD Prasad Medury said, "The pandemic has taken boards of organisations by surprise. Our interactions with owner-promoters of listed companies lead us to believe that the CEO lacks appropriate guidance from the board. A promoter-chairman of a listed company with majority representation from independent directors on the board, which is great from an autonomy perspective, told me he did not see much value addition from them. On the other hand, a promoter of a smaller listed firm is considering positioning internal talent as directors on the board rather than looking for external members to fill in the vacancies."

Hunt Partners India managing partner Suresh Raina said, "Since the pandemic, there are already talks where companies are looking to bring on board people who can be an adviser to the CEO to have regular conversations with. Not many board members may have the experience of dealing with a Covid-like pandemic. But what companies could look at is bringing on board independent directors who have dealt with crisis/change/unprecedented situations in the past and who also can challenge conventional thinking."

Executive Access India MD Ronesh Puri said in three-six months, one could expect far more professionals being inducted on boards who can help organisations grow in these turbulent times. "We expect 20% new inductions as organisations relook at

present board compositions,” said Puri. “Previously, organisations would only look for independent directors who would not ask any uncomfortable questions. Today, our conversations with CEOs reveal that they are not getting enough value from the current board members. They are looking for those who can help the business grow. Such conversations are expected to result in some change in the manner in which organisations appoint members on the board,” added Puri.

However, there are boards that effectively demonstrate their depth of knowledge and experience. Shailesh Haribhakti Associates chairman Shailesh Haribhakti, who is an independent director on seven company boards, has seen the levels of engagement between directors, the chairman, CEO and other CXOs increase dramatically in the last four months. “We have multiple one-on-one, small group and several committee conversations in addition to board meetings. If I have some thought that could be useful to an organisation, or if someone has sent a proposal, I reach out to the chairman of the board directly and keep the CEOs in the loop.”

Haribhakti said without the CEO, the chairman and the directors collaborating and working as a team, nothing works. “In today’s times, a company also needs its CXOs to be part of crucial meetings. That depends on whether the CEO has created an open channel so that members can freely interact with one-level-down executives as well. I recently attended a meeting where there were at least 25 people on call. There were several takeaways because everyone came prepared on key aspects like cash, cost, health, competition, M&A. What determines such active engagement levels is the DNA of the board, which is not built overnight,” said Haribhakti.

A decade ago, the role of independent directors was more about statutory compliance. Gradually, the trend has shifted to focusing on board composition that allows for independent directors from a particular background or skill they bring to the table. Raina said several circular meetings and offline conversations are happening between directors. “With all leaders trying to find their way out of this maze, such conversations and advice to management can play a significant role. If a company management has not really exercised the option of making a thoughtful selection of board directors, Covid is the perfect trigger to push them into thinking along these lines,” Raina added.