



Searching for IDs

An exclusion list for selecting great independent directors

It is not unusual for persons at a certain stage in life, including, but not limited to, superannuated bureaucrats, to seek positions of Independent Directors (IDs) on corporate boards. With time hanging heavy, and with no theatre in which to put their experience to use, many of these persons believe that the corporate world would benefit from their association.

Recently, well-intentioned promoters (yes, such persons do exist) have started meaningful searches for IDs who will add value to their boards. While many of them reach out to headhunters, some persons who are being perceived as influential in the context of boards, are also being enlisted in the cause of locating good IDs.

On being the recipient of a similar request, I asked myself a simple question, with no easy answers. Who is a good ID? To get more clarity from a user perspective, I posed the same question to the promoter who had made the request. Together we decided to embark on finding the right answer, and then, hopefully, finding the right person.

My preferred response when seeking to decide among several alternatives, is to shrink the universe for consideration. Applying this approach, it was first decided to finalise the "negative or a less desirable" list. Topping that list was the recently retired CEO / managing director of a competitor. Every CEO who has recently vacated his/her chair, will consciously or unconsciously seek to impose their experience and their solutions on unsuspecting incumbent CEOs. The interjection, "when I was the CEO", should be kept outside boardroom conversa-

tion. Every CEO is entitled to make his/her mistakes, rather than the mistakes of those who have been CEOs earlier, and now sit on his/her board.

Flowing from this exclusion is the question whether an ID being inducted needs to have domain expertise. Domain familiarity and domain knowledge are to be distinguished from domain expertise. Expertise that might translate to second-guessing the incumbent CEO could be counterproductive and destabilising. Stated differently, the search for IDs should not lead to persons itching to roll up their sleeves, and to step on the toes of management. At the other end of the spectrum, domain ignorance, with the possibility of a long learning curve in the boardroom, is not a desirable option.



M DAMODARAN

Age also came up in our conversation. Inducting a person over the age of 70 as a new ID was clearly sub-optimal, since he/she can be retained beyond the age of 75 only on the strength of a special resolution. Therefore, getting an ID without the requirement of a special resolution for a full first term would mean looking at persons who are below 70 years of age.

The next exclusion would have to be persons who have had either colourful or colourless track records. The non-performers, with colourless track records, should be left well alone, to ponder over what might have been, had they while in "active service", not remained passive, and had performed. The colourful persons with the habit of tilting at windmills, getting into needless controversies, and seeking column centimetres of space in newspapers, should also be given a wide berth.

A natural corollary is that one should be looking

for a team player, who brings constructive co-operation, and not a confrontational attitude, into the boardroom. Constructive co-operation should be perceived as collaboration, and not collusion. An inquisitive mind, that will not rest content with incomplete answers or clarifications, will be an asset in the boardroom.

Between good listeners and the persons that hold forth on any subject at the drop of a hat, there should be a clear preference for the former category. Persons that practise the three-stage approach of observe, absorb and then articulate, would be valuable additions to the board.

The search for an able and willing director should not necessarily lead to databases that have sprung up, and where quality control, in the form of theoretical tests, have certified aspirants as fit and proper. An oversupply of those that are willing should not obviate the need to determine contextual ability, before opening the doors of the boardroom.

IDs should be those that subscribe to the Boys Scout motto "Be prepared". A person who breezes into the boardroom completely unprepared, and insists on contributing to the conversation, would be not merely diversionary, but also destructive. Between persons who have something to say, and those who have to say something, the choice should be very clear.

The positive attributes, which are sector-neutral are intelligence, inquisitiveness, integrity, and intellectual honesty. Absent any of these attributes, the candidate will be handicapped, and the company would be inadequately served by inducting such a person. Passionate commitment to the goals of the company, objectivity in taking decisions, complete absence of any conflict of interest, real or perceived, and role clarity as to what a board position means, are necessary attributes to look for in a candidate.

A search for a perfect director could end up placing the promoter in the situation of the father of a young lad wishing to get married. It is not uncommon for a young man to list a number of attributes that he wishes to find in the bride that the parents are looking for. It is useful to ask, as one parent recently did, to the son, "If a girl had all those attributes, why would she marry you?" While searching for an ideal ID, companies should be able to convince him/her that the board of that company is a good place to be in because of the value systems that they practise, and their concern for all stakeholders.

Equally important is the ability and willingness to compensate a good director adequately. In these days, when one has to sing for one's supper, and when there is no free lunch, IDs are unlikely to commit quality time without being appropriately compensated. As the saying goes, "If you pay peanuts, you will get monkeys."

The writer is Chairperson, Excellence Enablers, and former chairman, SEBI, UTI and IDBI