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## REIMAGINING TOMORROW'S BOARDS

*Change, transformation, metamorphosis. Which of these will happen to Boards? With everything changing around them, Boards will have to keep pace in order to remain relevant. Have they got started?*

Every instance of corporate misdemeanour not only takes up several column centimetres of space in the print media, but also has breathless broadcasters, not merely speculating, but pronouncing judgement on what went wrong, and how it could have been avoided. Some questions, which cause serious observers to ponder, sometimes remain unarticulated. The more common among them are - What was the Board doing? Was the Board collusive or complacent? Did the various Board committees turn a blind eye, or were they blindsided by the lack of information from management? And then, the most uncomfortable of all questions. Do companies need Boards if this is the level of governance and supervision?

Students of corporate governance understand that the role of the Board is to provide supervision, as well as exercise control, besides setting a direction for the management. Whether even these roles, if performed well, can rule out transgressions and frauds, merits serious thinking. Is it time then to think of reinventing the Board, especially with an eye to the future?

Every Board has a Chairperson, executive or non-executive. It is generally believed that the Chairperson is *primus inter pares* in the Board, and is not a superior human being that influences the conduct and thought processes of others in the boardroom beyond a reasonable measure. When looking at Boards of the future, the position of Chairperson would be a good starting point. Many promoters of companies chair the Boards, as if it is their birthright. No one denies the fact that these, or their forebears, are persons with a dream in their eyes, and fire in their bellies, willing to commit time, energy and finances, while braving the risk of failure. Does that however render them the best persons to lead Boards? Or should Boards, and especially the promoters of companies, look for Chairpersons who can provide enlightened and objective leadership by harmonising different viewpoints, and extracting value from others in the boardrooms?

Compare this to the position of a Hindu Undivided Family. The Karta does not head the family because of his being brighter than the others, or more qualified to address the complex challenges of keeping a family together. Even claims that he/she has invested considerable wealth to address the family's requirements often fall flat, especially when it is seen that much of the wealth, that he/she is presently responsible for, is inherited and not self-made. The younger members of the family, who often have a better idea of ground realities, and the way that the world is changing, are either unable, or unwilling, to express their views,

because the hierarchy of family relationships might get in the way. There are several lessons to be taken from this when one looks at the functioning of corporate Boards.

It is not unusual to hear some Directors say that they had a different point of view, which they did not articulate for fear of rocking the boat. It is the accumulation of such unexpressed views that ultimately rocks the corporate boat. Is culture a major obstacle in the free expression of ideas in the boardroom? Has respect translated itself to reverence?

For many years it used to be believed that promoter-led companies alone are victims of excessive centralisation of the decision-making process, denying the company the opportunity of benefitting from the expression of diverse views. This myth has now been exploded. On the one hand, there are promoters who see wisdom in allowing a free and frank exchange of views in order to benefit the company. At the other end of the spectrum, there are “professional Chairpersons” who treat the company, and consequently the Board, as their personal fiefdoms, leading to the unhappy conclusion that a “professional led” company is not necessarily a professionally led company.

The question therefore for the Board of the future is whether it should have a designated Chairperson. Or is the alternative of collective leadership with different persons by turns leading discussions at different meetings a better option? Will that encourage other members of the Board to see themselves as part of an enlightened leadership structure, rather than making up the numbers that the law and regulations prescribe? There is evidence to show that an executive Chairperson casts a cloud on the Board-management differentiation of roles and responsibilities. If he/she has a cozy working relationship with the senior management, the other Directors will end up being occupants of ringside seats in the boardroom, rather than participants in the process of governance. Should, therefore, the position of the Chairperson be thought through in some detail?

Next comes the question of the Independent Directors (IDs). Starved off information, and lacking in role clarity, IDs often wonder, mercifully in the quietude of their minds, what brings them to boardrooms, and whether they should continue to stay. Their absence of domain expertise makes them suspect in the eyes of management. Asymmetry of information vis-à-vis the wholetime management ensures that conversations between these two elements in the corporate entity are not necessarily well informed. The inability or unwillingness to commit quality time to the affairs of the company often makes the IDs suboptimal participants in the governance process. Managements, not necessarily uncharitably, sometimes think of the Board as a mandated, unavoidable nuisance. Self-preservation by IDs often leads to sequential querying of proposals, which the management sees no problem with, and sometimes obstruction, in order to perversely show an application of mind, leading to delayed decision-making. Some commentators believe that without skin in the game, this category of Directors does not do justice to understanding and deciding on issues that the company has to address. The perception that liabilities of Directors have increased manifold, also either leads to exits or to dissenting on most proposals, without going through the process of deliberation, discussion and debate. Some regulatory communications also seem to nudge Directors in the direction of rushing to dissent. What must be understood is that a cohesive Board is not necessarily a collusive Board. Is teamwork, then, an essential attribute of Boards of the future?

The next major issue that corporates face, and Boards encourage, is the structural straitjacket in which the workforce is placed. Too many layers in the decision-making process, premised on the belief that there is wisdom in hierarchy, can derail urgent and important decisions. Is there a case for empowering persons at different levels, and going through a massive exercise of delayering, so that decisions are better, faster, and demonstrate a higher sense of ownership?

Should Boards of the future be subject to the extraordinary statutory workloads that they presently have, diverting attention from serious discussions on strategy? While there have been some improvements, a lot more needs to be done. RBI is now moving in the direction of finally making Boards feel that they are at the apex of the decision-making process, and not passive respondents to regulatory prescriptions. Will Boards rise to the challenge of determining their own destiny by carving out a legitimate remit, and leaving the rest to levels below the Board, or will Boards and Directors, like pavlovian dogs, look in the direction of the Regulator, to be told what to do, and to act reflexively following such directions?

In all of this, will accountability move centre stage? Interminable delay in the decision-making process, not only in boardrooms, but also in regulatory organisations, is not contributing to the ease of doing business. Can there be timelines, which are nearly inflexible, to goad persons to take decisions within a reasonable timeframe? Or will we continue to live with the facile explanation that the matter is receiving attention.

Allow me to narrate a personal tale. My father had a small procedural matter pending with the pensions office. It did not move for several months. On one occasion, he telephoned someone in the pension office, to be told that the “concerned person” was on leave. My father’s response was simply this “Forget my pension. I am delighted to know that someone is concerned.” Should this be the experience of persons or corporates whose matters are needlessly held up either for approvals or for sanctions?

These days nearly everyone can be heard saying that she/he is committed to enhancing the ease of doing business. Yet, many are prisoners of procedures or seekers of precedent. Decision-making seems to be an interminable process, leading to paralysis in organisations. Can a forward-looking nation, in a rapidly changing world, live with such hurdles and obstacles? Should the reinvented Boards of the future lead the effort of creating an environment in which speed and objectivity do not remain concepts that feature only in conversations.

What is required is the equivalent of zero-based budgeting. A sufficiently strong committee should look at the entirety of policies and processes that inhibit progress. Tinkering or refinements will no longer be adequate. The context is interesting. There are already apprehensions that robots will replace human beings, partly, if not wholly, not only on the shopfloor, but also in boardrooms. This, if nothing else, should be the trigger for corporate chieftains to reimagine boardrooms and other structural features that exist today, and to look at all that presently exists through the lens of what the future needs.

The alternative is to continue as if change and improvement are not relevant. In the name of checks and balances, there can be multiple layers that inhibit prompt decision-making, and

function with self-preservation as their intent.

Looking at different aspects or features of corporate governance will no longer past muster. More regulations may get written, and more disclosures mandated, without any significant value-addition. Can thought leaders in the corporate environment step up, and show the way, or will tomorrow be yet another day?

### **Postscript**

*“Que sera sera, whatever will be, will be  
The future’s not ours to see...”*

A great song, but a perfect recipe for disaster.