Reflections from the boardroom

Rama Bijapurkar

Being a board member is an apprentice profession and one is continuously learning, from peers, from management, from professional services providers who interact with the board, from regulators, from boards that have malfunctioned, from circumstances and situations that arise because of the external environment. In response, how things are done by the board, and what mix of things a board does, in what proportion with what intensity, is not static, and keeps changing depending on the state and needs of the company / business and the pressures of the environment.

Therefore, to my mind, rather than focusing on painting ideal pictures and enumerating best practices of perfect boards, it makes more sense to take stock regularly of what we have done and what our recent experiences have been and reflect on what our learning has been. That's what I will attempt to do in this piece - share what I have been thinking about lately relating to boards.

Let's start with the virtual board meeting format and what we have learnt from having worked in this format for almost three years so far. The amazing thing is how birds have adapted in a heartbeat and managed to carry out all processes and tasks well in this format. Even the most technologically laggard boards and board members got really comfortable with board portals and electronic documents. Goodbye tomes of paper, and that's a big blessing.

However, few would disagree that virtual meetings are not the best thing for deep and engaged back and forth discussion and where contrarian (non-group-think) ideas emerge late in a predictable discussion and manage to sway the decision in a very different direction. Also in a virtual format, dominant voices tended to grab a larger share of air time and potentially useful inputs may have been lost – unless the Chairperson was very mindful of being inclusive. So it is time boards did go back to physical formats – boards are a collective entity and that's how they function at their best. Virtual AGMs on the other hand have been wonderful – shareholders from across India have been able to and have participated and that has been very gratifying indeed.

The pandemic years have increased the complexity of business on many counts and boards have needed to weigh in much more on strategic and operational choices that management seeks to make. Also even the most intrepid, independent managements have tended to seek the boards inputs, given how tricky the business trade-offs have been, The work load of boards has increased as has the frequency with which it has been necessary to meet to take stock. . For boards of companies at the wrong end of the K shape, the going has been harder. Such a high degree of tougher judgement calls has not been required or demanded of boards in the past. The number of boards a director can do justice to in such times is far fewer than before and each of us has to evaluate our portfolio of boards and assess this for ourselves.

Environmental challenges and uncertainty have also been joined by regulatory push and exacerbated the need to take hard judgement calls – especially of short term trade offs to protect the long term (or vice a versa). The pandemic uncertainty has challenged or, in fact, forced organisations to be flexible and the best practice has been "when facts change we need to change our minds" and "lets truly (not just on paper at a strategy meting) prepare for divergent scenarios"

Boards have also been forced to make up their minds on where they stand on the count of conscious capitalism. Maximise available revenue and put front line / factory workers at risk? Reward people who kept the organization going despite huge environmental challenges or be careful about taking costs up at times as uncertain as this with how visibility into the future? Support vendors in such difficult times? Have budget and target discussions at the board meeting or spend far more time truly understanding people well being and extent to which obligations of being a responsible corporate are being discharged in spirit? Where to strike the balance, and that too collectively? Truly the tone on these issues has had to come from the top, from beyond the majority shareholders, from the trustees of the institution. The good news, if there is any, that can come out of such a bad time has been that people has come right up on top of the agenda, the question of "how many cases and casualties " sharing the top billing with "how much revenue and profit".

Boards will have to increasingly be the moral compass of companies – its not just about CSR any more but about SRC – Socially responsible corporates that boards have to foster.

The people dimension – not people performance and bell curves and compensation policy as much as assessing and improving working environments and work culture - will be a new focus area for boards. In the typical description of the NRC, remuneration and compensation, this doesn't fit! A recent Harvard Business Renew article suggests that CEOs henceforth will need to have phenomenal social and people skills because this is the age of diversified, locationally dispersed work force, activist investors, activist NGOs, social media etc; and that firms that emphasize technical skills over people skills are getting less effective CEOs. That message holds for boards too.

Regulation governing corporate governance has been getting progressively tighter over the years and that has been a generally good thing in sensitizing boards. Even if many of the prescribed activities are done under the head of "compliance", they make it to the board agenda and that's a great start. The same can be said also of the "women on boards" regulation.

What do boards still not do that they need to do? CEO evaluation and CEO succession are two areas where boards tread very hesitantly particularly in promoter managed companies. In fact, the whole area of formal performance management and performance oversight of the company beyond business plan financial targets is yet to gain significant traction. KPIs that reflect the health of the business both short and long term need to have a lot more time and thought invested by boards going forward, and it's time we saw brand perception studies (not NPS which reflects the narrow slice of satisfaction of current customers) make it to the boardroom agenda too.

A continuing culture agenda for all boards is to be far more mindful ('spine-ful') of the fact that they have the privilege of great trust and responsibility; and they not only have to push to constructive consensus but also to enable all directors to exercise their obligation to dissent, should there be a need to. Dissent need not be a brahma-asthra to be rarely and sparingly used as a last resort but something that should be used as often as needed.