



Amrop India

**Board of
Directors:**

Be The
Catalyst

“To be, or not to be - that is the question.”

- William Shakespeare

Actively Create a Shared Purpose for the Board

Ensure Board Agendas are Consistent with

Business Priorities

Speak Up and Build Alliances

Seize Opportunities

Meet the Breadth and Depth of Management

Review Strategy – Not Just Results

Encourage Offsite Meets

Do not be a Solitary Soldier

The rules of corporate governance are changing rapidly. Spurred by shareholder activism, strong emphasis on shareholder value enhancement and being a responsible corporate citizen - the demands of performance collectively from the CEO and the Board are becoming stringent. However, in many cases the practices within the Boardroom do not meet today's demands. Should the Independent Directors permit the CEO and other directors to "stand still" or should they act as catalysts for a change? What can they do to exercise effective participation in the Board? Should they remain passive and not rock the Boat? These are questions, which every independent director faces from time to time.

Amrop through its well-established search practice for the Non Executive Directors in India and various global locations such as USA, UK, France, Spain, Germany and Australia, have learnt how Independent Directors have overcome such hurdles in a variety of businesses in different parts of the world. Some such ways for Independent Directors to act as catalysts are enumerated below:

Actively Create a Shared Purpose for the Board

Directors, normally, do not share a consensus about accountabilities to the various stakeholders in the business or what purpose they serve as a member of the Board. It is important to create a shared purpose that appropriately reflects the fine act of balancing shareholder interest, long-term growth and repute of a firm. The Independent Director can lead the discussion for creating this shared purpose. By calling for a debate and upon reaching consensus - a framework would be created for the shared purpose and pursuit of individual agendas in the boardroom would be minimized.

Ensure Board Agendas are Consistent with Business Priorities

Boards need to be comfortable with the agendas - It should focus on looking for the right issues at the right time. The issues normally discussed

are heavily weighted towards the review of past performance, legal and administrative compliance. Instead, the focus ought to be on issues such as business and product mix, new product lines, performance of key people, major budget items, industry trends, overall financial structure. It is the responsibility of the Independent Directors to prevent the agenda from becoming the "CEO's agenda." The Directors should act collegially to get the right balance between current operation, industry dynamics and future growth.

Speak Up and Build Alliances

Conscientious Independent Directors can create change in Governance Practices in a positive manner by speaking up. It is important to understand that in a peer group of equals or sometimes giants of industrial leadership, an individual may not want to expose himself and can take a passive posture. Whilst on a one on one basis, people can be outspoken, they tend to hold back when in a group. To avoid this, it is important for the Independent Directors to reach out and build alliances. By insisting on the formation of a Governance Committee, issues can be brought out in an open and candid environment.

Seize Opportunities

Some situations are a springboard for an independent director to create a change – Mergers, Acquisitions, Spin offs, Restructuring, CEO succession are good opportunities to interject new ideas enhancing the collegial effectiveness of the board. Independent Directors should seize these opportunities and thus lead the way in creating change.

Meet the Breadth and Depth of Management

It is not uncommon for the CEO to present the same company executives at each meeting. On occasions, CEOs may have "tutored" and monitored every bit of data that is presented at the Board meeting by the executives. It is,

hence, important to get a first hand view of the management capability and to this end the Independent Directors should ask for opportunities to engage in a dialogue with the breadth of top management.

Review Strategy – Not Just Results

An ideal way to do this is to have a frequent review of strategy – a “how are we doing” dialogue focusing each time on a critical aspect. This can be achieved by ensuring that the agenda includes discussion on an aspect of strategy at each board meeting. Invariably, the gap between actual performance and planned projections is on account of a wrong assumption of a parameter outside the control of the company. In the review of strategy it is vital to debate the assumptions on which the strategy is built. If the executives involved in the preparation of strategy are present, it brings forth very clearly how good the executive talent is, in assessing industry and economic trends and its impact on business. The Independent Director can take the initiative to have this strategy review dialogue and contribute with the breadth of industry knowledge they bring to the boardroom.

Encourage Offsite Meets

A change of venue and the conduct of the Board Meeting at an offsite location help the creation of high quality of board dynamics. The opportunity to mingle with other directors on an informal basis as well as to meet the entire group of executives can lead to valuable insights. Many companies conduct at least one meeting offsite and it is invariably devoted to reviewing the business strategy and annual plan. The Independent Directors could initiate such a change and thus pave the way for a better board dynamics.

Do not be a Solitary Soldier

One solitary independent director on a board is a lost cause. It is important to ensure that the directors designated as independent are truly so. It is important for every independent director being invited to join a board to

thoroughly check this. Not having a pecuniary relationship with the company but being a “friend of the CEO” is not truly independent.

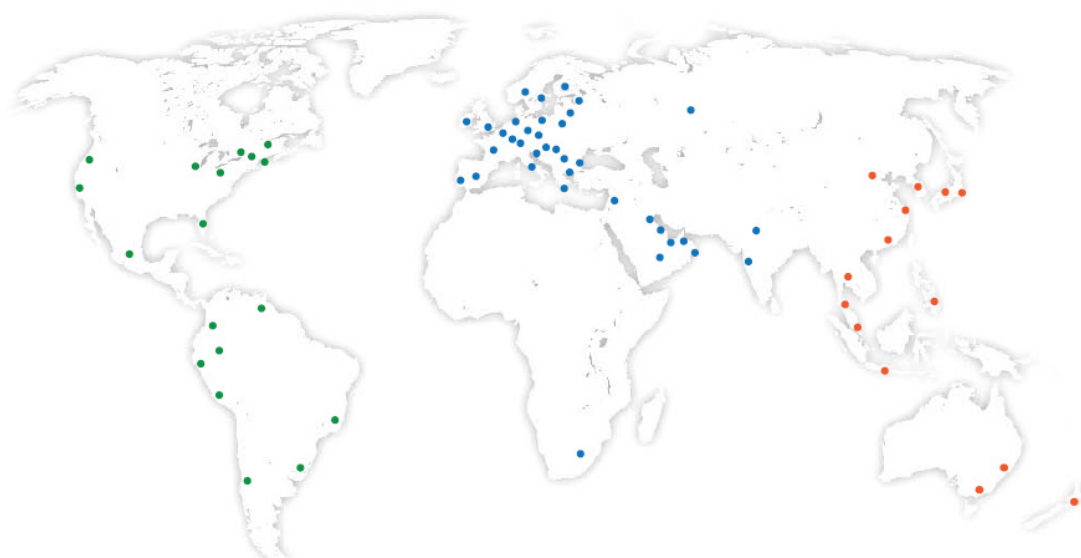
Above all, after joining the board, it is important to work with the other directors and enlist their endorsement to the new concepts of corporate governance. It is not always easy and also not good to quit at the first signs of stress. One makes a greater impact whilst remaining on the board than being outside and criticizing its working. Independent Directors that have persevered with their other colleagues and have objectively worked with management as opposed to micromanaging the management have delivered value. Like every other situation, the Independent Directors’ leadership skills and strong interpersonal capabilities will ultimately prevail.

In conclusion, a quotation from William T Allen, Chancellor of the Delaware Court of Chancery and a keen student of corporate governance conveys with feeling a point of view:

“Men and Women who as Directors are passive; who view their role as mere advisors; who are pliant and pleasant, but who do not insist upon a real monitors role, do small service to any one and deserve little respect.”

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