THOMSON REUTERS

CORPORATE GOVERNANCE

Emerging Dimensions

Edited by
Dr. Ashish Kumar Srivastava
Dr. Vikesh Ram Tripathi

Foreword by
Prof. Balraj Chauhan
Vice-Chancellor
Dharmashastra National Law University, Jabalpur

CONTENTS

CHAPTER 4

BUILDING HIGH-PERFORMANCE BOARDS IN INDIA: PREREQUISITES AND CHALLENGES

DR. SOMA DEY SARKAR*

ABSTRACT

The Board of Directors is the fulcrum around which the efficiency and good governance of a corporate organisation revolves. Corporate debacles, which occurred globally in the latter half of the century, have been an eye-opener for the corporations. Invariably it is evident now that the Board of Directors is one of the key factors for the success of a corporation. Clearly, good governance is not the result of legislations brought about by the States controlling the corporate organisations, but the efforts of the directors, their quality, competence, commitment, willingness and ability to assume a high degree of obligation and its shareholders as members of the board alone drives the value of the board. Instead of being the puppet in the hands of the CEO, it is imperative that an effective, strategic and high-performance board be built which will contribute towards value addition of the corporation. In order to bring about diversity within the board, advisory boards also known as advisory committees, which may include business leaders, influential politicians, academicians and other distinguished persons, are created to advice the directors. This way collective wisdom of several professionals is available to the directors for effective governance of the corporate organisation. These are however, subject to the policy and critical and long-term requirements of the company.

Though Indian companies were late starters in the matter of introducing healthy corporate governance practices, increased public awareness and heightened sensitivity in the wake of a series of scams, the wakeup call of the Cadbury Committee Report, gradual imbibing of wholesome international corporate practices, the opening of the Indian economy to foreign capital and influences, the emergence of mutual funds and institutional investors with their insistence on adoption of better corporate culture and practices, followed by the mandatory provisions of the Birla Committee, have all brought about dramatic changes in the way some of the prominent boards have been functioning.

---

* Assistant Professor, Department of Law, University of North Bengal. The Author can be reached at somadsarkar45@gmail.com.

needs.'[21] It has been observed that directors have moderate to higher impacts on the board activities. Those directors who have low to moderate impact said that their boards undertake 'the basics' of ensuring compliance, reviewing financial reports and assessing portfolio diversification depending on the function. Directors having moderate to higher impact on board activities said that apart from the above activities they undertake a series of other functions also. In the area of strategy, this means becoming more forward looking. More involved boards analyse what drives values, debate strategies and evaluate the allocation of resources. At the highest level, boards look inwards and aspire for more 'meta-practices' – deliberating about their own processes like, removing biases from their decisions.[22]

A High-Performing Board takes their discipline and time seriously. In performance management, an average board will start its review with a basic financial metrics. A more involved board has regular performance discussions with the CEO and boards with still higher impact analyse 'leading indicators and aspire to review robust nonfinancial metrics'. It is worth mentioning here that a robust, involved and lively board does not imply challenging the position of the management or the CEO. A CEO need not worry that his prerogatives might get constrained in directing the company. To be true, an engaged board is a support system for the management rather than being in conflict with them and the directors are more efficient, effective and satisfied with their jobs.

---

21. Chinta Bhagat and Conor Kehoe, *High Performing Boards: What's on their Agenda?*, The Board Perspective: A Collection of McKinsey Insights Focusing on Boards of Directors, 13 (2014).
22. *Ibid.*

First Edition 2021

Publishers:
Thomson Reuters, Legal
(A division of Thomson Reuters South Asia Private Limited)

ISBN: 978-93-90529-93-3

Price in India **INR 1800**
Price abroad **US $25.00**

Printed and bound in India.

Thomson Reuters South Asia Private Limited
10th Floor, Building Number 9B, DLF Cyber City
Phase III, Gurgaon 122002
Phone: + 91 124 488 6700