

*By Invitation*

# How board evaluations can unlock new opportunities for Indian companies

**Sonny Iqbal**



Today's publicly listed boards in India have started to look different than in the early 2000s. Disruption in the form of technology, geopolitical shifts, environmental concerns, unanticipated risks, regulation and major economic booms and busts have all changed the strengths and weaknesses is essential to building a high-performing board, and this is where well-designed board evaluations come in. These are not a "check-the-box exercise;" rather opportunities to get first-hand feedback about processes, board dynamics, committee leadership and skills gaps.

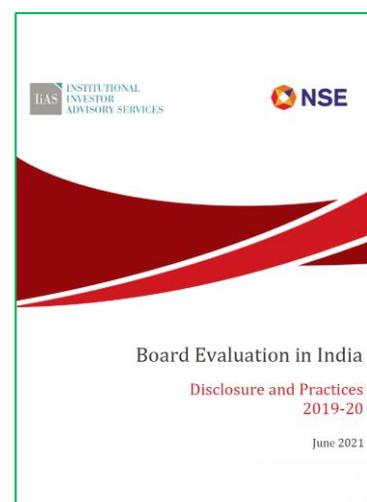
## How Evaluations Help Build High-Performing Boards

Most leaders spend their careers constantly improving and pushing themselves to the limits to climb the ranks within organizations. That doesn't end once you reach the boardroom table. In fact, feedback becomes even more important to your development as an effective board member. To perform their duties as directors, board members need feedback about how they function as individuals and as a full board with the goal of becoming a high-performing board.

Effective board evaluations can help directors address several key areas, including:

- Board composition, which includes skills and diversity
- Strength of committee leadership
- Board dynamics and culture
- Director independence
- Strength of succession plans
- Relationship with the CEO and management

While it can be daunting to take in the feedback from a board evaluation, high-performing boards today must regularly take stock of themselves and their processes and continuously seek improvement. Ideally, these evaluations are done by a capable third-party, which offers the advantage of a neutral outside observer who can deliver non-biased findings to the board. In addition, outstanding evaluations go the extra mile and offer the board chair coaching opportunities for delivering difficult feedback to directors.



## **The Future of Board Evaluations in India**

As India moves toward achieving economic superpower status, high-performing boards will be crucial to the success and acceptance of Indian businesses. To be competitive on a global scale, Indian company boards will need to evaluate their governance structures against top-performing companies and ensure their practices and processes, at a minimum, keep pace.

Only a handful of Indian companies proactively undertake external board reviews, and many others only engage in reviews to meet minimum requirements imposed by regulators. This results in routine reviews that evaluate basic objective metrics, such as meeting attendance, equity involvement, tenure, committee composition, peer assessment, and independence. These evaluations are lengthy questionnaires, usually conducted by the Company Secretary or HR in partnership with the Nominating and Remuneration committees. These exercises screen for problems rather than optimize performance and often result in high scores with few actionable suggestions for improvement. Additionally, hardly any Indian companies disclose areas for improvement that have been flagged during the evaluation and improved upon subsequently.

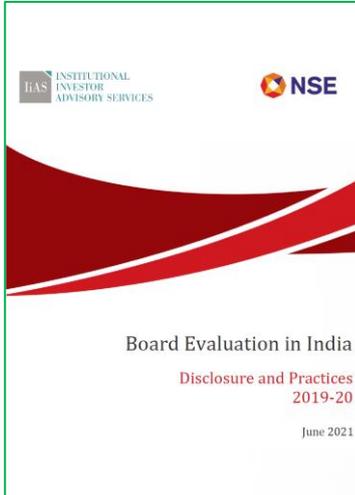
For Indian companies to compete, they will need to embrace rigorous and methodical evaluations of their own performance by their peers and senior management, engage a third-party to review the board, and disclose the findings in their corporate filings. While using an external evaluator is not currently a popular practice in India, the independence and the guidance of a third-party allows boards to come away with an action plan and the accountability to follow through on the plan.

There is also now pressure from regulators and proxy advisors for regular reviews of board performance. After decades of establishing systems to evaluate executive talent, the trend now is to proactively address external pressures by assessing boards. Reviews should examine whether boards have the knowledge and competence to help chart out a company's future strategy, meet increasing shareholder expectations, respond to tightening regulations, understand new and complex technical, strategic and financial issues, be prepared to face unanticipated risks and provide critical insight of where the business is expected to be in 3-5 years.

## **What's Next for Indian Companies**

Progressive chairs of Indian companies are asking, "What does the future of our board look like?" Board evaluations can provide some of those answers by examining the culture of the board and the most pressing issues companies are grappling with today. This includes uncovering spikes—or gaps—in diversity and inclusion, environmental, social and governance (ESG) areas, business strategy and more. As boards become more comfortable in regular evaluations and adopt a continuous improvement mindset, they can unlock many new opportunities for their companies, their shareholders and their management to flourish.

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