



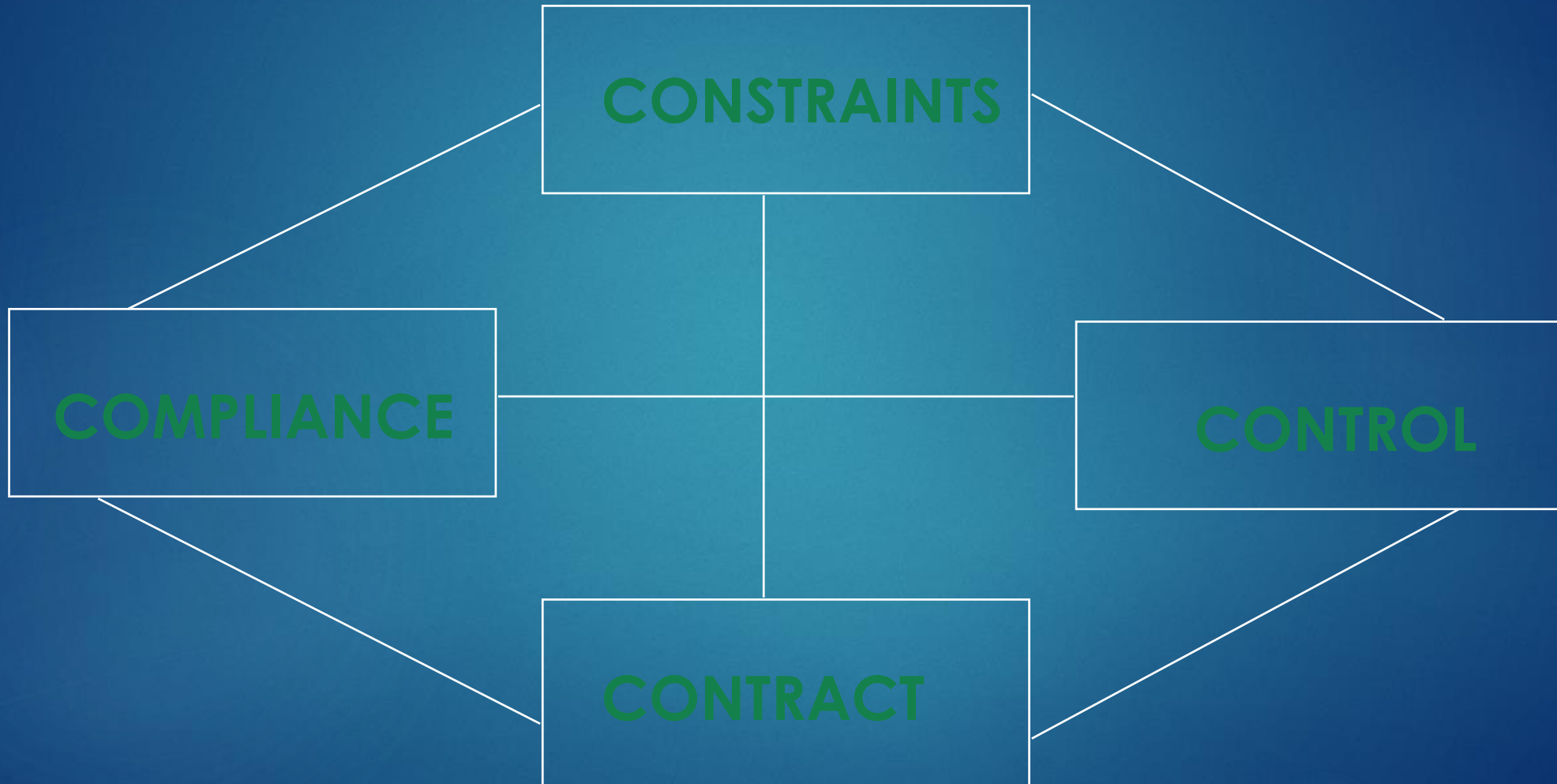
The Wheel of Governance

Why boards exist

MANISH CHOKHANI

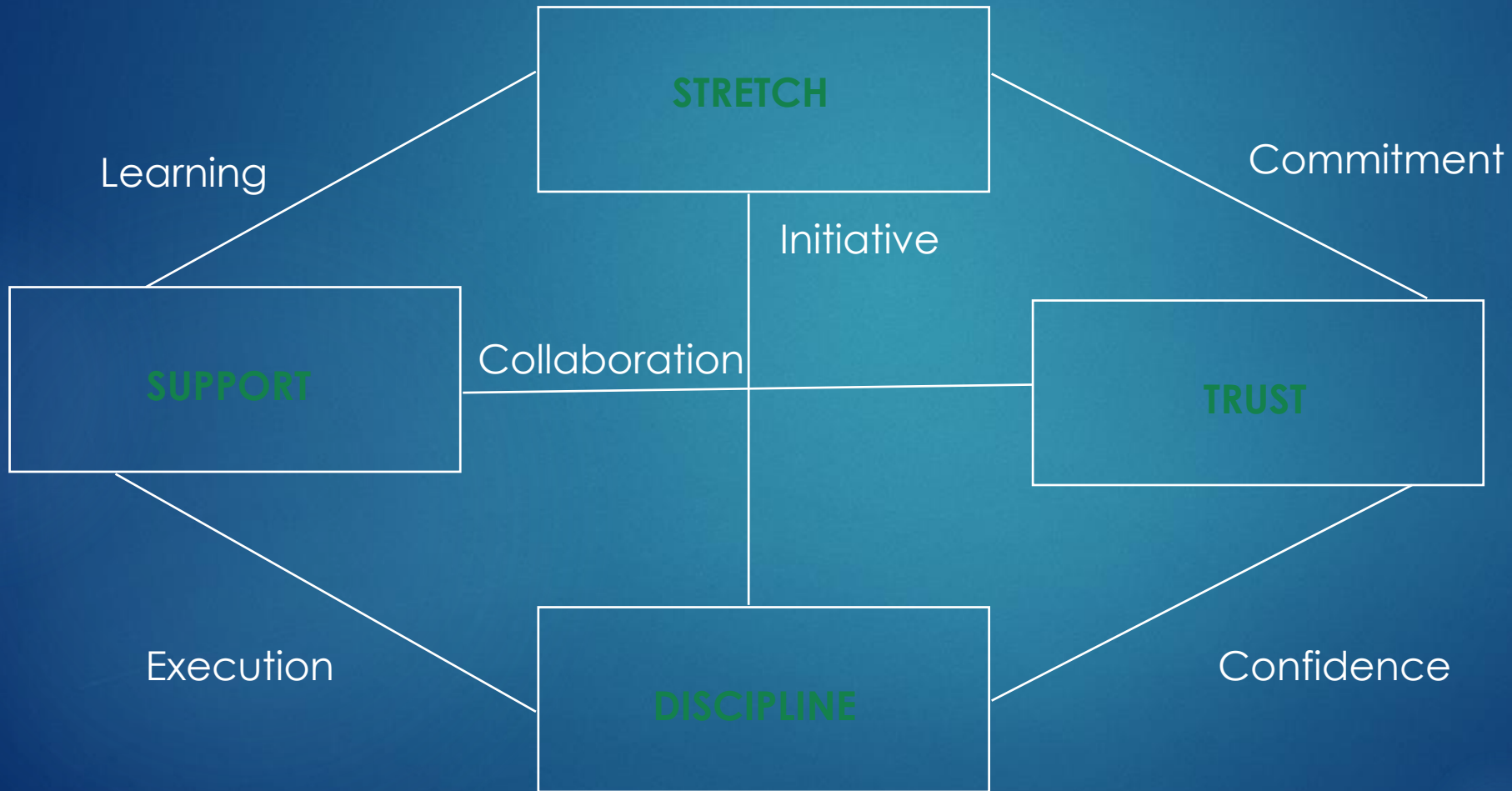
“The Smell of the Place”

Prof. Sumantra Ghoshal



Culture = Performance

Prof. Sumantra Ghoshal



Views on the role of the board

- ❑ The Board cannot merely be about compliance and control. It must be a source of competitive advantage and culture setting.

- ❑ Boards exist to help management perform and serve all stakeholders fairly
 - ▶ Every Board expects - and the management must provide - a high degree of comfort on compliance and governance issues.

- ❑ Improving managerial decisions is the true responsibility for Boards.
 - ❑ How are we positioning for the changing landscape?
 - ❑ Are we positioning the company in the right trajectory?
 - ❑ How good is resource allocation in the company ?
 - ❑ Is the talent pipeline robust enough?

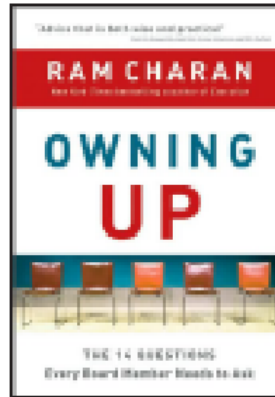
The role of the Board as I see it

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- ▶ ~25% Governance
 - ▶ Board diversity, transparency, openness
 - ▶ Audit, IFC, Risk, Cybersecurity, POSH, CSR...
 - ▶ Minority interests, RPT, ATR...
- ▶ >35% Strategy & Performance Management
 - ▶ Share Wisdom & Trends, Outside-in perspective, Critique
 - ▶ Performance review & management, Benchmarking (fin, consumer, competition)
 - ▶ Capital Structure, M&A, Expansions & Initiatives, Investor Communication
- ▶ ~35% Talent: Succession & Culture
 - ▶ Exposure, Mentorship, Perspective, Transparency & Performance orientation
- ▶ 5% Access
 - ▶ Networks, contacts

Some best practices

- ❑ Expose the Board to Mavericks and outside experts
 - ❑ Founders, analysts and domain experts for exposure to critical issues
 - ❑ Circulate analyst reports to the Board regularly.
- ❑ Board should critique strategies- not suggest “to-do” strategies
 - ❑ Ensure independent directors with domain expertise don’t cramp the CEO with - “When I was CEO I did that.”
- ❑ Keep the Board continuously engaged beyond quarterly meetings
 - ❑ Interaction with management team outside the boardroom
 - ❑ Deep dive into performance metrics and benchmarks
- ❑ Compensation & Composition of the Board should ensure independence



Owning Up

The 14 Questions Every Board Member Needs to Ask

by Ram Charan
 Jossey-Bass © 2009
 224 pages

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Take-Aways

- Corporate boards are no longer passive rubber-stamps for the CEO.
- Directors must exercise governance, oversight, accountability and leadership.
- To diagnose if your board is fulfilling its mission, ask these questions:
- Does the board have the right members, a good "lead director" and an effective governance committee?
- Is the CEO doing a good job, and is his or her compensation appropriate?
- Does the firm have an executive succession plan and a bank of potential leaders?
- Is the board ready to handle a crisis and cognizant of the company's risks?
- Are the directors sufficiently well-informed for governance and strategy setting? Do they know how to lead without micromanaging?
- Is the board making the most of its time? Is it holding executive sessions and conducting self-evaluations?
- Does the board work well with "activist shareholders and their proxies"?

Discussion

- ▶ Governance
- ▶ Strategy
- ▶ Talent & Succession
- ▶ Access





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