

Building board effectiveness

Cultivating a strong partnership among all board of directors to drive corporate performance



Most Indian boards are moving towards adopting best practices such as succession planning and board reviews. Thus, due to the Companies Act 2013 mandate, the ongoing 'Great Board Refresh' has left many Indian companies uncertain of what comes next and how they can build an effective board. With the recruitment of new directors and the change in board composition, organisations need to first take a closer look at the relationship between the different directors in a board.

At the end of 2023, Heidrick & Struggles surveyed EDs (managing directors and executive directors), NEDs (non-executive and nominee directors), and IDs (independent directors) to understand how they perceive '[The Great Board Refresh](#)' and what keeps them up at night.

Board effectiveness in India

Boards are facing greater challenges, and their responsibilities are increasingly more complex with emerging demands in areas like AI, ESG governance and DE&I initiatives. Boards today have now become a company's moral compass and play a crucial role in ensuring organisations are fit for the future.

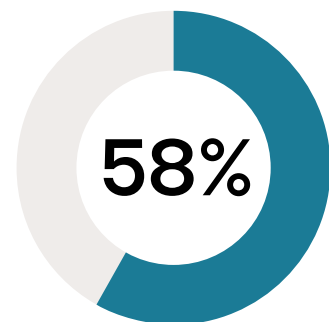
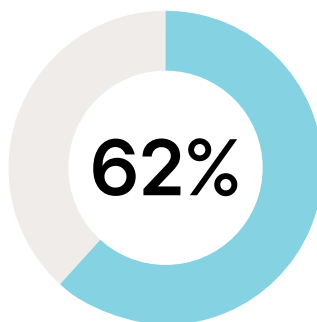
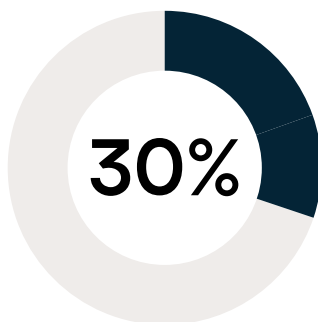
But for boards to be effective, they need to be first aligned internally on their goals and purpose. As such, it is important to understand how to navigate the dynamics between the different types of directors.



What keeps leaders up at night: Priorities of the board

Top challenge expected when undertaking a board refresh

Access to the right talent

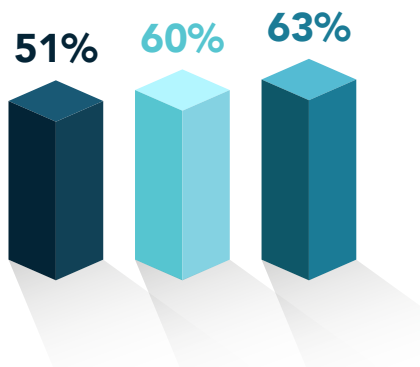


- EDs (managing directors and executive directors)
- NEDs (non-executive and nominee directors)
- IDs (independent directors)

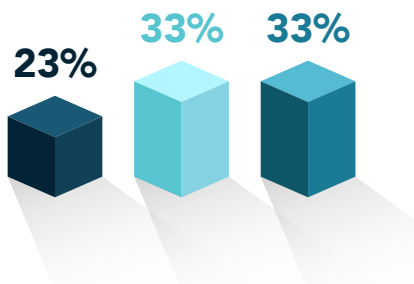
Predicted areas of focus for boards in the next five years

● EDs ● NEDs ● IDs

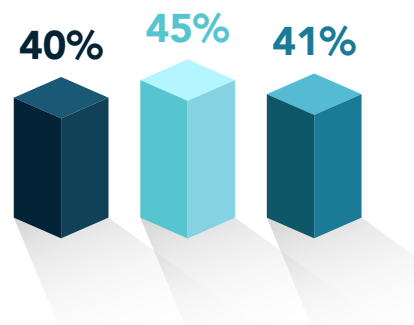
Talent



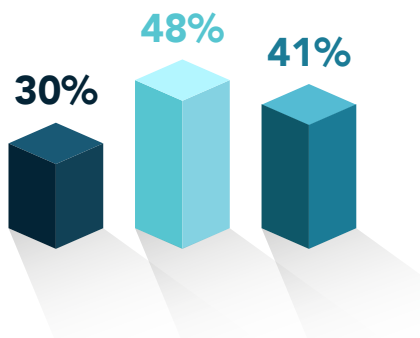
Technology



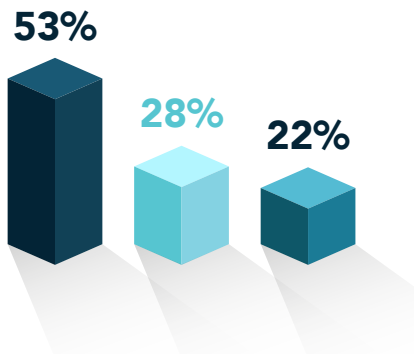
Strategy



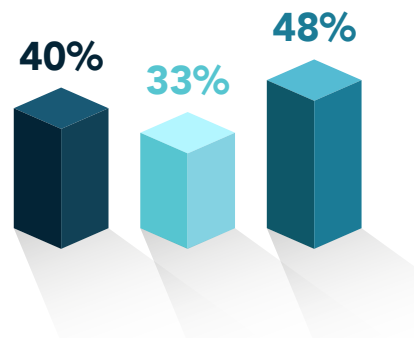
ESG



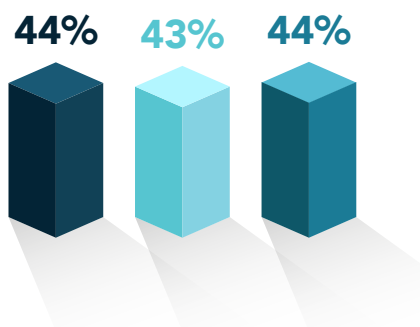
Current and future risks



Innovation



AI and digital



Insights on different roles in the board

EDs, NEDs and IDs are aligned on the importance of strategy, AI and digital, and technology. It is no surprise as with the increasingly competitive landscape, evolving regulatory environment and rapid technological advancements, these are key areas of focuses for every company. Leveraging on such disruptive technologies to grow businesses and enter new markets is a method companies adopt to get that competitive advantage.

As for other priorities such as talent, ESG, current and future risks, and innovation, EDs, NEDs and IDs are figuring out a healthy balance and working towards the same goal.



EDs are actively involved in managing the company, making operational decisions and driving day to day activities.

- They play a direct role in decision making and are responsible for implementing strategies and policies in addition to getting buy-in from boards. Their decisions have a direct impact on the company's operations.
- Business growth and market capitalisation are of greater importance to EDs. As leaders of the company, they are more concerned about how their businesses will thrive and grow amidst challenges and short-term results are an indication of that.
- As EDs are deeply integrated within the business, they have a keen focus on internal operations and organisational dynamics. While they always keep an ear on the ground regarding macro-industry trends, their primary responsibility is to ensure the company's immediate goals and strategies are aligned with its core mission.
 - This spotlight effect results in certain board focus areas being on a lower priority for EDs, such as access to the right talent.
 - That said, EDs should strive to be forward-looking and implement well-structured succession-planning processes to ensure a full pipeline of potential successors.

NEDs and IDs provide guidance, contribute to strategic discussions, and offer an “outsider” viewpoint to help build robust strategies.

- Their accountability is more focused on providing oversight, strategic guidance and ensuring company is run in the best interests of stakeholders beyond profitability and topline business goals.
- They take more interest in the long-term performance of the company and therefore, having the right talent pool is of importance to them.
- Certain areas that may not be getting adequate attention by the management such as ESG is also of concern to NEDs and IDs.
 - Driven by the changing dynamics of institutional funding and growing pressures from Global Fortune 500 companies to strengthen ESG initiatives, this focus area has garnered much attention in the short term.

What’s next: Questions for consideration

Creating a future-ready board that balances priorities is important to drive corporate performance and ensure a business can innovate and adapt through effective board management.

As boards undergo changes and learn how to find that balance, here are some questions they can ask themselves to check their progress:

Board composition	<ul style="list-style-type: none"> • Does our board have the right mix of skills, expertise, and backgrounds to govern effectively?
Board performance	<ul style="list-style-type: none"> • How do we assess our own performance as a board, and do we take steps to improve when needed?
Stakeholder engagement	<ul style="list-style-type: none"> • Do we have a clear strategy for communicating with stakeholders, and are we transparent about our decisions and actions? • Does the board agenda need to be revised? • Have we established a clear relationship between the board and management?
Succession planning	<ul style="list-style-type: none"> • Are we planning ahead for board succession to ensure we do not limit our talent pool?
Structured hiring process for a new director	<ul style="list-style-type: none"> • Do we have an extensive selection and referencing process? • Should we partner with executive search firms in identifying the right talent?

About Heidrick & Struggles

Heidrick & Struggles (Nasdaq: HSII) is a premier provider of global leadership advisory and on-demand talent solutions, serving the senior-level talent and consulting needs of the world's top organisations. In our role as trusted leadership advisors, we partner with our clients to develop future-ready leaders and organisations, bringing together our services and offerings in executive search, diversity and inclusion, leadership assessment and development, organisation and team acceleration, culture shaping and on-demand, independent talent solutions.

Heidrick & Struggles pioneered the profession of executive search more than 70 years ago. Today, the firm provides integrated talent and human capital solutions to help our clients change the world, one leadership team at a time. @ www.heidrick.com

Find out how
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be future-ready

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