



Needed dynamic corporate leadership

By **K P SHASHIDHARAN**

How companies are controlled, directed and governed by their Boards of Directors is a matter of great concern not only to their shareholders but also other stakeholders both inside and outside the corporate. Being a dynamic concept, corporate governance has been evolving over the years incorporating the best practices and innovations in the regulatory framework consequent to scandals and unethical practices from different parts of the turbulent world of our times. World over, it is appreciated that effective boards should go beyond just compliance but seek benchmarked processes and practices suitable to the changing circumstances. The right leadership by the Board of Directors ensures not only timely resolution of critical problems and managing risks, but also spearheads the organization towards the trajectory of excellence. In an economically challenging global environment, agility and resilience of the knowledge leaders are key company assets.

What is important is not just compliance of the host of regulations under the Indian Companies Act, 2013, rules framed and amendments to the SEBI Clause 49 Listing Agreement and other guidelines but also continuous improvement in governance. It is detrimental to any Board of Directors not to give adequate time to ensure good corporate governance.

There are six characteristics identified as part of dynamic leadership by the latest corporate governance ideology. **The first and foremost is leadership.** The Chairman and the Board of Directors must have deep knowledge and insight to know the commercial DNA of the company for doing business with innovative products and services in an ever challenging knowledge economy where disruptive innovations change the ways of doing business and make money the quintessential management philosophy. The core business needs competitive edge. Clear vision of the top management can only provide strategic leadership to take on aggressive competitors.

Second: the board formation should ensure a right combination of talents, skills, knowledge and experience to add value to deliberations. The number of executive and non-executive members with a gender balance in the board based on meritocracy can ensure required expertise, a diversity of talent and a range of personalities and skills profile. Outsiders and insiders in the board should

not cause a division on the lines of “us versus them” mentality debilitating active discussion of critical issues for achieving business goals. The key lies in selecting right people for the board for ensuring a diversity of thought.

The **third** important factor is ensuring engaged leadership by the Chairman, who choreographs an effective board being the guardian of the company. The role of the Chairman is quite delicate in balancing diverging streams of thought leadership challenging the management and the non-executive directors to drive excellent performance. In a corporate where the roles of the Chairman and the CEO are separate, the CEO functions as the heart of the company pumping vibrancy, while the Chairman remains “the soul of the corporation, its conscience, its moral keeper”.

The **fourth** element of dynamic governance is how to make strategic alignment and execution making everyone aware of commercial DNA and achieve the business goals. Corporate nirvana is achieved when the board is enabled to participate actively in deliberations and impart its knowledge and experience to provide a dynamic strategy. Theoretically it looks simple but in practice it demands astute acumen from the top business leadership providing a clarity of thought, commitment, consistency, capability and constancy. The board members are not expected to behave like uncritical lovers but loving critics for ensuring institutional excellence for which they are paid to serve.

Fifthly, a world class board is empowered with wisdom to anticipate the next development in industry and evaluate today’s business vis-a-vis the emerging opportunities. Effective leadership finds opportunity hidden in challenges. The top business leadership must demonstrate capacity to adapt in the fast changing global business arena. And the board’s capacity to change direction needs to be backed with financial, strategic, market and human changes.

The **sixth** important characteristic of dynamic governance is identifying, developing and utilizing talented people at right places to enable succession planning whenever it is required. Identifying leadership talent and developing leaders enable the corporate to have star leaders to create competitive advantage at changing times. ■

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