



Do Diverse Boards Storm or Perform?



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Is Board performance just about who is in the boardroom and what they bring to the table or is there more to being an effective board? Today, the corporate world believes that 'Diverse Boards' perform better and having one has become a business imperative.

Across Indian boardrooms, the conversation has shifted from "why diversity?" to "how to achieve it?" Whether gender, experience, age, culture, or domain expertise-board diversity seems to have caught the imagination of the corporate world.

Companies are seeking professionals with contemporary knowledge and new age skills for incorporating futuristic thinking, better governance and enhanced market awareness. Boardroom, the highest decision-making body in any company stands to have an edge if directors represent voices from ESG, Technology, younger generations and non-traditional sectors.

Indian Boards

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) have mandated various requirements concerning board composition—more specifically that diversity should not be restricted to gender but should include diversity of skills, background, age and geography.

Following SEBI's mandate in 2019, all top 500 listed companies now have at least one female independent director. Cross-sector representation from tech and new-age fields is slowly increasing and average board age has reduced. But Deloitte's 2021 Board Diversity Report says that India still lags behind the global average. A mere 23.3 Per cent corporations have prioritised gender diversity with not much progress in inclusive diversity.

Boards are meant to identify skillsets required and map these against existing directors to identify missing skills. Not many companies do this exercise. With rapidly changing market scenario and technological advancements younger board members can contribute better. But in India, Boards continue with the age-old tradition of bringing in IDs post-retirement. Today companies are aspiring for a global presence yet they don't seek independent directors with international experience or perspective.

Despite regulatory pushes and rising aware-



ness, true boardroom diversity in India remains more cosmetic and compliance oriented. Many Boards demonstrate tokenism, have narrow pipelines, shallow onboarding tools like board skills matrices, structured succession and diversity KPIs et al.

Who is still Missing in Indian Boardrooms?

Digital transformation leaders, Climate and ESG experts, Millennial and Gen Z entrepreneurs, accomplished Women, Global Indian professionals and Military, Diplomacy professionals are desired on the boards today. But a few Governance experts have this lingering doubt, if companies do indeed achieve board diversity, can they actually harness it?

An ideal board will have directors with varied backgrounds contributing harmoniously to the company. Based on their backgrounds, they contribute as per their expertise, express different points of view, leading to more rounded discussions. Directors engage in open dialogue fostering trust, respect and bonhomie. Keeping aside

biases, they work on shared goals navigating conflicts to arrive at robust decisions.

Such perfect Boards exhibit what I call 'Hybrid Vigour'. Achieving this utopian situation entails a lot of hard work.

Why? Because a diverse board, in reality may be a cauldron of diverse perspectives, generational differences and cognitive dissonance.

Hybrid Vigour or High Storms?

Let me share some examples of potential discord. An enthusiastic new age director having created a tech unicorn will push for deployment of edge technologies like AI, ML and IOT whereas a senior with 35 years of experience may argue that 'legacy system' is working perfectly fine. The newly appointed director wants to be ahead of the game whereas the seniors may view this as an uninformed attack on their past decisions.

Inspired by India's promise at COP conferences and the ambitious NDCs (Nationally Determined Contributions) set by the country, an ESG expert insists on embedding sustainability into the company's DNA. He does not believe in the check

box compliance of BRSR (Business Responsibility Sustainability Reporting) format given by SEBI but a finance-focused director argues for prioritising profitability before committing to carbon-neutral goals. A new director with geopolitical knowledge may argue for seizing emerging opportunities due to global tensions but risk-averse board members voice caution about uncertain markets.

Examples can be many and perhaps what Boards are currently experiencing is this on gender. SEBI mandates at least one woman to be on the Board — companies given to tokenism will stop with just one. But a lone woman member who feels privileged in the beginning slowly starts feeling the need to merge into the group dominated by men.

She tries to mimic their behaviour — playing a role not meant for her but just to fit in and blend in. The woman director may actually be hiding or ignoring her 'innate womanly abilities' like empathy, collaboration, keen listening just to belong. This might end up defeating the purpose for which she is actually chosen.

A diverse Board indeed can be a complex formula with differences not just physical but psychological too. This may result in reduced cohesion, may even cause explosive dynamics impacting the performance of the company.

Major part of the onus to address this complexity rests on the shoulders of the chairman of the board. Directors will jostle for space and importance negatively impacting the cohesiveness of the board.

Role of the Chairman

Cohesion doesn't automatically happen — it has to be carefully manoeuvred. If the board chair facilitates a structured, respectful discussion that considers all perspectives equally the collective intelligence can be harnessed. Else there can be mayhem resulting in toxic atmosphere. If the long-serving directors feel threatened and become defensive, they may try to marginalise the new member's opinion, leading to dysfunctional board culture.

The board chair has to be a strong facilitator and keen observer — managing nuances like non-verbal language to even seating arrangement in the board room. Notice that many board rooms have all functional directors seated together while the independent directors are seated as if they are in 'opposition'?

As the topic is vast and is evolving let me close with Khalil Gibran's quote.

"As the strings of a lute are apart though they quiver the same music."

The strings of the guitar move in different directions but they contribute to the same tune. Directors may have different perspectives but those perspectives have to contribute to the large picture and that's in the hands of the chairman. The chairman who is first among equals has a complex job. He or she has to show the large picture to keep members away from their dysfunctional proclivities and pet peeves.

The chair has to be knowledgeable, not just in the matters of the company but in human nature. She or he has to keep abreast of things to respect both a nerd perspective and a senior's wisdom.

So even as companies hunt for diverse board talent, the chairman and potential heads of companies have to be groomed on skills to manage high volatility in board rooms. I am afraid leaders will have no time to learn on the job. Navigating a storm is a new age skill. Corporate leaders have no luxury of ignoring this skill as the global market place isn't kind at all to the ill-equipped!