

Looking at Governance from the high perch of the Board

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Governance is the buzz word for many years and the emergence of ESG has increased its visibility though the E(environment) and the S(social) are the ones that have sprung up in more recent years.

In a manner of speaking the E and S factors are subordinate to the G aspect. Governance is an overarching attribute which term encompasses the different aspects of the functioning of any institution, whether, public ones like the government, bureaucracy, courts and the legislature or business enterprises or social outfits or any such like organisation.

Governance is how every part of an organisation functions and not an idiom to be espoused at a particular level generally at the PRO' office of issuing facile public statements and politically doctored news being published about an organisation.

However, the role of the governing body or the board of directors or the top echelons of the political leadership, as the case may be, has more than a proportionate share of the burden to shoulder and make sure that by words and deeds, their tone and demeanour they uphold the core values that constitute the foundation and the fulcrum of good governance.

It is often noticed that the organisation goes astray in its pursuit of the right value system and healthy functioning when the top management slips in maintaining the avowed values.

Nepotism, accepting even tacitly expediency in conduct than following the straight and the narrow path, acquiescence in overt wrong doing etc., get easily imbibed at all levels of the affected organisation and spreads with greater vigour and force as it cascades to lower levels.

People at lower levels of functioning typically have many unmet physical needs like needing more money and personal resources and it is only the shining light of good conduct that the top echelons constantly keep focussing on the rest of the organisation that help keep them in check.

At the first sign of any slippage or noticeable lapse in the vigil that the top management maintains or exercises in the endeavour to uphold the values and the principles that the organisation champions as its guiding principles, the

lower organisation will feel a sense of release from the tight moral bonds and would seek to satisfy its lust for opportunities to gain illegitimately.

The worse situation is where the top management seeks the active support of the lower-level people in accessing the forbidden fruit. Or, seeks the silence of the other person who has come to know of a particular wrong doing by a top personnel. These are highly compromising conditions or set the climate for the degeneration to set in all parts of the organisation.

Another dimension is where a lower-level personnel indulges in wrong doing and the top management fails to discipline the person due to fear of the concerned individual being other wise important either in terms of the role played as a rare expert or being related to an important functionary in the set up or for any other like reason.

It is very essential that the top level, especially the board members find every possible opportunity to demonstrate the right conduct and establish that the organisation values proper conduct even should the upholding of the conduct is likely to cause short-term loss, cost or inconvenience.

The conduct of the board meeting is perhaps the best periodic opportunity for the directors to show case that they value transparency in the discussions, an open and welcoming atmosphere to allow differing views and voices and an ability to accept and respect dissent and difference in views.

However, in practice one sees in most boards a ready acquiescence to go with the views of the promoter or the key functionaries and hold back one' genuine difference from the majority view. In fact, the right atmosphere in a board room is to positively incentivise differentiated thinking and dissent should that be warranted.

In this regard the board should have a composition which brings out different views and experiences, and a level of inclusivity both in terms of gender and regional composition besides functional expertise.

The need to bring unfamiliar faces in to the board to break the club-like syndrome of familiarity, not have certain persons even if from the promoter family continue without a change in the board, reappointing retired MD or other top functionaries as non-executive non-independent director which curbs the newer inductees from being able to freely express themselves to question the past record of the organisation and challenge the actions of the past in a healthy manner of discovering newer approaches to solve business problems.

The practice of persons who have crossed the statutory age limit remaining in the shadows as Chairman-emeritus and virtually control the successor team and perpetuate themselves despite crossing the 80s and 90s and not leaving the corner room is perhaps the major ailment in the corporate and non corporate sector.

The need for good succession planning and demonstrating the an active agenda of bringing in new talent at the highest level and sending an active message that the organisation is against vested interests developing deep roots will go a long way in allowing a level of healthy churn in personnel at the top and keep the organisation young and live and is very key to imbed a strong and durable governance.

The recent reported governance lapses in a few high profile start ups where the founder or some one at the CEO level slipping in maintaining the basic ethics of clean dealing s in financial matters etc has again brought to the fore the importance of discipline, restraint and exemplary behaviour at the very top of every organisation to achieve an enduring foundation that promotes and demands good governance.