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EMPOWERING TIMES



THINKING ALOUD

Making Boards Count - Jay



PODIUM

Interview with Nawshir D. Khurody - Director & Non Executive Chairman, Milestone Private Equity and Board member at various corporates



WE RECOMMEND

Zero to One: Note on Start Ups, or How to Build the Future - Peter Thiel & Blake Masters



STANDING OVATION

Mission Smile - Mumbai, Maharashtra



Dear Reader,

Think of Board meetings and quickly our minds weave a picture of a serious looking CEO/Chairman peering over the attendees in a conference room, probably amid a discussion of strategically important topics (throw in some fancy looking statistical charts for the backdrop effect!). The image showcases the amount of pressure that this group faces in bringing their number one game on to the table especially in the competitive corporate realm.

Management Consultant Verne Harnish and the Editors of Fortune provide the background stories in their book, 'The Greatest Business Decisions of All Time' and the thought process behind major corporate decisions. One of them being, the decision to get back Steve Jobs as CEO of Apple Computers in 1997 which today serves as a classic example that indicates the importance of Boards. After letting him go a decade earlier, the then CEO, Gil Amelio brought Jobs in as a special advisor. Amid lacklustre sales, Jobs quickly convinced Apple's Board to oust Amelio. Jobs was not only back in control, but it led to amazing product innovation and to the creation of one of the most valuable companies in the world.

Boards have been in operation for a very long time and have transitioned from being mere rubber-stamping decision makers to a more strategic, more engaged, and professional genre. Over the last decade, there has been a gradual, but significant change on how Boards operate. Case in point, is the latest Companies Act which has raised the bar for the Boards in the country. Novel concepts such as women Directors on the Boards to bring in gender diversity, enhanced disclosure norms, performance evaluation of Boards, among many other governance requirements, will not only help in adding value to stakeholders but will also provide for investor protection and activism.

The real test of whether a Board is good enough is when the company is in a crisis. While there is no one size fits all solution, the role which each member of the Board can play can be of considerable strength for the companies they serve. With most members pressed for time, Boards need to move past discussing compliance matters only. Amid increased economic volatility, many corporates need to re-think their strategies from time to time, so that it becomes more of a journey involving frequent dialogue with Board members. The theme for ET this month is 'Role of the Board in



Changing Times.'

In **Thinking Aloud**, Jay takes a look at the root causes behind why Boards fail today through current illustrations. Although there are no fixed solutions for the plethora of problems faced by Boards, the article highlights few measures to tackle them.

On the **Podium**, we have Mr. Nawshir D. Khurody, who has had an executive career mostly with the Tata Group. He highlights the key factors that make a high performing Board, what role Boards play in creating good organisational culture and the various changes taking place within Boards while adapting to the changing times.

In **We Recommend**, Jay reviews the book 'Zero to One: Notes on Startups, or How to Build the Future' where the authors show how we can explore uncharted frontiers and create new inventions. Through various illustrations, this self-help book reveals the fact that to create a game-changing company means going from nothing to something, instead of going from something to a slightly better something. The authors encourage would-be entrepreneurs to ask themselves: "What valuable company is nobody building?"

In **Standing Ovation**, we feature Mission Smile (Operation Smile India) - an NGO dedicated to providing free surgeries to children and adults born with cleft other facial related deformities.

In **Figures of Speech**, Vikram's toon takes a very 'strategic' decision!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply **Click Here**. You can also follow us on **Facebook, Twitter, Linked In & Google+** - where you can join our community to continue the dialogue with us!

THINKING ALOUD

Making Boards Count - Jay

Corporate India has been in the limelight of late for all the wrong reasons: investment and financial calls gone wrong resulting in unpaid loans, huge debts, and to sum it up, Non-Performing Assets (NPAs). The egg on the face is not just limited to firms that borrowed funds and did not get the envisaged returns but there has been adverse attention on the Banking Sector for having funded dubious proposals without careful due diligence. While clearly some business decisions do go wrong - after all risk is

inherent to every business - what has raised hackles is the suspicion of corporate malfeasance, deliberate non-feasance and misfeasance. And, need I say it, the media has gone to town with stories, some true and some spiced up for public consumption.

The underlying question in this sad episode is the role of the Board of both firms, the one who sought the loan, and the Banks who generously offered the funds. Let me begin with the loan seeker. Typically, this is a listed firm with claims of being a professional entity with an ambitious Promoter/Chief Executive who intends to build the enterprise with either rapid organic or inorganic growth, seizing the opportunities thrown up in the new liberalized economic environment. Numbers are presented to the Board, who ask hard questions, and then give the go-ahead for the investment proposal. Fundamental to such decision making is strategic reasoning, backed up by deep analysis of risk and return and, of course, trade-offs are calculated by scenario planning.

Take the other side now: the Banks who fund the investment. Again, typically, they receive the proposal, scrutinize it with a fine tooth comb, check the track record and credit-worthiness of the borrower firm, weigh it with the Bank's risk and lending policies, sense the business climate of the future, and then after umpteen due diligence exercises - including vetting the proposal through various internal credit committees - give the green signal for the transaction, not before, I must add, securing collaterals to cover a multiplicity of risks. Usually, this is an agonizing process for a borrower who blames Bankers for being ultra-cautious, nay even, anti-growth!

So much for the ideal, text-book scenario. Now, the reality. At the investing company's end, the strong-willed owner-promoter/CEO (who may well be the Executive Chairman too) has his heart on a dream project. The project is placed before the Board, as is required, and more often than not, after some discussion, the proposal is cleared. At the other end, usually the player being a Public Sector Bank, the Promoter has already met the power players of the Bank's Board, and the loan sanction is often an easy process.

While critics may argue with the above scenarios as being naive and gross oversimplification of reality, it is intriguing how Boards have allowed NPAs to rise year after year at Banks, largely in the Public Sector. And, also why Boards at investee companies too have failed to bring management level changes when shareholder value has been sharply destroyed by failed investment decisions.

The reasons are not too difficult to find: the Board has not played its true part. And, the root cause: the Board (in listed firms) has been populated by family, friends and close associates of the Promoter, and by tenured government nominated officials in the Public Sector Bank, who follow the diktats of politicians of the day. Needless to say, quality governance is an unlikely output from such Boards.

Board room battles are not unknown to other parts of the world too. Some business commentators still maintain that the mess at the storied technology firm, HP, began with the confusion at the Board when strategic calls were necessary and the Board failed to take them. Till today, HP has not fully recovered from the Board room intrigues of the early 2000s when wire taps were authorized by the Chairman of the Board on fellow Board members! Quite in contrast is the story of how the iconic firm of Dun and Bradstreet was trifurcated under the steady hands of its Chairman, Robert Weissman, as related by Ram Charan in his book. One of the fruits of that proactive step is the rise of Cognizant as a Technology major; other off-shoots being A C Nielsen and Dun & Bradstreet Information Services.

Speaking to some independent-minded Board members recently brought to mind some highlights of a recent McKinsey study in 2015 on Board effectiveness. The chief argument in both cases is that to be truly effective, members need to spend more time in a firm than just attending quarterly Board meetings. While today Board members are primarily involved in business reviews of financial health, there are many voices now urging proactive participation focused on lead measures and not lag indicators which is what most reviews amount to. It is a fine line on how much to involve in strategy formulation and grooming talent without infringing on managerial accountability, but there is a school of thought which believes in erring on the side of doing more than less.

What would work best remains to be answered on an individual case basis. However, what is definitely required is fearless independence on the members' part to ask critical questions meant to safeguard all stakeholders' interests, and not that of just the Promoter. With the goal of better corporate governance, the Companies Act, 2013 (and the amendments to the Listing Agreement) have made it mandatory to evaluate Board performance. While the intent is to provide feedback to the members, this is a new phenomenon still and has to go beyond mere compliance to provide genuine benefits for stakeholders. However, it is a welcome step & in line with various global practices. Will the evaluation extend to third party assessment to truly curb cronyism? It will happen, am sure - not nearly soon enough though.

[back to top ^](#)

PODIUM

Interview with Nawshir D. Khurody - Director &

Non Executive Chairman, Milestone Private Equity and Board member at various corporates



Mr. Nawshir D. Khurody

With an executive career mostly with the Tata Group, Mr. Nawshir D. Khurody served as the Managing Director of Voltas Limited where he worked in the areas of international operations and exports at Voltas. Mr. Khurody joined the Tata Administrative Service, with postings in the steel, tea and engineering interests of the Tata Group. For seven years, he was associated with the Corporate Management of Mannai Corporation, Qatar, returning to India to take up the stewardship of the pharmaceutical interests of the Tata Group. He holds a Master of Arts Degree in Economics (Hons.) from Trinity College, Cambridge University in 1958. Post-retirement, he serves on a few Boards and undertakes assignments to help corporates move to the next level towards global sustainability.

ET: The recent uproar about Non-Performing Assets in Banks and the misuse of public funds even by public listed private sector companies has brought to attention the non-effectiveness of Boards. What makes for a high performing Board?

NK: A "high performing Board" has to be totally free of outside political forces. In this sense, the entire Board is independent, not just the independent Directors. Sadly, Boards feel that they owe their loyalty to the forces which appointed them. So, a "high performing Board", has to be composed of people who are always somewhat at a distance from the power-blocks in institutions/banks/companies. Also, the composition of the 'Agenda' drives for quality. Boards need to be more strategic, less operational.

How often do Boards evaluate:

1. The human capital within?
2. The external factors that can disrupt the business model in use?
3. The relevance and health of the technology used?
4. Their own performance via key parameters?
5. The SWOT relevant to the Company?
6. Options of growth, via M&A?
7. Risk mitigation via designed processes? and so forth.

ET: Realistically, large Indian firms were founded by strong individuals, before they got listed. Hence, even today they basically remain feudal as the strong shadow of the promoter and his family is over-whelming. Comment.

NK: Feudalism is rampant, though not admitted. Just because the owner uses professional Managers, does not make the organisation neutral to heritage. The MNC, like ITC, is feudal. I wish to emphasise that deferring to the Chair continues even in companies headed by Managers. Take L&T and ITC as two blatant examples. This weakness is in the DNA of many Boards who feel it would be in bad taste to challenge the views of the Chair, even though this is not occupied by the Promoter but by a processional, risen from the ranks. Boards confuse open debate with disrespect, and independent Directors fear removal, should they be seen as truly independent. Hence, debates at Boards are rare, and when they do happen, tend to be watery.

ET: In your opinion what role can the Board play in creating good organisational culture to reach operational excellence? Please elaborate.

NK: Operational excellence can only be achieved on a sustainable basis when the Purpose of the organisation is accurately aligned to the Processes that drive the Purpose. In turn, the people selected to run the processes, must be aligned accurately, to the former Purpose - Process. This is not easy and calls for continual 'tuning'. Very few Boards even discuss, in general terms, the internal alignments, as mentioned above.

ET: Corporate governance is much bandied about in business circles, and Company Law has also been amended to improve business practices. Given your wide experience on company matters, in your opinion, has the ground reality changed? Has any Board been found culpable for mis-governance in a firm?

NK: To the best of my knowledge, no Board has been found culpable. Because individuals are blamed and the Board is never really seen as the Chief Individual Officer of the organisation. Without any laws, corporate governance can be practised if this, along with financials, etc., is seen as a Must-Goal. Good companies, go well beyond legal compliance of governance. I have yet to succeed in persuading Boards to devote one meeting, every 6 months, to self-reflection against a pre-set framework of best/desirable practices.

ET: 'Changing times, changing relationships.' As a member of various Boards, what are the changes that have taken place in recent times within Boards which adapt to the changing times? What more can be done to professionalize a Board's performance?

NK: Yes, a few changes have occurred, as companies do not now have the comfort zone of yesteryears. The changes are in MIS, risk analysis, and in competitiveness, principally. But a lot more needs to be done in altering the SPINE of the Agenda. Financials for the quarter can be seen on laptops. What cannot, are the threats to the

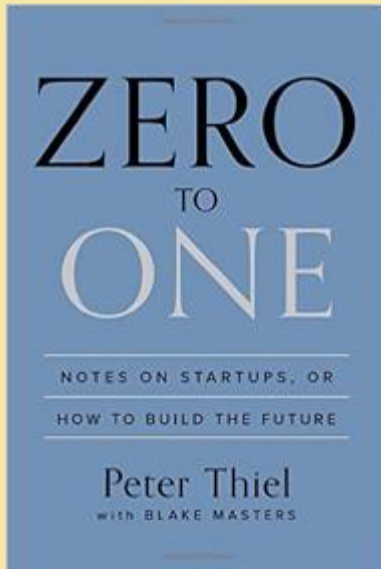
assumed source(s) of competitive advantage. Hence Boards need to periodically and systematically have an Agenda which asks:

1. What were we to start today? What would be our shape, strategy and key strengths?
2. How does our Talent Pool measure up?
3. How fast and accurate are 'decisions' taken?
4. Does the Leadership Team have foresight vs just forecast?
5. Independent Directors to meet and make joint presentations on critical matters.
6. How is our cultural image in the customer domain and in the stakeholder domain? Do we exude Trust?
7. Are we a Talent magnet? How do we know that our Training & Development model, spirals to the best?
8. What are the 5 to 10 things on which the Board will not compromise, and why?
9. How do we spot mediocrity - the weeds of which can smother creative, innovation?
10. Balanced composition of Boards, pre-set core agendas, pre-set frequency of meetings to last not less than 4 hours.

[back to top ^](#)

WE RECOMMEND

Zero to One: Note on Start Ups, or How to Build the Future - Peter Thiel & Blake Masters



India has seen a flood of venture capital flow in recent years & some of the Venture Capitalists have earned quite a rock star status in the business press. Well, more often than not many of them have lost more than they have earned and seem to resemble wishful gamblers at Vegas. But if there is one superstar out there, it is truly Peter Thiel. Thiel has multiple claims to fame: not only did he co-found PayPal at a time when digital financial transactions were a new idea but he made early investments in Facebook, LinkedIn, SpaceX, Airbnb, amongst other start-ups, apart from playing a founding role in a successful analytics firm, Palantir. Now, that is an impressive line up indeed.

This book is an interesting collection of his thoughts based on Thiel's teachings on start-ups at Stanford. Among the big ideas presented in the book is that 'today's 'best practices' lead to dead ends; the best paths are new & untried'. An outspoken votary of using science and technology to building a brave new world, Thiel persuasively argues that being married to the current (let alone getting nostalgic about the past) is a recipe for disaster. Clearly, he has no patience for the Cassandras who believe that the end is near, given the excesses around us on all fronts, social, economic or moral.

The book is not an easy read as some parts need to be ploughed through diligently but if you stay the course there are gems on offer where Thiel's optimism with the power of technology is evident, especially where he argues about the complementarity of man and machine in constructing tomorrow's world. And, remember, Thiel's notions are not sterile. Elon Musk was his colleague at PayPal & Thiel is funding SpaceX and Tesla - both shining examples of contrarian thinking which is changing the world.

Thiel's notions are weighty and need attention if only to know what causes mavericks to succeed ('nerds vs marketing' is a wonderful contrast, in his words). And, at a time when American politics is controversially arguing the role of immigrants in their society, it is interesting to note that 4 out of 7 of the founding team at PayPal (the supremely successful 'PayPal Mafia') were born outside the United States! Seeing the world with new eyes, is a favourite and recurring theme of the book. For this alone, I would invite you to read it - and take a second take at many of your established thoughts.

[back to top ^](#)

STANDING OVATION

Mission Smile, Mumbai, Maharashtra



Formerly known as Operation Smile India, Mission Smile is a medical NGO dedicated to provide free life changing cleft care and surgeries to children born with cleft related facial deformities. Mission Smile conducted its first medical mission in India at Manipal, Karnataka in 2002. It was registered as a Charitable trust in New Delhi in 2003. Till today, the NGO has provided free physical examinations to more than 36,000 children and adults suffering from cleft deformities and more than

24,000 individuals have received safe corrective surgeries in India. Till date Mission Smile has conducted 73 medical missions in India.

The Dedicated Comprehensive Cleft Care Center in Guwahati, Assam is the result of a unique Public-Private Partnership between Mission Smile, the Government of Assam, the National Health Mission (NHM) and is supported by the Sir Dorabji Tata Trust and Allied Trusts. On 09, May 2011, the first surgery took place at the Center. Since then more than 14,000 patients from Assam and neighbouring states have been treated at the Center.

Further, Mission Smile is accredited by international charities like Give India USA, CAF, coupled with international tie-ups with leading Cleft foundations like Smile Asia and Future Smile Charitable Foundation.

Some of the Mission's future focus points include:

- Replicating the Assam, Meghalaya & Tripura model for rest of India with the support from state Governments.
- Making 'Cleft Free India' included in the National Health Agenda.
- Securing support through State Health Governments and NHM.
- Infrastructure to set up Comprehensive cleft care centers in existing hospitals and support to more hospitals to provide cleft care surgeries.

For more informing on how this NGO is spreading smiles everywhere, please visit, <https://www.missionsmile.org/>

For their noble work, Mission Smile deserves a Standing Ovation!

[back to top ^](#)



Rupesh's lense captures a Red Phalarope which largely breeds in the Arctic regions of North America and Eurasia. This small shorebird offered a rare sighting this migratory season, when it was recently spotted for the first time in Bhigwan (Pune), last month.

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