



Leading the Boardroom: Insights on Good Board Governance and Managing Dissent

In a recent session of Egon Zehnder’s Directors Development Program, the focus was on the nuanced role of the chair and the delicate art of managing dissent in the boardroom. The insightful discussion, moderated by Egon Zehnder consultant Namrita Jhangiani, featured two notable speakers, **Subhash Mundra**, former Deputy Governor of the Reserve Bank of India, Chair of the Bombay Stock Exchange and seasoned board leader, and **Deepak Satwalekar**, former Managing Director and CEO of HDFC Standard Life Insurance, Chair of Asian Paints and accomplished board director and chair, who brought their wealth of experience from the realms of regulatory oversight and corporate leadership.

Understanding the Regulatory Landscape

In his opening remarks, Mundra provided a comprehensive overview of the challenges faced by public sector bank (PSB) boards in India. He highlighted the direct oversight from entities like

the Reserve Bank of India (RBI) and the added layers of scrutiny from auditors, creating a governance landscape that differs significantly from that of other corporations. He emphasized: “In a sense, there is a direct oversight of the owners,” discussing the unique regulatory environment within which PSBs operate.

Acknowledging the limitations faced by PSB boards, Mundra pointed out constraints in decision-making processes, such as hiring CEOs and determining incentives.

He stressed the need to work within this framework and introduced the GRACE framework—an acronym for Governance, Risk, Assurance and Audit, Compliance, and Ethics—as a strategic focal point for PSB boards. “GRACE is something these boards should completely focus on.”

he said.

The Competencies of a Board Chair in PSBs

Mundra outlined three essential attributes for a PSB board chair. The first is executive experience, particularly CEO experience, while stating the criticality of understanding the need to transition from a player to a coach. Secondly, he highlighted the importance of a satisfied chair who is comfortable in their role and not competing with the CEO. Finally, he highlighted humility, stating, “The chair should not bring ego. They should know that they are actually one among equals, nothing more than that.”

This emphasis on humility and a collaborative approach was echoed by Deepak Satwalekar, who emphasized the shift from being a “doer” to an “enabler,” highlighting the importance of making others succeed and fostering engagement among board members—especially those who might be hesitant to contribute due to the presence of “tall” personalities. “The big role that is here is how we make others succeed. That is, I think the big difference: how do you get your other directors and the board to perform better as a whole.”

Navigating Dissent and Building Consensus

Addressing the inevitable dissent that can arise in board discussions, Satwalekar spoke about the chair’s role in facilitating differing viewpoints and

steering towards consensus. He stated, “Getting board members to contribute [to the discussion] is important. If you have been able to take differing viewpoints –and I think you should have differing viewpoints – getting them to eventually come to a consensus is important.”

Both speakers highlighted the crucial role of the chair in addressing dissent constructively. Satwalekar noted that a chair would be failing if dissent isn’t addressed early on. “I think it would be the failure of the chair if you are not able to get everybody on board to the decision which is taken. Because at the end of the day, the decision of a board is a joint decision.” He emphasized the importance of building consensus, especially given the increased responsibilities and liabilities of directors in the evolving regulatory landscape.

Building an Effective Board in Public Sector Enterprises

Mundra addressed the challenge of not fully controlling the selection of board members in public sector enterprises. He emphasized the need for the chair to devote more time than other directors and outlined practical steps to build an effective board. These included dedicated time for strategy discussions, transparency in committee discussions, and direct engagement with key management personnel.

“It is very, very important that chairs should engage periodically directly with some of the key management personnel. Particularly, the CFO, the HR Head, and the Chief Information Officer. These are the kinds of people the chair should

engage with from time to time,” he said, adding that these are helpful filters to avoid an overload of information at the board meeting. Mundra also recommended that the chair bring the respective committee chairs to relevant discussions. “These are some of the practices which can be done, which are practical, but which will go a long way in developing your goal and also deriving the best from the team.”

Satwalekar added that working with board members beforehand and addressing concerns in advance can prevent issues from escalating during board meetings. He emphasized that getting a consensus is critical for the chair’s success, and efforts should be made to assuage concerns and convey that every board member’s opinion matters. “It’s important that you get the engagement of all the people. The fact that they have gone on to the board means that someone, somewhere, has assumed that they can contribute.”

Striking a Balance between Regulatory Compliance and Forward Thinking

In response to the challenge of balancing regulatory compliance with forward-thinking strategies in the financial sector, Mundra highlighted the need for regulators to refine their approach. He acknowledged the inundation of

communications from regulators, each urging placement on the board agenda. To create space for forward-looking discussions, Mundra suggested a strategic refinement of the board agenda, categorizing items for noting, deliberation, and sanction.

He also proposed a valuable practice of dedicating time in every board meeting for an in-depth discussion on a specific area of the bank. This focused discussion, led by concerned executives, allows the board to delve into critical aspects without being overwhelmed by routine approvals. Mundra emphasized the importance of ongoing deliberation between the CEO and the board, ensuring a thoughtful design of the agenda that aligns with the evolving needs of the financial institution. By incorporating these practices, boards can foster a balance between fulfilling regulatory obligations and fostering a forward-thinking mindset.

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