



# Board onboard: Hiring principles for an effective board

Board Leadership Center (India)



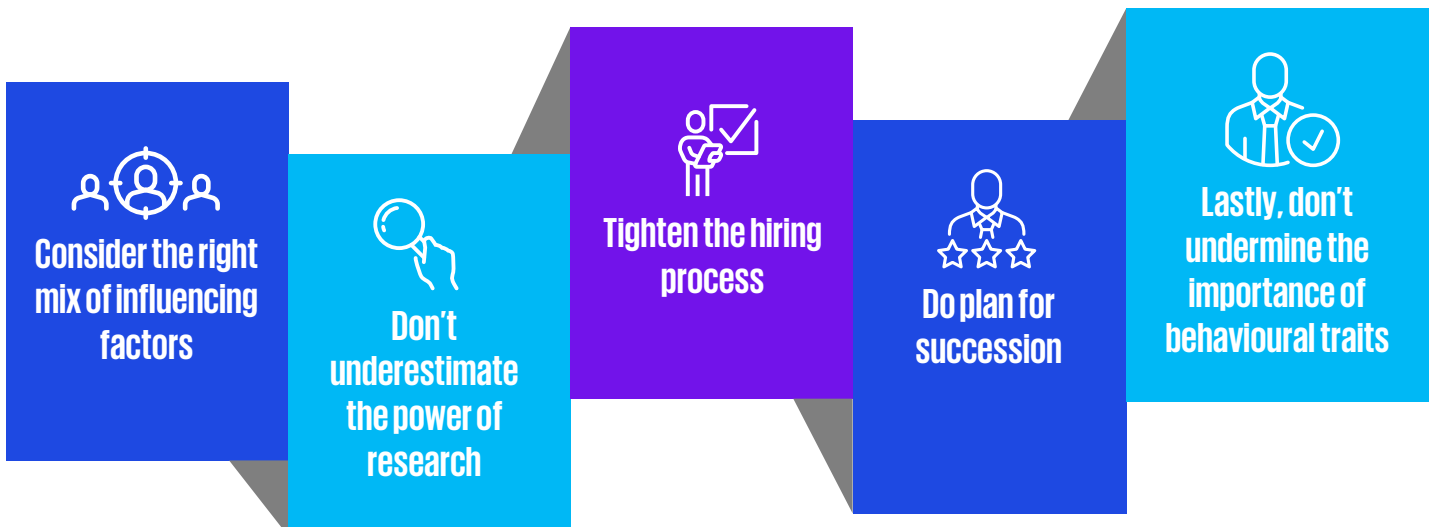
## Background:

The value of independent directors is hard to articulate, but to draw a metaphorical parallel; independent directors are like lighthouses - they may not be at the helm of a vessel, but they do act as a guiding light and help find safe passage in and out of harbours. Independent directors are an incredible asset as they bring deep and diverse experience and can help enable major operational transformations. While some may understate their presence as a metric to strengthen corporate governance, the importance of their role goes way beyond in filling the knowledge and skill gaps through their expertise.

It has been a decade since independent directors were recognised statutorily in the Indian legal framework. While companies have been

inducting directors ever since, finding the right board member can still be a daunting task. Keeping in mind the increasing roles and responsibilities; decision-making powers vested in them; length of their tenures; and succession planning; finding the right person for the job and ensuring the right mix and composition of board members is fundamental.

So, the key question is, how do you build and maintain a strong and effective board with members aligned to the culture and vision of your company? While there is no straight answer, this document aims at providing some key points and considerations which nomination committees and boards can leverage to help define their needs and onboard the right talent.



# 1

## Consider the right mix of influencing factors



Navigating the process of finding the best fit independent director for the board should be a thoughtful exercise that weighs both business priorities and governance expectations equally. Some of the key points to note include:

### Know your requirement

Have a job description or prospectus in place that defines what you prefer, and what you are looking for. Discuss it amongst the board members and additionally seek input from executive ranks. Where appropriate, also seek counsel from your strategic investors and get an agreement. This consensus-building tool helps bring everyone on the same page and scout for the right talent.

### Plug-in the gaps

While recruiting and appointing board of directors, it is imperative to do an in-depth analysis of existing skillset, knowledge, and diversity. Hire individuals who have the experience and abilities which are currently missing in current board structure. While looking at the skills matrix, it is also important to go through the committee charters in detail and check potential candidates' fitment with committee requirements. Most committee members are independent directors and hence they should be able to add value to the committee they are in. Candidates with relevant skills aligned to committee charters can help in solidifying the company's performance in critical board agendas such as ESG, risk, etc. Avoid the trap of inducting professionals you might personally 'know', or professionals who are 'visible' in the marketplace – familiarity bias should best be avoided.

### Experience

**a. Operating experience:** Look for someone who has hands-on and in-depth experience in a specific area (or areas) so that the prospective director can share real-life experiences and industry's best practices.

**b. Market experience:** Keep expertise under the lens. Regardless of the size or industry, all organisations face challenges such as market fluctuations, competition, technology disruption and at times media scrutiny. A board that embraces diverse skill sets and expertise is better equipped to navigate challenges. Diversification allows you to leverage the depth and breadth of experience across key functions of a company and can help in bridging the gaps or tapping the opportunities.

**c. Emerging topics:** With themes such as ESG, digital disruption, supply chain risks, geopolitical conflicts, etc. becoming more and more pertinent, one must look for individuals who can understand the impact of these issues and work towards furthering the organisation's growth.

**d. Functional experience:** Do check if there is a need to bring in a functional expert (e.g., an ex-CFO or VP of international sales) who can share their expert views on specific business segments

### Accessibility

Before embarking on a hunt for a great board member, the NRC must always gauge the accessibility of prospective directors. It is crucial to understand their bandwidth and current commitments to know how much time they will be able to devote.

### Strategic thinkers

Independent directors offer inputs on the most strategic decisions. Look for someone who has the strategic thinking ability and a global perspective on the company to take those decisions.



## 2

# Don't underestimate the power of research



While hiring an independent director one must leverage public sources and gather all possible information about the candidate. Independent directors ensure that processes of sound corporate governance are implemented, hence it becomes vital to conduct a thorough and discreet background check. The process of due diligence should include a candidate's business background, domain expertise, knowledge, experience, and reputation apart from tracking red flags like legal or regulatory action and conflict of interest situations.

## 3

# Tighten the hiring process



Finding a prospective candidate might not be difficult if the need is rightly identified. If the recruiting agenda is simply to satisfy governance and shareholder representation, then it can be a rather straightforward exercise, albeit with limited returns. However, in today's competitive and dynamic environment, organisations are looking for more from their board members. They look for specific skills and expertise in board members which can help them achieve a goal. Having a defined hiring process can ensure that companies don't get overwhelmed with the procedural part of it and can focus more on finding the right candidate. Following are some recommended steps:

- Identify the needs of the board, specifically areas that need expertise and skill
- Create a job description for the director to highlight the role and define company's expectations
- Establish a hiring committee that can collect, and review candidates' resumes to create a pool aligned with the prospectus
- Conduct interviews to identify inter-personal traits needed for a successful director
- Perform reference checks to confirm the candidate's potential for value-add and expertise that they may bring on board.

## 4

# Do plan for succession



Choosing the right leader at the right time is a crucial decision that one makes to secure continued success. Succession planning is a strategy for identifying and nurturing future leaders in an organisation to prepare the business for varied contingencies.

A well-defined talent pool can be a great tool for succession planning as it enables organisations to customise opportunities and train individuals for prospective board roles. This pool may provide greater

opportunities for diverse candidates. In case of a sudden exit, the time to recruit is significantly reduced as one can quickly identify from within a talent pool and tread as per need.

Board succession planning should ideally start with creating a formal document which underlines, specifies duties and characteristics a board leader should possess. This may be used for evaluating the board leader from time to time.

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## Lastly, don't undermine the importance of behavioural traits



The current business environment faces a plethora of risks and challenges – post-pandemic changes; macro-economic volatility; geopolitical conflicts; changing business models and numerous other factors put constant stress on businesses and has brought their corporate governance mechanism under microscope to an unprecedented degree. While pressure on boards comes from varied sources, technological disruptions are further adding to the flux while creating both opportunities and areas of risks.

It is ultimately the stewardship of the boards to navigate companies through these challenges. As the nature and complexity of issues shift, the roles of independent directors are bound to evolve along with it. Future-ready board members need to engage with tools, resources, and opportunities available to broaden their understanding of critical governance themes and know how to address them through a deep rooted sense of curiosity and willingness to learn.

Obtaining the knowledge, skills, and confidence to act will be a key indicator of a future ready board member. While board members are expected to bring in newer competencies and attributes to the board table, it is the strength of the character and behavioural traits which distinguishes a leader, as their inner value system influences their decision making. Being courageous, empathetic, and persuasive in the boardroom will help in enabling compelling and open dialogues.

This also points to the intrinsic factors which promote personal outlook and behaviour in the boardroom. To better serve the communities in which the organisation operates, it is important to have a board of directors who bring fresh and real-life perspectives and experiences and help in making the boards more diverse not just structurally but in thought process as well. It is paramount that each board seat is held by an individual who reflects a global mindset and is committed to strengthen diversity, equity, and inclusion.

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