# Beyond numbers:

## The strategic imperative of an age-balanced board

Board Leadership Center (India)

In the dynamic landscape of corporate governance, the importance of the diversity within boardrooms cannot be overstated. While gender, work experience, ethnicity, and geographical representation have rightfully garnered attention, one might question if the transformative power of age diversity has been long overlooked?

It is only in the recent times that discussions to onboard younger members to the boards have started happening in pockets, but the fact is that it is happening, albeit at a slow pace. In the last 10 years, the average age of a board member in India has reduced and continues to be so. According to the data compiled by primeinfobase for ET[1], the number of board members below the age of 45 has risen from 10.72 per cent (or 1,249 of 11,643 directors) in Mar-2014 to 13.89 per cent (2,340 of a total of 16,837 directors) as of Aug-2023.

The boardroom is aimed to be a confluence of diverse ideas and perspectives and ‘age diversity’ can have a key role in achieving that. The interplay between the younger generation and seasoned stalwarts can contribute to shaping the growth trajectory for an organisation with each set bringing its unique strengths to the table. Our publication aims at taking a deeper look into this topic and understanding the criticalities of striking the right balance.

[1] Ambani siblings on board: Why India Inc needs more young people at the top, ET Online, Oct 2023

# The need for an age-diverse boardroom

Integrating age diversity in the boardroom may create synergies of experience and unique perspectives. There can be several reasons to have a more age-balanced board composition, some of these include:

**Alignment with younger customer base:**
More than 50 per cent of India's population is below the age of 25 and more than 65 per cent is below the age of 35[1]. With this primarily young target market, companies could feel the need to have younger people in management and on boards to understand the pulse of the market

**Alignment with younger management:**
The trend of younger CEOs and other senior executives is widespread. New-age technology-based businesses, ecommerce; start-ups; etc. most have a younger generation at the top. To ensure that the management and the boards are more in sync with each other; organisations may prefer a few younger members on the boards

**Disruptive technological changes:**
Given the pace of technological change and emergence of new tech-based business models; an age-diverse board, which has a mix of leaders connected to new-age technology trends, is more likely to adapt to such changes in a relatively easier manner

**Succession planning:**
Inducting younger members to the board can also be a succession planning mechanism or a grooming exercise for business scions, especially in case of family-owned businesses.

An age-balanced board can offer unique advantages by striking the right balance between:


Innovative/creative thinking versus experiential wisdom


New ways of working versus tried-and-tested leading practices


Technological prowess versus experience-based sense of judgement

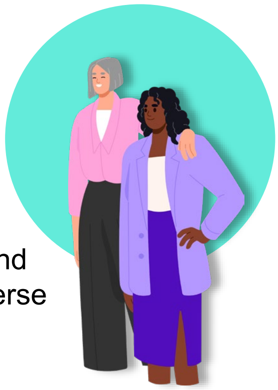

Enthusiasm versus measured conservatism


Agility versus stability

[1] Ambani siblings on board: Why India Inc needs more young people at the top, ET Online, Oct 2023

# Enabling factors for a more balanced board:

When it comes to forming an ideal board strategy, one-size surely doesn't fit all. Each company operates in a unique environment with various variables at play. Each company needs to find its own unique board-mix that is balanced and most importantly, that works for it. For instance, a board-mix for an ecommerce company may not work for a PSU or a B2B company.



There could be some common integration issues such as resistance to change; balance of power issues; generational divide, etc. But with the right integration and communication plans, boards can harness the boundless potential of having diverse and balanced boards. Based on our discussions with the boards of some of the leading companies, a few quick tips in this regard are given below:

01 **Shadow board:** Companies can look at building a shadow board, composed of young professionals, which can enable them to observe, engage, and contribute to boardroom discussions, thereby, bridging the experience gap and allowing them to gain insights into the decision-making process

02 **Cultivating a board talent pipeline:** Companies may look at developing a process for identifying and developing future leaders and ensure robust succession planning. This could involve creating a directory of qualified young people, offering board internships, and providing tailored trainings to prepare them for board roles

03 **Innovative task forces:** Establishing specialised task forces led by young professionals to tackle specific challenges or initiatives, which allow them to showcase their expertise and contribute meaningfully to board objectives can prove to be useful

04 **Cross-generational collaboration platforms:** Mentorship programmes, pairing young talents with seasoned board members, facilitating knowledge transfer, and grooming them for leadership roles

05 **Strategic integration assessment for boardroom:** Assessing and addressing specific deficiencies in the boardroom composition, followed by a robust integration and communication plan is crucial for effective integration

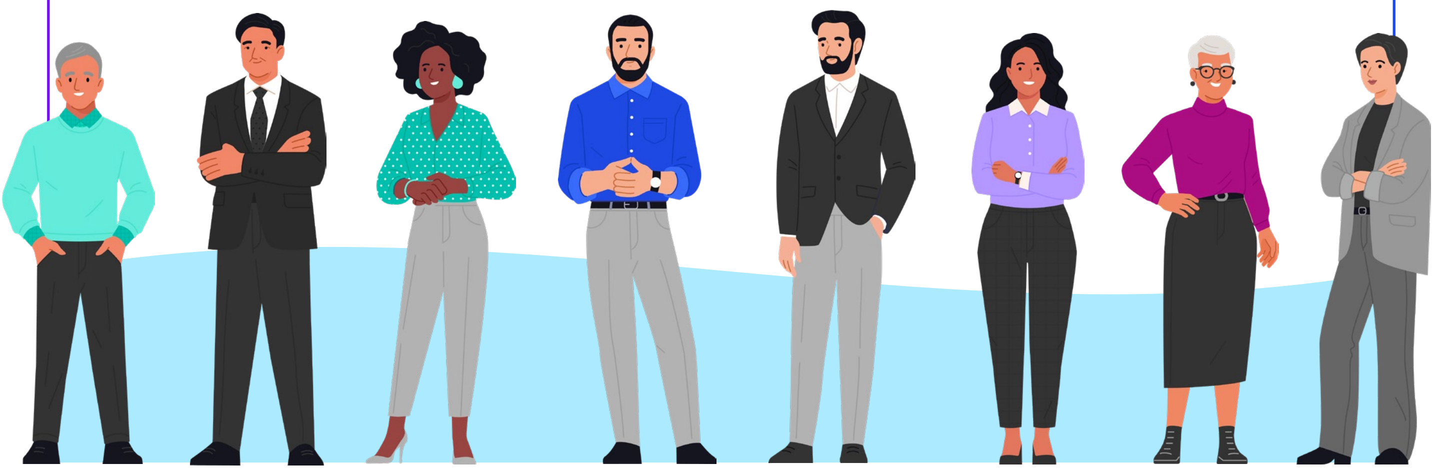
06 **Empowering voices:** Creating a system for regular feedback from all board members would allow them to express their ideas, concerns, and recommendations for improving the integration process

07 **Clear governance framework:** To help strike a delicate balance of power and decision-making between experienced and younger board members, ultimately harmonising diverse talents for boardroom success

08 **External stakeholders' communication:** Addressing the reservations, concerns, and communicating the strategic benefits of boardroom inclusion can play a vital role in maintaining stakeholder trust.

## Questions for the board to ask themselves

a. What specific skill gaps can be filled by adding younger members to the board?
b. What plans are in place to mentor and support the young members in their roles on the board?
c. Can younger board members help in better alignment with a younger customer base and younger management leaders?
d. How does the inclusion of younger members align with the organisation's succession planning goals and future leadership needs?
e. How will we communicate and shape the positive perception of the new members inclusion to stakeholders, including investors, employees, and the public?
f. Is it possible to create a mentorship programme, pairing young talents, specifically our women leaders, with seasoned board members, to facilitate knowledge transfer and reap the best of both worlds?
g. Is there any merit, in some cases, in creating a shadow board, comprising young professionals, enabling them to observe, engage, and contribute to boardroom discussions, bridging the experience gap?
h. Are we addressing softer issues like communication styles and expectations through cautious efforts like team building initiatives and conscious communication strategies?
i. Do we have any conflict-resolution plans in place?
j. How will we create a board culture that is inclusive and supportive to ensure that all board members have a meaningful voice in the board?
k. Do we have a clear governance framework that can help in striking a delicate balance of power and decision making between experienced and younger board members?



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