

Advisory boards fail to mentor CEOs, increase effectiveness: Study

KOLKATA: A significant 40% of fail to act as good mentors and coaches to and business leadership, or increase the organisation's effectiveness, develop collaborative strategies and provide support to overcome unfamiliar challenges, according to a study by **Athena Executive Search and Consulting**.

At least 29% of the participants in the study felt that boards act only when faced with a potentially threatening scenario, rather than engaging in compliance-building or risk aversion measures. The study, titled, 'The Changing Face of Indian Board Rooms and their Relevance', covered over 200 CEOs, companies and heads of businesses and aimed at identifying the changing composition and evolving role of boards in India.



"The problem with most of these boards is in their construct," says Kiran Karnik, former president who is on several advisory boards of Indian companies. Most businesses, he explains, form boards comprising people who are stalwarts in their fields but have little to do with the business on whose board they are appointed. "This leaves little room for them to help," he says.

Agrees Kanwaljit Jawa, MD of Daikin, India, who participated in the survey. "Business dynamics have changed and you need people on boards who have a clear understanding of the business and can provide long-term perspective, but in many cases, they can't," he says.

Advisory boards, unlike statutory boards, don't have fiduciary responsibilities like ensuring compliance of rules and regulations and financial soundness of the organisation. Instead, they are expected to help with strategic planning, growth and resource management and hence require domain experts with experience.

India warmed up to the concept of advisory boards five to six years ago in the backdrop of some global and local scams and a fast-evolving business environment, says Rothin Bhattacharya, EVP - strategy, M&A, marketing, international business & investor relations with HCL Infosystems, who has helped set up an advisory board for the firm's security business.

In the past decade, scandals in organisations like Worldcom, Shell and back home, Satyam, brought to focus the role of boards. Stakeholders started demanding board participation on compliance, risks and disaster management, says the survey.

"The economic crises have further increased the urgency for confidence-building measures," adds Sharma, explaining that organisations strive for a deeper level of engagement between the board and the management.

The study, however, found some boards playing a proactive role in other aspects of managing the business. Some 63% of corporates feel a board is active in terms of providing business intelligence, and using its network for business or investment purpose.

Also, organisations have started realising the importance of succession planning, and 86% of CEOs feel that boards are actively working on the issue.