Future Boards: Leading Strategy to Embrace Sustainability

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Corporate boards' commitment to act on shareholders' behalf is the key in defining a company's vision, setting priorities, determining strategy, and operating the business according to the highest standards of professionalism and ethics. Corporate governance is essentially about leadership that is responsible, exercised with probity, and conducted in a highly transparent and accountable manner. While technology still plays a role, corporate culture and an engaged and empowered workforce are the critical enablers of innovation today.

An organisation is only as good as those who lead it; it is the corporate boards who define the vision, strategy and goals, manage the risks, set the tone, and create the culture and ethics of the organisation. Given the complexity of today's corporate structures and rapid changes that are occurring in the economy and the market, this is no mean task. Adding to these complexities are the heightened expectations of the shareholders, and the enhanced regulatory requirements that demand more accountability and transparency; all of which are creating new challenges for the boards.

The Companies Act 2013 made several significant changes, which seek to redefine the board governance in India. New concepts have been introduced such as independent directors and women directors on the boards to bring in gender diversity, a small shareholder's director, performance evaluation, corporate social responsibility, class actions; the internal financial controls and risk management oversight of the boards have been strongly emphasized; disclosures have been enhanced in board's report to shareholders, additional rigour has been added to strengthen the directors entrusted with new responsibilities. Overall, the Act aims to raise the governance profile of Indian companies and their boards, at par with the roles and responsibilities assumed by boards globally.

Meanwhile, concentrated ownership has been an important feature of India's private sector for the past seven decades. Institutional voids, like the absence of specialized intermediaries in capital markets, and India's distinctive corporate governance issues originate from the high percentage of companies that are family-owned. At present, one-third of Indian companies are controlled by one or more families, in concert with one another. Most family owned businesses are unable to discern that there lies a dichotomy between the business and the personal affairs of the family. Thus, decisions are often made to suit the family, and not necessarily are in the best interest of the firm. While family business leads to high risk taking and speedy decision making with fast promotions and rewards for its executives, its team needs to strike the right chemistry in ambiguity and unstructured environment.

Today's corporate landscape is vastly different than what it was two decades back. The change is pushing companies to be more transparent and accountable for their actions. Thus their approaches towards stakeholder engagements, disclosures, corporate governance, and corporate social responsibility have become a vital part of their sustainability strategy.

The business excellence case for good governance and long term sustainability is well-established. The roots of sustainability movement can be traced to the concerns of climate change, environmental degradation, over consumption of natural resources, and societal concerns. Climate change and resource volatility are already affecting world business. Business is facing a perfect storm. Growing demands for scarcer and scarcer vital resources will drive commodity prices ever higher. Organizations need to recognize and prepare for these changes, to turn the challenges into opportunities. Sustainability will no longer be a "bolt on" to the way organisations work; it must be in their DNA.

Presently, growth and employment take precedence, over embedding sustainability into business strategy in India. While sustainability and SDGs are firmly on CEO's agenda, he is struggling to make the business case for action. Motivational drivers for sustainability initiatives are currently centred on community projects, infra-structure, and energy. Indian business is going through a unique approach to blend the rapid growth of sustainability agenda with the local social and economic imperatives, and tailoring global best practices to fit in Indian contexts for inclusive growth. While Indian investors and consumers are still passive to push business for sustainability, over 80% of the CEO's are convinced that 21st century markets will be driven by aspirations of sustainability with critical economic, social and environmental concerns business can play a critical role, alongside government and regulatory authorities in mobilising collaborative action to tackle critical socio-economic and ESG issues for attaining national sustainability Development Goals (SDGs). Social Media and social security nets in India have emerged as powerful, transformational force for competitive advantage.

With short product life cycles, joint endeavours and collective enterprise, the business. Projects are becoming an essential model to deliver change and create value. By 2025, senior corporate leaders are expected to spend 60% of their time in planning, driving, and execution of projects. Such project based jobs will be human centric led by people, not robots.

The future boards need to meet the challenges posed by globalization, digitisation, emerging technologies, and break through innovation, which are growing exponentially. Climate change and related disturbances like 'Tsunami', operating in a complex volatile and uncertain economic turbulence, adversely affect sustainability.

Life on this planet would be unsustainable, unless there are major changes in the way we all currently live and work. In the wake of major corporate fiascos, boards today have been placed in the 'fish bowl' for public scrutiny.

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