

Indian firms struggle to find suitable directors for boards

More than 1,400 independent directors are set to retire by 1 April, as per primeinfobase.com

Devina Sengupta

devina.sengupta@livemint.com

MUMBAI

Indian companies scrambling to find replacements for their boardrooms are struggling to find candidates with the right technology chops or expertise in handling the outcomes of geopolitical uncertainties.

According to a study by executive search firm Heidrick & Struggles, three out of five respondents who participated in its survey are reshuffling their boards, and more than half of these firms are unable to find suitable talent.

The survey analysed responses from about 150 managing directors, board chairs and chairs of subcommittees in India to understand their business priorities for 2024, and their perception around refreshing their boards.

More than 1,400 independent directors are set to retire by 1 April, according to data research firm primeinfobase.com. The Companies Act, 2013, stipulates that firms cannot have directors on their boards for longer than 10 years.

Companies are seeking independent directors with niche talent in digital and consumer behaviour, as well as an understanding of generative artificial intelligence, Heidrick & Struggles said in its study titled *2024 Heidrick & Struggles India CEO and Board Survey*.

"With key areas such as cybersecurity risk and incorporating AI being top issues organizations are expected to face in the new year, many recognize the need to identify board members who possess the skill-sets and capabilities relevant in navigating these new challenges," the search firm said, sharing findings of the study exclusively with



Companies are seeking independent directors with niche talent in digital and consumer behaviour, among others.

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Heidrick & Struggles said three in five respondents were seeking new directors either to overhaul their board or as they needed to hire a new director in 12-18 months. "About three quarters of the respondents cite the retirement of a director as the reason they are undergoing a refresh, and one in two aim to infuse new skill-sets into their boards," stated the study.

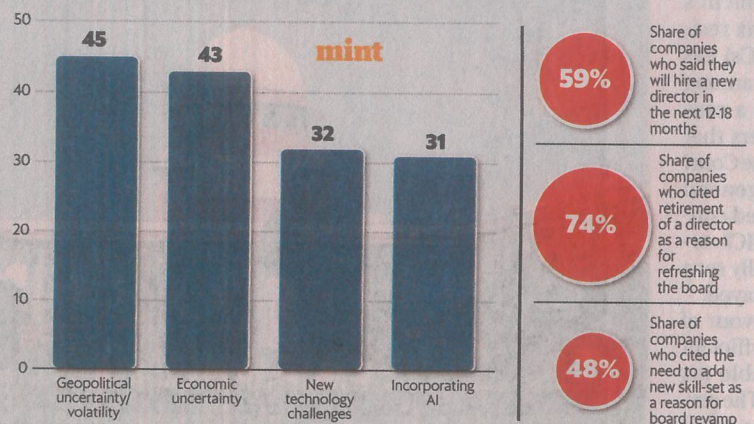
The hunt is proving tougher than expected also because of global factors that are weighing more heavily on Indian companies.

"Indian businesses are not isolated anymore and global crises like wars are impacting supply chains. Companies need experts who can offer strategies and guidance against these events,

Talent hunt

Companies are looking for experts as board members who can help them navigate global crises like wars and supply-chain disruptions.

Share of respondents who cited the following challenges for companies in 2024. (in %)



The survey covered 150 current managing directors, board chairs and chairs of subcommittees, and was conducted at the end of 2023.

Source: 2024 Heidrick & Struggles India CEO and Board Survey

PRANAY BHARDWAJ/MINT

which is a rare skill-set," Suresh Raina, partner at Heidrick & Struggles India, told *Mint*.

Executive search firms have sought out expatriates living in India to join some of these boards, but such candidates typically have high demands. Potential "senior directors ask for \$150,000-\$200,000 (₹1.25-1.7 crore per annum) to be part of a board," said Raina.

Commissions of independent directors on the boards of Nifty50 companies have doubled over the previous five fiscal years, according to a study by consulting firm Deloitte.

An independent director's commission is largely dependent on a mix of fees for attending board meetings, called sitting fees, and commissions linked to a

company's performance. While sitting fees are capped at ₹1 lakh, commissions are expected to increase.

Currently, about 84% of a director's payments is in the form of commissions, with sitting fees accounting for the rest.

At banks and insurance companies, the commissions account for about 89% of a director's payments.

Heidrick & Struggles said that 41% of the respondents in its survey preferred experienced executives when appointing new directors. "There are a number of new directors but firms

are not keen to hire those who haven't sat on boards before," said K. Sudarshan, managing partner at executive search firm EMA Partners. "We are working on 7-8 open positions for tech, manufacturing and fintech firms."

10 yrs
Maximum tenure
of a board director
as stipulated by law

₹1 lakh
Ceiling on sitting
fees for board
directors