



Director Pulse Survey — 2021

Key findings

KPMG in India



February 2022

Table of Contents

01 **Foreword**

02 **Key findings**

03 **Recruitment of directors**

04 **Prioritising diversity**

05 **Boardroom effectiveness**

06 **Way forward**

07 **Appendix**

Foreword

Towards diverse and inclusive boardrooms

Globally, organisations are introducing policies and other initiatives to foster inclusion and diversity in boardrooms. The “Director Pulse Survey – 2021” was launched by KPMG member firms around the world to gather views on inclusion and diversity, reasons and criteria to recruit new board members, key concerns, trust, and transparency. The survey included 707 global board members comprising of 81 members from India. This report presents the findings from India.

It appears that, in India, largely diversity in Boardrooms is changing primarily due to regulatory pressures, stakeholder activism and a move towards the adoption of ESG principles. Boards are expanding and adding members from diverse backgrounds and skills. However, enhancing the talent pipeline remains a major target area as leaders are eager to identify new sources of talent with diverse backgrounds and experiences who can act as enablers in making their organisations more successful.

In a majority of cases, succession planning for board members still seems to be an ‘after thought’, though COVID-19 has perhaps accelerated a change to pay more attention to this topic.

I would like to thank all the board members who participated in the survey.



Ritesh Tiwari
Partner – Board Leadership Center
KPMG in India



Key findings



Leadership Hiring

Organisations are focused on hiring board members with diverse backgrounds and skills; however, lack of a robust talent pipeline remains a challenge

- Nearly **one-third** of the respondents mentioned pressure from investors and stakeholders to hire directors with diverse skills and backgrounds
- **73 per cent** of the respondents have rated C-suite experience and industry background as important factors in director recruitment
- Demand for directors with **technology/cyber security experience** is growing.

Value and Relevance

Organisations are embracing diversity to create heterogenous environment that fosters employee engagement and leads to innovation

- Although directors feel that diversity is valued in the current board room, they foresee **moderate changes in terms of diversity** over the next few years
- **Nine out of ten directors** believe that diversity plays a relevant role in creating a positive impact on the company as well as the society.

Board Room Discussions

Board members are actively taking steps to foster inclusiveness and transparency. They look forward to different perspectives to integrate it in the business conduct

- Owing to changes in **leadership composition** in recent years, directors believe that board members can drive **inclusive and open discussions** on strategic priorities
- Nearly **60 per cent of directors** in India share **concerns** regarding **identification of areas** important for company's future due to lack of diverse views.

Recruitment of directors



Director recruitment - reasons and challenges

Globally, more directors are recruited for ‘strategic necessity’ and ‘pressure from investors to fill gaps in diversity’ as compared to India. As per the survey, 96 per cent of directors anticipate changes in the boardroom membership over the next few years.

Boardrooms in India are more focused on increasing **gender diversity** along with diversity in experience, skill and nationality to foster **innovation** and **creativity**. Diversity is expected to impact:

- Talent acquisition
- Customer orientation
- Employee satisfaction.
- Overall company performance

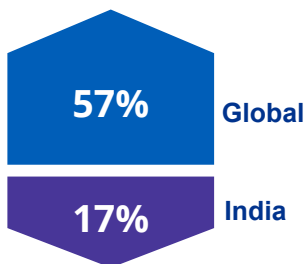
Government regulations have accelerated the adoption of more women leaders in boardrooms.

Top five reasons for recruitment of a new director

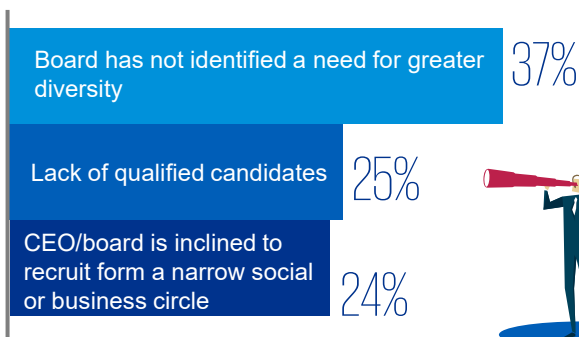


Survey question: In your view, which of the following reasons are most likely to prompt your board to recruit new directors over the next several years?

Strategic Necessity / Staying Competitive



What are the greatest impediments to recruiting diverse board candidates?



Surprisingly, **two-third** of the respondents mention that the board has a **need for greater diversity**.

To overcome challenges in recruiting leaders, companies are taking initiatives such as:

- Promoting **retention of women** and under-represented minorities **at senior positions**
- Offering **cross-cultural mentoring programs**
- **Reducing pay gap** to create a robust talent pipeline for the future.

Preferred recruiting criteria for directors

With organisations greatly focused on digitalisation and sustainability, boards are increasingly looking to recruit members with experience in these respective areas.

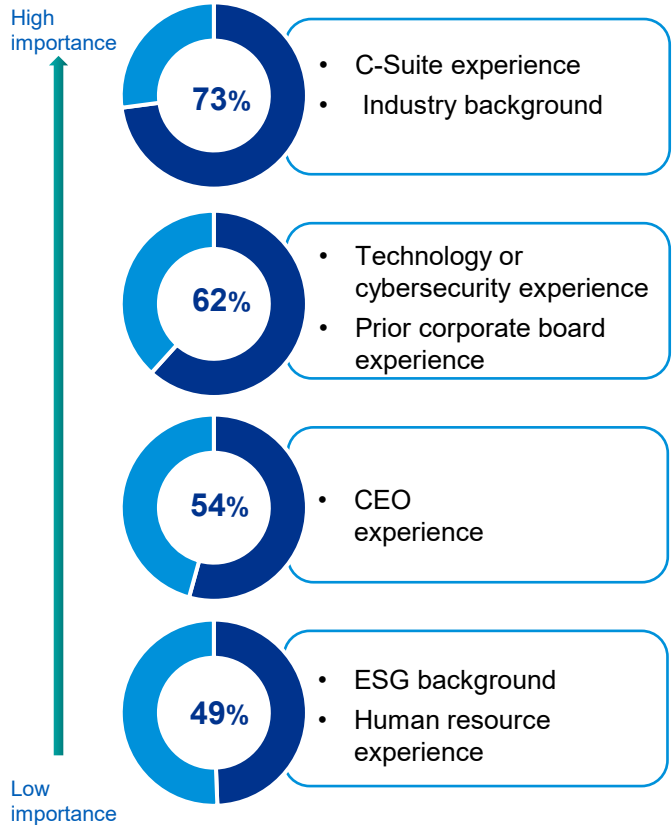
Criteria(s) for recruitment of new board members¹:

Directors with prior experience can lead the required **transformation**.

Technology experts can bring the following changes:

- Put technology on the agenda of the board
- Provide technology coaching to other board members
- Establish technology committees.

While most organisations are currently focusing on **ESG-led value creation and transformation**, surprisingly, around **1/5th respondents** in our survey mentioned that **ESG background is not important** while recruiting new directors.



■ Important ■ Not so important

Note: Numbers in the middle of the pie-chart are cumulative percentage of votes for rating 1 (Most important) and 2 (important)



Neelam Dhawan

Independent Director on multiple boards



“The key challenge in recruiting board members is first defining the profiles needed on the board so as to have diversity of talent . The pool of independent Directors is small specially Women Directors and hence it’s a challenge getting a right pool of profiles. Director Forums are a great way to network and get to know other Independent Directors and hopefully attract them to the board you are hiring for”



Prioritising diversity



Diversity in board room - challenges and composition

Currently, the board meetings leverage individual members' contribution as well as collective intellect. Mandating diversity is expected to change the boardroom composition with a fair representation of people with diverse skills/ backgrounds.

What challenges do you face in having your voice heard during boardroom discussions?



Improvements in diversity at the board level leads to inclusive discussions.

It has a positive impact on board room culture and eliminates issues such as:

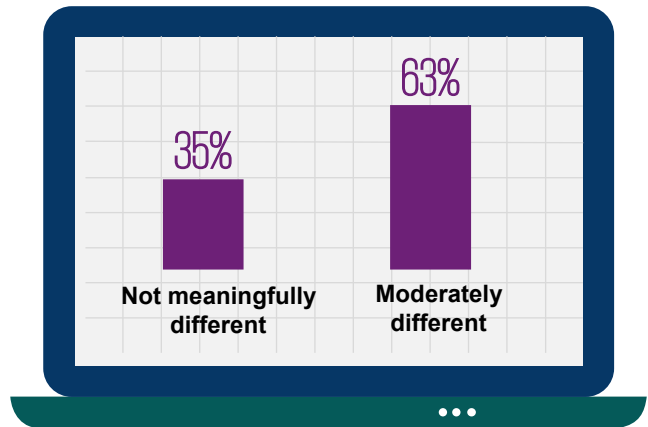
- Dominance by other members
- Undermining views of minorities
- Taking credit for ideas of other board members.

How different would the board's composition be—including diversity of skills and backgrounds—from its current makeup?

Globally, organisations are undertaking initiatives such as:

- Setting up **diversity targets**
- Running **talent development programs**.

About, **two-third** of total respondents **foresee changes** in the board room **composition** to include members from diverse backgrounds and skill sets.



Shyamla Gopinath
Independent Director on multiple boards



“As a board member one does not have an option to be silent or passive. If you are confident and have intellectual integrity, your voice cannot be ignored and therefore do not fear rejection.”



Types of diversity required and its relevance in society

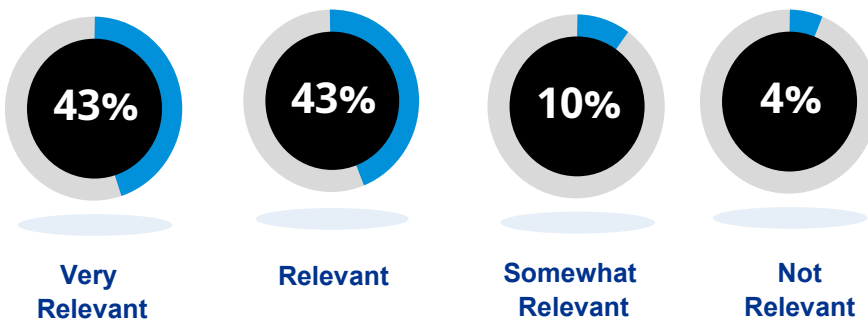
Most boards look for technology leaders to help them guide the business strategy by exhibiting technology’s strategic potential. Directors agree that by leveraging diversity, organisations can create potential opportunities for the organisation as well as the society.

What additional type(s) of diversity would be most beneficial to your board based on the company’s long-term strategy?

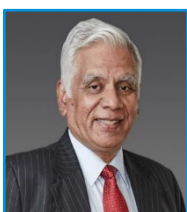


28% of the total respondents agree that geographical diversity is less relevant when recruiting new board members.

How relevant is the board’s diversity – of composition and thinking – to the company’s consideration of its role in society going forward?



While most of respondents think **board’s diversity** – of composition and thinking – to the company’s consideration of its role in society going forward is **very much relevant** but while looking at actual numbers for diversity we see a **massive difference between reality and thought process**. Hopefully, we see a difference in years to come.



Pradeep Bhargava
Independent Director on multiple boards



“It is interesting that while one of the solemn responsibilities of the Board of a Company is to help create a Diverse and Inclusive Organisation, special focus is required of the NRC to make the Board itself Diverse and Inclusive. While it is natural for some to seek ‘Comfort in Commonality’, a Diverse and Complementary Board brings in a multiplier effect in the impact.”



Boardroom effectiveness



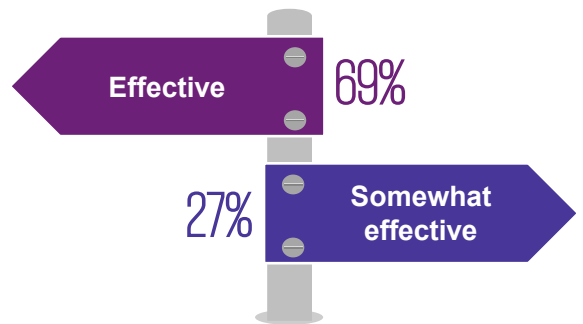
Diverse views and trust and transparency in boardrooms

Board leaders create a culture of inclusion and draw out views, ideas and concerns of all board members. They exhibit trust and transparency by asking questions and leading open discussions.

How effective is your board’s leadership at drawing out the views, ideas, and concerns of all board members?

The communication and discussions in board rooms are improving in terms of drawing out views and concerns of all board members, primarily due to:

- Positive changes in **leadership composition**
- Evolution in **corporate governance** policies/regulations
- Successful **adaptation of remote/hybrid working.**



How are trust and transparency demonstrated in your boardroom?



Indian board leaders are focused on embracing trust and transparency in the boardrooms to seek **solutions and explore opportunities** presented by fast changing technology landscape, gain competitive edge, and create positive stakeholder experience.

- Trust and transparency demonstrated by **Indian board rooms** is **at par** with **global companies.**



Sridar Iyengar
Independent Director on multiple boards



“Diversity of views in board discussions does not happen just by symbolically changing the composition of boards to meet some mandated standard. Looking different does not equate to thinking different. It requires Boards to create a culture of openness and each board member not feeling constrained or inhibited ,by their “expected” contribution/role, to freely express their views on all matters .That requires board members who are capable of being empathetic to the impact their decisions will have on all stakeholders, giving that term the widest possible meaning”



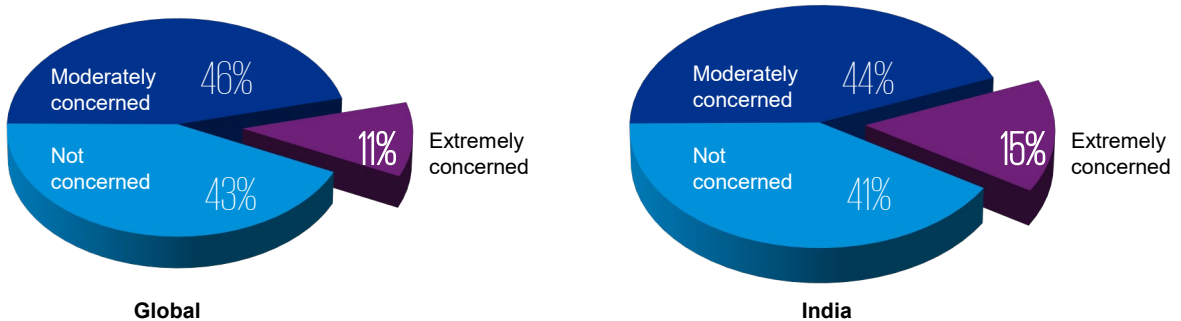
Board effectiveness in driving insightful discussions

Globally, board members are driving insightful discussions on strategic priorities of organisations. They look forward to more diversity in the boardroom along with an egalitarian culture.

How would you describe the questions and observations offered by the board during discussions of issues that are of strategic importance to the company?



How concerned are you that a lack of diverse views in your boardroom hampers insightful discussions or identification of blind spots and issues important to the company’s future?



More than half of the respondents are concerned that lack of diversity and inclusion in boardrooms will impact:

- Quality of decision making
- Identification of key focus areas
- Addressing stakeholder concerns



Shailesh Haribhakti
Independent Director on multiple boards



“Effectiveness in identifying issues of strategic importance can be improvised by focusing on creating management proposals incorporating considerations such as time of implementation, capital outlays, pattern of financing, implications for people, regulatory requirements and period over which refund of capital will happen and IRR that will be delivered”



Way Forward



To overcome challenges in bringing strategic and operating skills, boards are now realising that diverse perspectives bring real business value. Hence, there is a growing trend where more women are joining board rooms along with opportunities for other people from diverse backgrounds.

Build trust in society

Social justice movement has presented new challenges, and opportunities, for boards. They can instill more public and stakeholder trust by:

- Including underserved communities
- Eliminating gender pay gaps
- Creating grievance redressal policies.

Improve culture in boardrooms

Boards can create a more inclusive culture by:

- Allowing members to voice their opinion
- Holding meaningful discussions and evaluating differences in opinions
- Fostering a culture of empathy and understanding.

Explore new talent pool to create future ready organisations

Organisations can focus on recruiting leaders to manage uncertainties and solve business problems. To step-up hiring and create a robust talent pipeline, boards can:

- Run training and development programs to prepare future leaders
- Reduce network / preferential hiring
- Integrate director compensation with diversity and inclusion targets of the board.



Geeta Mathur
Independent Director
on multiple boards

“The board of directors form a pillar of corporate governance and tasked with protecting the interest of stakeholders. Given that the stakeholders including customers, employees and investors are diverse, it becomes imperative for devising better strategies , effective problem solving and superior decision making, to have a board with diverse representation of age, gender, professional and personal experiences, and skill sets. Besides delivering more progressive insights a diverse board builds the company’s image as a responsible corporate citizen with several benefits including access to larger pools of capital -both financial and human.”



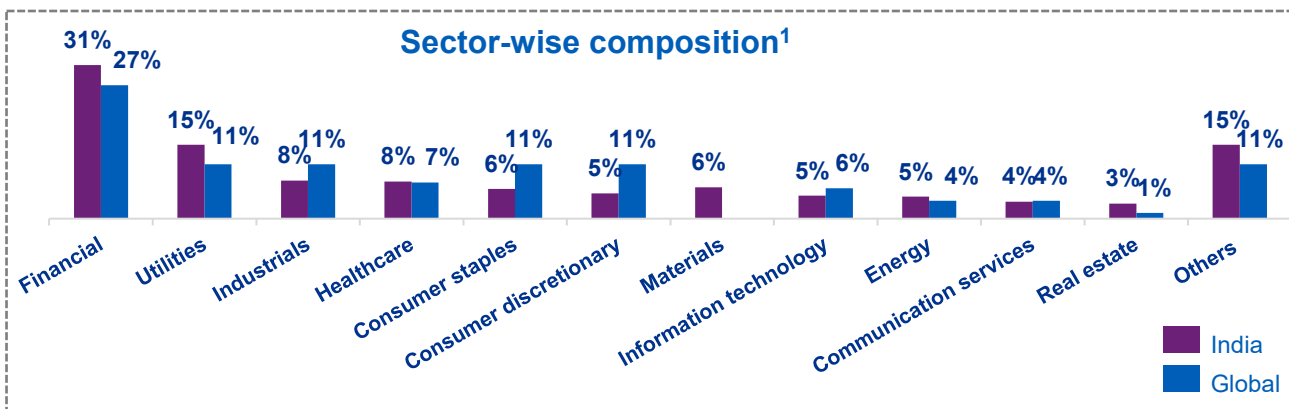
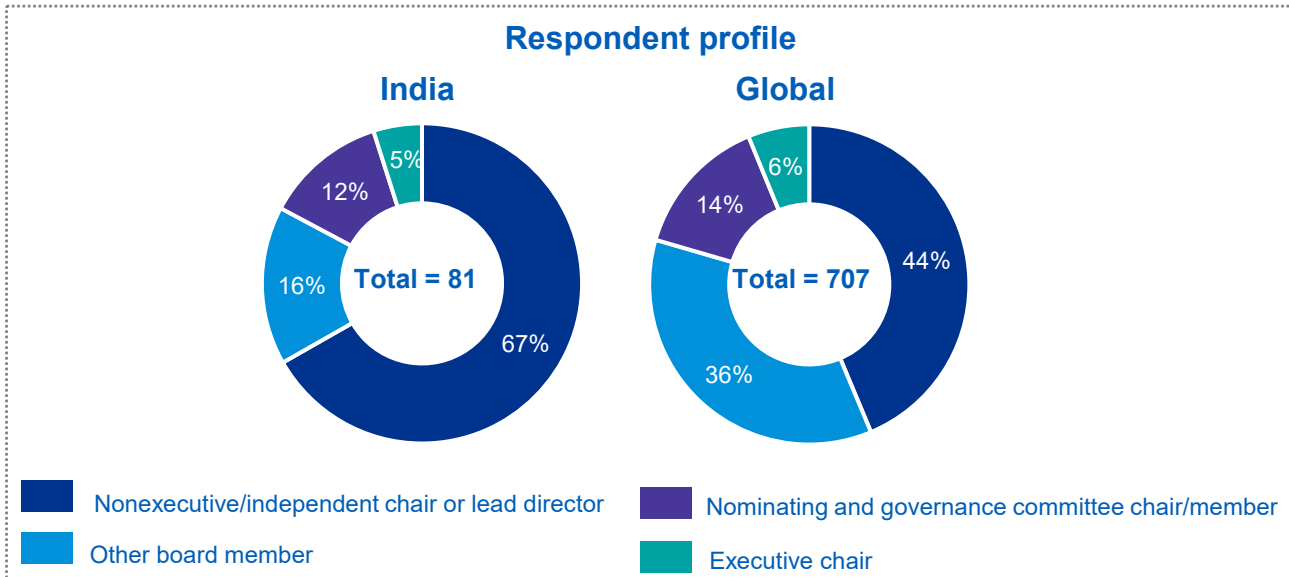
Hiroo Mirchandani
Independent Director
on multiple boards

“Organisations will need to fish in different pools of talent and then ensure that this diverse talent is provided a supportive and inclusive environment to succeed. Linking leadership goals to the attraction, engagement, retention, development and success of diverse talent also helps!”

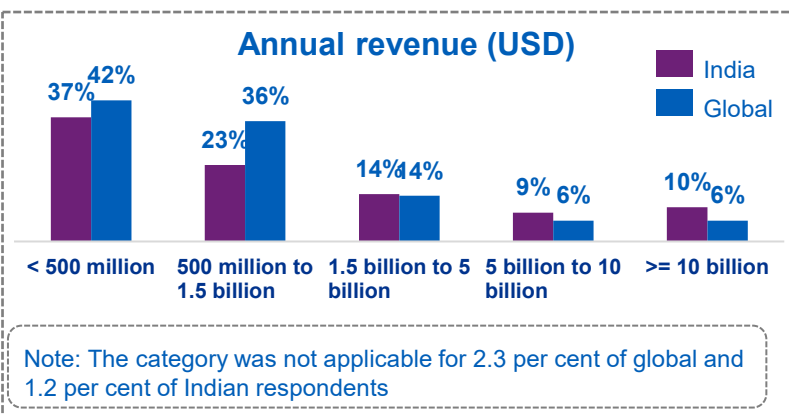
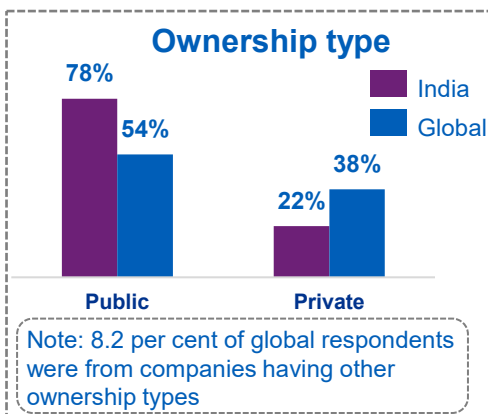
Appendix



Respondent profile



Note: 1. Communication services includes companies operating in Technology, media and entertainment sector; Consumer discretionary includes auto, retail, apparel and other consumer services, Consumer staples include food retail, food and beverage, household products, Energy includes oil and gas and allied services, Materials include chemicals, construction, packaging, metals/mining and forest products; 2. Global respondents include India;





KPMG in India contacts:

Ritesh Tiwari

Partner

Board Leadership Center

E: riteshtiwari@kpmg.com

#KPMGjosh

Follow us on:

home.kpmg/in/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The views and opinions expressed herein are those of the respective professionals and survey respondents and do not necessarily represent the views and opinions of KPMG in India.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

© 2022 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is for e-communication only.