BoardMatters Forum

20 February 2025, New Delhi

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Introduction

On 20 February 2025, EY India reconvened the BoardMatters Forum (BMF) in the capital city, marking a significant return after an eight-year hiatus since the last meeting in Delhi in 2017. The forum witnessed the presence of 19 eminent independent directors, each bringing their unique perspectives and expertise during the insightful discussions.

The forum addressed some of the most pressing issues that today's corporate boards face. Among the highlights of the event was the panel discussion on 'Navigating the future: AI and cybersecurity governance,' which delved into the intricacies of emerging technologies and their implications for corporate oversight. Additionally, the sessions on 'Investor priorities: Balancing returns, governance and market dynamics,' and 'Investor insights: Tracking operating performance and KPIs,' provided a platform for robust dialogue on aligning stakeholder interests with strategic business objectives.

Amidst the exchange of knowledge and ideas, the independent directors addressed the crucial subject of succession planning in the boardroom. The forum also reinforced the critical role that independent directors play in steering companies towards a sustainable and successful future.

Navigating the future: AI and cybersecurity governance

Abhishek Singh,

Additional Secretary,
MeitY

Bikramjit Debnath,

CEO, Microsoft Azure, India & South Asia

Prakash Kumar,

CEO, Wadhwani Centre for Government Digital Transformation

Rohan Anand,

Head of Data Science,
Delhivery

The panel highlighted that India, despite its strong talent pool, faces two key challenges at present: lack of computing power and insufficient AI-ready datasets. The government's AI Mission is a step toward addressing these issues; however, demand still outstrips supply. A forthcoming AI-ready dataset platform aims to bridge the data gap.

A major thrust of the AI Mission is creating indigenous foundational AI models as strategic independence from Western and Chinese AI models is essential, especially amid export restrictions on GPUs. The private sector, with government funding, expects to develop the first Indian foundational model within a year.

Governance is a cornerstone of India's AI strategy, with a focus on ensuring AI systems are safe and trustworthy. A dedicated committee is drafting governance guidelines, currently open for public consultation. Additionally, research institutions are collaborating on tools to detect algorithmic bias, assess dataset quality, enhance privacy, and identify deepfakes. An AI safety institute has been proposed which will, among other responsibilities, certify compliance with ethical and regulatory standards.

AI's rapid adoption, exemplified by ChatGPT's million-user milestone within a week, has, however, also fueled the misconception that AI is limited to Large Language Models (LLMs). In reality, AI permeates various sectors. In finance, for example, it aids in fraud detection, regulatory compliance, and credit assessments. For businesses, key AI adoption considerations include defining use cases, ensuring high-quality training data, and mitigating model biases.

Synthetic data can help address data limitations, though it poses its own challenges, such as fairness and bias detection.

AI is reshaping business operations across four key areas: enhancing employee experiences, improving customer engagement, optimizing business processes, and refining production services. To fully capitalize on AI, organizations must move beyond fragmented AI projects. Establishing an AI Council, overseen by a Chief AI Officer and the CTO, can centralize governance, ensure investment rationalization, and set ethical guidelines. Legal, ethics, and audit teams should also support AI oversight to prevent unintended consequences and regulatory risks.

India's AI regulatory framework follows a pro-innovation stance, focusing on use-case regulation rather than technology restrictions. A consultation document outlines key techno-legal principles for AI governance, with sector-specific regulations to follow. Similarly, the FinTech Department of the Reserve Bank of India (RBI) has formed a committee, the Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector, to explore AI's role in financial product design, fraud prevention, and risk mitigation.

For AI adoption to succeed, capacity-building is crucial. Organizations must move beyond hype-driven perceptions and focus on practical applications of AI, including fundamental machine learning and data analytics. Educating senior management through expert-led workshops will drive informed AI strategies. This structured approach will enable businesses to harness AI's full potential while ensuring ethical, secure, and responsible implementation.

Investor priorities: Balancing returns, governance, and market dynamics

Sanjeev Bikhchandani,

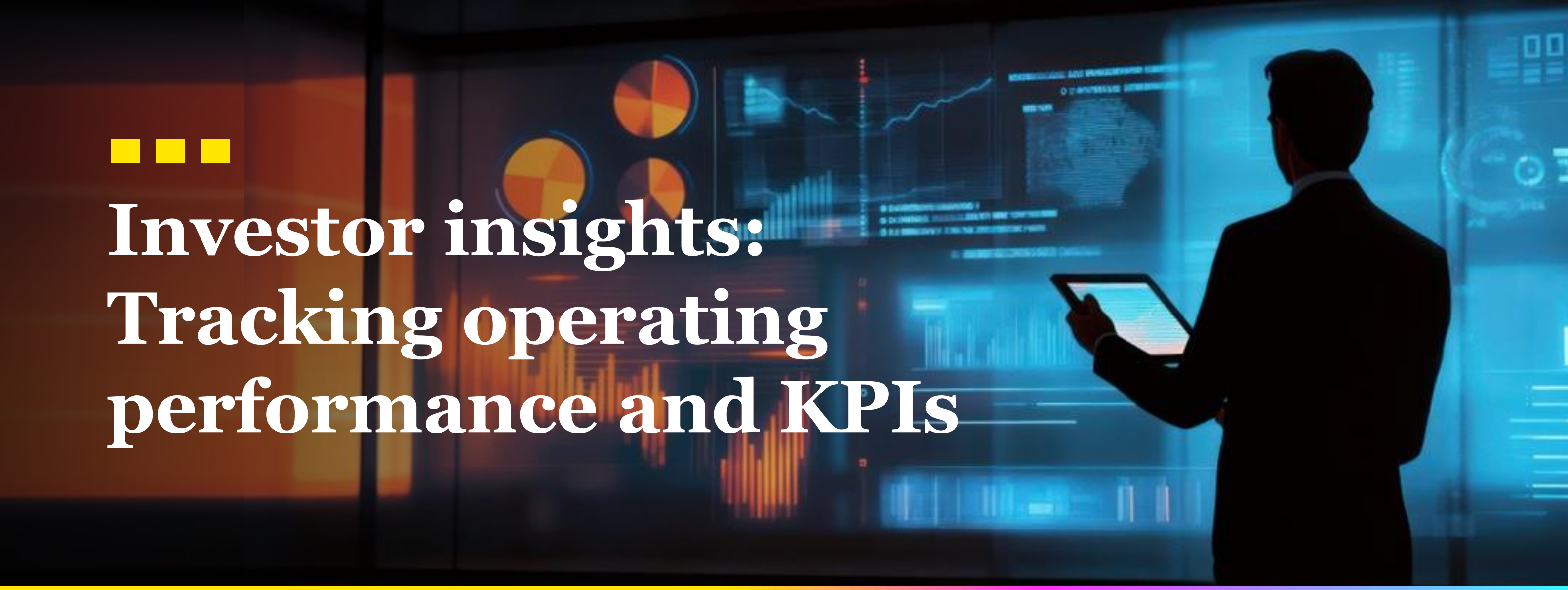
Founder and Executive Vice Chairman,
Info Edge

Sharing insights on AI implementation in his organization, Sanjeev Bikhchandani encouraged a practical, incremental approach. Starting with a three-person team focused on small, consistent wins, they scaled up to 100 members, launching different AI-driven product features and continuing monthly innovations. He described AI adoption as a divisible process, where a company can begin small and expand organically across the organization.

Scaling AI also need not be complex because while foundational models and GPUs can be costly, cloud-based AI applications remain affordable. On cybersecurity, his organization prioritizes in-house data management to safeguard intellectual property.

Reflecting on AI's rapid progress over the past six to nine months, he asserted its inevitable integration across sectors. One of the factors for this is that while AI development requires technical expertise, using AI models is simple and accessible. To stay informed, Bikhchandani urged independent directors to actively engage with AI to overcome reluctance. He even suggested that directors could seek guidance from younger generations.

Regarding corporate governance, he highlighted the critical role of auditors and independent directors in safeguarding companies from internal risks. Some of the steps in this direction could be strengthening the influence of independent directors, separating family from the board, and splitting the roles of Chairperson and Managing Director to enhance audit effectiveness. Emphasizing that a balance between governance and growth is crucial, he rejected the notion of an inherent trade-off. Bikhchandani also shared three governance best practices: never assume you are always right, be open to being overruled, and thoroughly prepare for board meetings.



Investor insights: Tracking operating performance and KPIs

Mohit Bhatnagar,

Managing Director,
Peak XV

Dipanjan Sengupta,

Talent Partner,
Peak XV

In the dynamic landscape of corporate governance, the strategic implementation of defense and attack functions at the board level is essential for strengthening a company's capabilities. The selection of the right independent directors is crucial, as their experience and insights can be invaluable, especially if they have navigated similar challenges in the past.

As companies evolve, founders often face the realization that their initial experience may not be sufficient to manage the complexities of a larger organization. This is where the establishment of specialized committees, such as compensation committees, becomes essential. Such committees are instrumental in addressing the intricate financial and operational aspects that mature companies encounter.

In addition, engaging specialists as advisors can significantly enhance the board's effectiveness by creating a productive working dynamic. Many independent directors are now engaging with start-ups as advisors, building rapport and understanding before transitioning into formal board roles. Advisors often step in at a very early stage, recognizing that there are no shortcuts for private equity (PE) firms when it comes to compliance and financial functions. Establishing a high standard of compliance hygiene from the outset is imperative. As companies grow, they must navigate a learning curve that encompasses various aspects of the business, including compensation and finance functions. Advisors play a key role in guiding companies through this process, ensuring that they remain compliant and avoid legal pitfalls.

The transition from startup (S) to validation (V) and then to growth (G) involves a critical assessment of the company's progress. Validating the business hypothesis and achieving market acceptance are pivotal milestones in moving from S to V. As founders gain experience, they must maintain a learning mindset to adapt and evolve with the company's needs. For example, it could be beneficial to conduct outside-in assessments to get an objective view of the company's operations and market position. For PEs, the neutrality of independent directors can be a significant asset in protecting the company's interests.

The journey towards an IPO is a significant milestone, and it has been observed that companies with founders who continue as CEOs tend to yield the best returns. The interaction between founders, co-founders, and the board is particularly crucial during the first 10 to 15 years, as it sets the foundation for the company's long-term success and governance structure.

Interactions among independent directors

The composition of company boards is changing. There may be PE nominees on boards, the founder may be the chairperson while there is also a professional CEO. Boardroom dynamics can become complex when a founder remains chairperson while investors appoint a professional CEO. Founders may struggle with changing roles, feeling sidelined as their company changes, leading to interference while undermining the CEO's leadership.

Succession planning also varies widely. Family-run businesses often favor internal successors, while professionally managed firms may rely on independent directors to ensure capable leadership.

Independent directors must tactfully navigate these situations, advocating for governance structures that serve the company's best interests while respecting stakeholder influence. An experienced Nomination and Remuneration Committee (NRC) chair can help navigate these situations by reinforcing governance frameworks while revisiting CEO contracts and board charters to clarify roles, thus reducing potential friction.

Also, while leadership development through reskilling and upskilling is valuable, companies must also monitor external talent. Maintaining a strong pipeline of candidates ensures preparedness for leadership transitions. However, resistance from management, often citing recruitment costs, can hinder this practice.

Beyond the founder-CEO dynamic, conflicts among board members also arise. While diversity strengthens decision-making, it can also fuel disagreements. Differences in age, culture, and perspectives must be managed constructively. Effective resolution strategies involve open communication, active listening, and a strong chairperson who encourages collaboration.

Boards must create an environment where diverse opinions are valued. Regular board evaluations, conflict resolution training, and team-building exercises can enhance cohesion. Sharing best practices among board members also provides insights into handling governance challenges.

Founders and PE investors often have divergent priorities. Founders may focus on long-term innovation, while investors may emphasize shorter-term returns, complicating budgeting and investment decisions. Here, the audit committee chair plays a crucial role in balancing financial feasibility and strategic investments.

Sharing experiences and strategies among board members fosters best practices, ensuring organizations remain adaptable and resilient in addressing boardroom complexities.

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