

Business Today

ECONOMY CORPORATE MARKETS MONEY INDUSTRY TECH OPINION PHOTOS VIDEOS MAGAZINE MORE

BRAND STUDIO **TRANSFORM TO SCALE** with an analytics-ready infrastructure built on Intel® Xeon® Scalable processors [Know more >](#)

SENSEX	35457.16	NIFTY	10682.20	US\$	₹ 71.8	GOLD	₹ 30912	Type Stock Name	GO
196.62 ▲	0.56%	65.50 ▲	0.62%	0 =		6 ▲	0.02%	Mutual Funds Lookup	GO
								Type Commodity	GO

 [Q](#)

Home [OPINION](#) [Columns](#) [Story](#)

How boards can prove their separate identity when CEOs surprise them

Here are few tips that board of directors can take to force the CEO to fall in line and carry out mandatory steps.

M Muneer and Ralph Ward New Delhi Last Updated: November 12, 2018 | 22:16 IST



One truly global MBA [LEARN MORE](#) Washington University in St. Louis OLIN BUSINESS SCHOOL

BUSINESS TODAY



The A List [This Issue](#) | [All Issues](#)

SUBSCRIBE NOW

Available on: [PRINT](#) [Apple](#) [Android](#) [Windows](#)

WE RECOMMEND



Binny Bansal's last 24 hours at Flipkart as the Group CEO and chairman

Over the past few months, board members of some high-profile enterprises have been heard exclaiming: "The CEO said what?!?" This was followed by lots of confusion, face palming, and many awkward questions from investors, regulators, and the media. Then came quickly called, serious board meetings.

Papa John's pizza CEO and founder John Schnatter dropped a

Business Today MOBILE APP [FOR NEWS THAT IS SMART](#) [DOWNLOAD NOW](#)

[LATEST](#) [MUST READ](#) [TECH NEWS](#)



Jawa Motorcycles launches three new bikes to rival Royal Enfield: Check price, availability, specifications

MORE FROM THIS SECTION



RCEP is good for regions, but not for India; at least not in present form



Crude oil prices heading southwards; is the winter over for aviation sector?

racially-offensive term in a corporate discussion - on diversity, no less - triggering a media outrage storm. And last month, Tesla chairman and CEO Elon Musk casually tweeted that he had a deal in place to take the company private. Musk followed his dramatic announcement up a few days later with a New York Times interview, outlining how the pressures of his empire were burning him out. As we write this we hear that Tesla board directors are now lawyering up. And the latest is that Musk will pay \$40M to settle the tweet row and resign as chairman of Tesla.

And look at what Chanda Kochhar did at ICICI Bank. Not only did she end up suppressing a conflict of interest issue but also refused to step down for an independent enquiry. With the ouster of the board chairman and the pressure from regulators did she was asked to go on leave. While the enquiry was in progress, she again surprised the board by finally resigning.

Similar examples from India include Murthy and Infosys, Yadav of Housing.com who got sacked by the board eventually, and of course the husband-wife founder CEOs of Mu Sigma. We have seen the explosion that such outbursts of CEOs had created overnight in the markets, the media, and with the regulators.

These are some of the recent big-name instances of a CEO, board chairman or founder going off-script and leaving their board members to ask the question we started off with in the beginning. Of course, this sort of leadership "brick-dropping" happens all the time outside the spotlight at smaller firms worldwide. It seems most common in corporations founded by a strong, charismatic leader, someone who is certain that he (almost always a he) and the company are one.

After the CEO has said it (or wrote or done it) what does the board of directors do? First, summon the CEO or his staff and ask the question above. What exactly was said, and what was the context? What responses are we receiving? Which parties seem the most aggrieved, and which the most supportive? Is there potential legal fallout, either from regulators or investors?

Even if the comments don't prove fatal, a situation like this is a good opportunity for the board to prove its separate identity and force the CEO to take the following steps in place:

- Prepare a plan and get the entire organisation and board to be aligned to it. It should not be a complicated plan but the CEO should be guided in making this plan and communicate across. If there is any change to the plan or strategy, it should be communicated to the board so that the board is not blindsided.



Here's what mutual fund investors should know about Riskometer



Safety comes first! India lot stricter than other countries on alcohol limit for pilots



Twitter CEO Jack Dorsey meets Congress chief Rahul Gandhi, IIT students



PM Modi inaugurates India's first multi-modal terminal on inland waterways in Varanasi



Indian Railways revamp: 2,000 coaches to get charging points, new fans, better seat covers

MORE

You May Like

Promoted Links

Amritsar train accident: Protestors resort to stone pelting at Joda Phatak, one policeman injured- Watch

timesnownews.com

Will Aramco beat Ambani?

North Bangalore's Newest Luxury Residential Address From INR 1.5 Cr
SOBHA HOMES BANGALORE

Delhi Metro set to become the 5th largest in the world; E Sreedharan given new assignment

Enrol for 12 Months PG Diploma in Digital Marketing Strategy

Amity Online

Reliance Jio Holiday Offer: Rs 399 Plan available at Rs 299, but there's a catch

2 & 3 BHK Flats in North Bangalore with Sports Complex & Signature Club
Brigade Group

Atal Pension Yojana benefit may increase up to Rs 10,000 per month; all you need to know

- If the plan is changing drastically, the board should know of the reasons behind it. Is there a disruptive force in action like the Jio effect or government favouritism to a particular group? For example, HAL board would have blinked when the Rafale deal of the Indian government went to a newbie like Reliance Defence with no experience in aircraft making.

Top 5 Reasons to Buy Term Insurance Before You Turn 30

Coverfox.com

Paytm CEO Vijay Shekhar trolled for donating Rs 10,000 to Kerala floods

by Taboola

- Ensure that the execution is measured, monitored and managed well so that the plan deliverables are on course. CEO has the responsibility to keep the board aligned to the execution and seek its counsel.
- Call for strict adherence to transparency. There cannot be two different plans, one for the board and one for the rest of the enterprise. It is surprising how quite a few founders play this game with independent directors.
- Prepare a communication plan for upward reporting. The CEO should brief the board in emails if the information is clear and simple but plan for a presentation and seek suggestion if the information is complicated and require deliberations.
- Board meetings are well prepared and focused on an agenda. Board presentation deck should be shared at least two days prior and must provide all supporting data to each board member.
- CEO should consider board as an advisor and sounding board instead of what is commonly practiced in many companies. Encourage questioning the CEO or founder and not just nod for getting the sitting fee and reimbursements.
- Ask to get the senior executive team to be involved with the board wherever necessary. Concerned executive head should be called in to present his data and questioned. This is also a good step for the board to put in place a succession plan with least disturbances.
- Make feedback a two-way street. Board should be informed and measured on their inputs, guidance and overall value addition. Board scorecards are a good first step to drive this.

Executive sessions without the CEO (and possibly without the chairman) can discuss the situation and potential responses. The independent directors should consult with legal counsel, media and investor relations staff for their take on the situation. It is a good idea to involve these players in shaping a board strategy, which may or may not have the same priorities as those of the CEO.

A final piece of advice - discuss situations like this at your next session of the independent board members, even if there are no "CEO say what" blowups on the horizon. How would we as a board respond? Would we panic - or could we step up to speak for the company ourselves?

Muneer and Ralph drive mission-focused boards as part of the non-profit Medici Institute.

DO YOU LIKE THIS STORY?



Like 6 Share 6 Tweet G+ Share Share MAIL PRINT COMMENT

Tags: Board Meetings | Papa John | John Schnatter | Tesla | Elon Musk | Tesla Board Directors | Musk To Pay \$40M | Tweet Row | Chanda Kochhar | ICICI Bank | Murthy | Infosys | Housing.com | Independent Directors

Previous Story

Next Story

Changing skill set requirements: why tax professionals are re-writing their CVs

USIBC head meets IT minister; discusses data protection, visa issues

You May Like

Sponsored Links by Taboola

Is this why Deepika Padukone and Ranveer Singh zeroed in on November 15 for their wedding?

timesnownews.com

Bangaloreans Bought a 2 BHK in Bengaluru at Rs 44.90 Lakhs

Provident Bengaluru

Get a PG Diploma in Data Science in Just 12 Months

Amity Online

Luxury Apartments in Hebbal @ ₹47L With 20+ Amenities. Enquire Now!

Assetz Property

Pay ₹ 3.8L Now & Rest On Possession! 2 & 3 BHK Flats In Yelahanka @ ₹75L

Mittal Elanza

No Minimum Eligibility Required. Get An MBA Degree From The UK. Interested? Sign Up

Amity Open University

Choose a plane and play this Game for 1 Minute

Delta Wars

Flat 80% Discount on Tag Heuer Watches, Sale Ends Today

Stylevision

More From Business Today

by Taboola

Anil Ambani's Reliance Infra sells Mumbai power business to Adani for Rs 18,800 crore to pare debt

7th Pay Commission: 50 lakh central government employees may get minimum pay hike from January onward

Mahindra & Mahindra slashes electric car e2o price by Rs 92,000

Why Vishal Sikka resigned as Infosys CEO? : News Reel

UIDAI says Aadhaar linking deadlines for bank account, PAN, SIM card valid

Video: HMD Global to launch Nokia 6.1 Plus with notch display : Daily Tech Wrap

7th Pay Commission: Central government employees looking at yet another hike in minimum basic pay

Video: Get to know Anand Piramal, the man Isha Ambani has chosen to marry : News Reel

Sponsored Links by Taboola

Opposition flays government for Taliban conference

indiatoday.in

Tej Pratap Yadav files for divorce from Aishwarya Rai

indiatoday.in

Modi unveils Statue of Unity, pays Sardar Patel a tall tribute

indiatoday.in

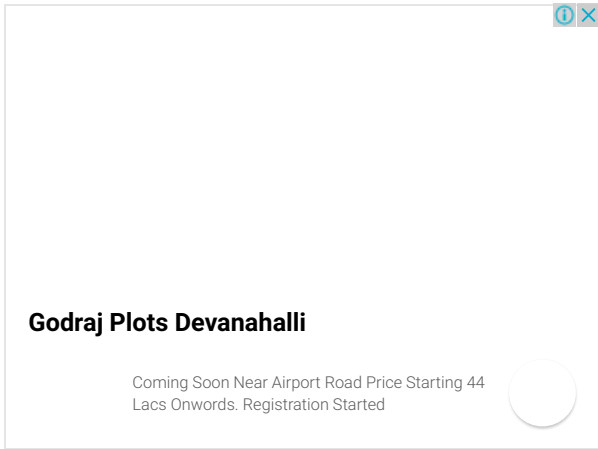


COMMENT AND WIN
₹ 1,000 worth of

lifestyle
YOUR STYLE. YOUR STORE.
GIFT VOUCHERS

for the best letter, the best
Facebook response, and the
best tweet of the fortnight

What is your reaction? 35 votes Powered by Vuukle



6 comments Recommend 0

Write a comment 3000

or

Name

Email

I agree with Vuukle's [Privacy Policy](#)

POST

Sort by: Latest Best Editor's Pick More ▾

Shubankar 5 points
less than a minute ago

Can board of directors actually drive this in most Indian companies? Abroad, perhaps.

Like Reply

Dr. Ignatius 5 points
5 hours ago

Good article and very relevant. How active should be observers on the board?

Like Reply

Gaurav 5 points
24 hours ago

Tips for boards are fine but CEOs when they consider themselves to be the super power like our PM and with regulators not as strong or strict as in the West, such surprises will continue and weak board members will just meekly endorse the CEO. Also for many it is a retirement job and not a serious job.

Like

Reply

David 5 points
a day ago

Absolutely relevant. Interesting guidelines to boards. Will they ever learn? Or want to learn?

Like

Reply

Somashekhar 5 points
2 days ago

How many boards in India will be speaking against the CEO or the family scion? Most of them are there as supporters and without any backbone. Even professionals like ICICI chairman was shying away from taking action against Chanda. Muneer and Ralph ,makes a compelling case for boards to stand up and be counted.

Like

Reply

Load more comments

TALK OF THE TOWN 🔥



How boards can prove their separate identity when CEOs surprise them

4 comments 😄 100%



How Binny Bansal's surprise exit from Flipkart unfolded

3 comments 😄 59%



Drunk Irish woman spits at Air India crew; arrested after flight lands in London

2 comments



Govt masterstroke! 14 mega employment zones expected to create 10 million jobs

2 comments 😄 89%



India's 4G speed slowest in the world; ranks below Pakistan, Sri Lanka, Kazakhstan

1 comment



India's growing healthcare funding crisis- Business News

1 comment 😄 99%

Show more articles



Add Vuukle to your site Privacy

6 0 5 SHARES



ECONOMY CORPORATE MARKETS MONEY INDUSTRY TECH OPINION PHOTOS VIDEOS MAGAZINE

PUBLICATIONS: [India Today](#) | [India Today - Hindi](#) | [Business Today](#) | [Cosmopolitan](#) | [Oddnaari](#) | [Money Today](#) | [Reader's Digest](#) | [Good Housekeeping](#) | [Design Today](#) | [Time](#) | [Gadgets & Gizmos](#) **TELEVISION:** [Aaj Tak](#) **RADIO:** [Ishq 104.8FM](#) **EDUCATION:** [Vasant Valley](#) | [Online Courses](#) | [U Learn Today](#) | [India Today Education](#) **ONLINE SHOPPING:** [India Today Diaries](#) **EVENTS:** [Agenda Aajtak](#) | [India Today Conclave](#) | [Ideaplex](#) | [India Today Woman's Summit](#) | [India Today Youth Summit](#) | [State Of The States Conclave](#) | [India Today Education Summit](#) **MUSIC:** [Music Today](#) **PRINTING: WELFARE:** [Care Today](#) **B2B MARKETPLACE: USEFUL LINKS :** [Newsletter](#) | [Partners](#) | [Press Releases](#) **SYNDICATIONS:** [IndiaContent](#)

Download App



[ABOUT US](#) | [CONTACT US](#) | [ADVERTISE WITH US](#) | [SUBSCRIPTION](#) | [WE CARE](#) | [PRIVACY POLICY](#) | [TERMS AND CONDITIONS](#)
