

Using Non-Executive Directors to Expand Your Executive Universe: an Indian Perspective

In this issue, Russell Reynolds Associates' consultant Sanjay Kapoor and the India team examine some of the recruiting challenges faced by small and medium-sized enterprises (SMEs) in India and discuss how a strategically chosen board of directors can be a powerful channel for recruiting top-tier talent.

Every Indian enterprise today faces a talent shortage of one kind or another. The challenge faced by mid-sized businesses with revenues in the range of US\$250 million to US\$500 million is particularly acute. Having successfully survived the start-up phase and developed the critical mass of a going concern, they are now focused on moving up to the next level. This brings the Chief Executive Officer (CEO)—often the promoter who founded the firm—a new set of goals: expanding into new markets, becoming a dominant player in the industry and increasing revenue ten- or twenty-fold.

Achieving these objectives, of course, usually requires a senior management team different than the one the firm has in place. For while the current team, which is likely to have been with the company since its earliest stages, may well have the *operational skill* to manage an SME, they are unlikely to have the *strategic vision and experience* to grow the company to the US\$2 billion to \$US5 billion level. So the CEO then looks to identify a Chief Financial Officer, a Chief Information Officer or a Chief Operating Officer who has the necessary track record and gravitas to do so.

At this point, many CEOs meet with frustration and find that despite their best efforts they are unable to successfully recruit the executives they need. Indeed, they often find that it is more difficult to attract qualified candidates when the company revenue is US\$500 million than when it was US\$50 million. The reason is that at this

point the company is no longer competing for talent against other SMEs but rather against well-known, elite consulting and financial services firms and multinational companies, whether based in India or abroad. Even if the smaller firm can compete in terms of salary and growth potential, its company brand lacks the recognition and status of its larger rivals. (This particularly is the case when the smaller firm is in the B2B sector and located outside the major metropolitan cities or commercial hubs, working behind the scenes to supply its high-profile B2C customers.) And because lower brand recognition of the employer is perceived to translate into lower social and professional recognition of the employee, top-tier candidates often do not view the smaller firm as an attractive career option.

Solving most problems caused by scarcity requires savvier use of the available resources, and this case is no exception. Despite the attention paid in the past few years to the issue of corporate governance, most Indian firms regard the board of directors as a regulatory obligation rather than a strategic resource. But for SMEs looking to recruit the management talent they need to reach the next level, the board can be a powerful tool.

Most Indian CEOs choose their non-executive directors (NEDs) from within their close circle of friends, acquaintances and business relationships. It is understandable that the CEO would want to be surrounded with executives whom he or she knows,





trusts and shares social ties. But choosing NEDs in this way adds only marginal value to the experience base and professional network from which the company can draw. Indeed, a NED seat is the perfect opportunity to involve exactly the top-tier talent that an SME needs, in the form of retired or soon-to-be-retired CEOs of firms at the level to which the company aspires. For while the demand for top-tier senior executives far exceeds the supply, the traditional Indian concept of retirement provides relatively little opportunity for retired CEOs to pass along their experience in a structured and meaningful way. This amounts to a squandering of resources, given the vast knowledge and wisdom these CEOs accumulated as they successfully paved the way in the liberalized and competitive new India. These corporate leaders are now in a position to share their valuable experience with those who are willing to ask.

In addition to a new source of seasoned strategic counsel, the SME CEO gains two additional benefits from viewing the board in this way. First, taking a more deliberate approach to board composition sends a message to the business community and potential candidates that the company is committed to becoming a global player, follows best practices and is capable of attracting top-tier talent. More importantly, however, a board that includes strategically chosen NEDs significantly expands the professional network from

which the CEO can recruit and increases the firm's strength. These NEDs act as "forces of attraction" that pull both public awareness and top-level talent to the business. A recently retired CEO of a large concern, after all, will have numerous highly-placed protégés throughout the industry over which he or she retains considerable influence. Once these new directors have settled into their roles, it would not be unreasonable to ask them to find one or two candidates they think would be appropriate for a particular management position. Of course, it will be important to screen those candidates against external, objective benchmarks and industry standards to guide the final selection and ensure the best fit. Well-chosen NEDs can give a company privileged access to candidates it would not normally have and serve as a powerful endorsement of the company to those candidates in today's highly competitive environment.

Author

Sanjay Kapoor is a Managing Director and Country Manager for India at Russell Reynolds Associates. He has five years of experience in executive search and assessment and focuses on recruiting senior-level executives and board members for both Indian and international organisations across a range of sectors.

Americas

Atlanta

1180 Peachtree St., NE
Suite 2250
Atlanta, GA 30309-3521
United States of America
Tel: +1-404-577-3000

Boston

One Federal Street
25th Floor
Boston, MA 02110-1007
United States of America
Tel: +1-617-523-1111

Buenos Aires

Buenos Aires Plaza
Manuela Sáenz 323
Seventh Floor, Suites 14 and 15
C1107CBP Buenos Aires
Argentina
Tel: +54-11-4118-8900

Chicago

200 South Wacker Drive
Suite 2900
Chicago, IL 60606-5802
United States of America
Tel: +1-312-993-9696

Dallas

8401 N. Central Expressway
Suite 650
Dallas, TX 75225-4404
United States of America
Tel: +1-214-220-2033

Houston

600 Travis Street
Suite 2200
Houston, TX 77002-2901
United States of America
Tel: +1-713-754-5995

Los Angeles

11100 Santa Monica Blvd.
Suite 350
Los Angeles, CA 90025-3384
United States of America
Tel: +1-310-775-8940

Menlo Park

2500 Sand Hill Road
Suite 105
Menlo Park, CA 94025-7015
United States of America
Tel: +1-650-233-2400

Mexico City

Torre Reforma
Paseo de la Reforma
115-1502
Lomas de Chapultepec
México 11000, D.F.
México
Tel: +52-55-5249-5130

Minneapolis/St. Paul

225 South Sixth Street
Suite 2550
Minneapolis, MN 55402-3900
United States of America
Tel: +1-612-332-6966

New York

200 Park Avenue
Suite 2300
New York, NY 10166-0002
United States of America
Tel: +1-212-351-2000

San Francisco

101 California Street
Suite 2900
San Francisco, CA 94111-5829
United States of America
Tel: +1-415-352-3300

São Paulo

Av. Nações Unidas, 8501
11º Andar
05425-070 São Paulo - SP
Brazil
Tel: +55-11-3566-2400

Stamford

301 Tresser Boulevard
Suite 1210
Stamford, CT 06901-3250
United States of America
Tel: +1-203-905-3341

Toronto

Scotia Plaza, Suite 3410
40 King Street West
Toronto, ON
M5H 3Y2
Canada
Tel: +1-416-364-3355

Washington, D.C.

1701 Pennsylvania Avenue, NW
Suite 400
Washington, D.C. 20006-5810
United States of America
Tel: +1-202-654-7800

Asia/Pacific

Beijing

Suite 1320, China World Tower I
No. 1 Jian Guo Men Wai Avenue
Beijing 100004
China
Tel: +86-10-6505-2688

Hong Kong

24th Floor, Central Tower
28 Queen's Road Central
Hong Kong
Tel: +852-2523-9123

Melbourne

15th Floor
Bourke Place
600 Bourke Street
Melbourne VIC 3000
Australia
Tel: +61-3-9603-1300

Mumbai

Unit 9(A), Grand Hyatt Plaza
Santacruz (East)
Mumbai 400 055
India
Tel: +91-22-6733-2222

New Delhi

A4, Tower A
The Qutab Hotel and Apartments
Shaheed Jeet Sing Marg
New Delhi 110 116
India
Tel: +91-11-4603-4600

Shanghai

Room 4504, Jin Mao Tower
88 Century Avenue
Pudong, Shanghai 200121
China
Tel: +86-21-6163-0888

Singapore

2 Shenton Way
#08-01 SGX Centre 1
Singapore 068804
Singapore
Tel: +65-6225-1811

Sydney

Level 40, Aurora Place
88 Phillip Street
Sydney NSW 2000
Australia
Tel: +61-2-9258-3100

Tokyo

Izumi Garden Tower 14F
1-6-1 Roppongi
Minato-ku, Tokyo 106-6014
Japan
Tel: +81-3-5114-3700

Europe

Amsterdam

World Trade Center
Tower H, 18th Floor
Zuidplein 148
1077 XV Amsterdam
The Netherlands
Tel: +31-20-305-7630

Barcelona

Edificio Prisma
Avda. Diagonal, 613, 2ª
08028 Barcelona
Spain
Tel: +34-93-494-9400

Brussels

Boulevard St.-Michel 27
B-1040 Brussels
Belgium
Tel: +32-2-743-12-20

Copenhagen

Østergade 1, 1st Floor
DK-1100 Copenhagen K
Denmark
Tel: +45-33-69-23-20

Frankfurt

MesseTurm
60308 Frankfurt/Main
Germany
Tel: +49-69-75-60-90-0

Hamburg

Stadthausbrücke
1-3/Fleethof
20355 Hamburg
Germany
Tel: +49-40-480-661-0

London

24 St. James's Square
London SW1Y 4HZ
United Kingdom
Tel: +44-20-7839-7788

Madrid

Calle Miguel Angel, 11
Seventh Floor
28010 Madrid
Spain
Tel: +34-91-319-7100

Milan

Via Mascheroni, 5
20123 Milan
Italy
Tel: +39-02-430-0151

Munich

Ludwigstraße 7
80539 Munich
Germany
Tel: +49-89-24-89-81-3

Paris

7, Place Vendôme
75001 Paris
France
Tel: +33-1-49-26-13-00

Stockholm

Biblioteksgatan 6-8
SE-111 46 Stockholm
Sweden
Tel: +46-8-545-074-40

Warsaw

Sp.z.o.o
Belvedere Plaza
ul. Belwederska 23
00-761 Warsaw
Poland
Tel: +48-22-851-68-38

Zürich

Genferstrasse 21
8002 Zürich
Switzerland
Tel: +41-44-447-30-30

About Russell Reynolds Associates

Russell Reynolds Associates is a leading global executive search and assessment firm. We have more than 275 consultants based in 39 wholly owned offices across the Americas, Asia/Pacific and Europe. Our consultants conduct senior-level search and assessment assignments in a range of sectors for public and private organizations of all sizes. With our deep knowledge of major industries and our commitment to outstanding client service, we ensure that our clients find and develop the best leadership teams for the ongoing success of their businesses. For more information, please visit www.russellreynolds.com.

© 2008 Russell Reynolds Associates, Inc.

RUSSELL REYNOLDS ASSOCIATES is a trademark of Russell Reynolds Associates, Inc.
Other brand names and marks referenced herein are trademarks of their respective owners.



www.russellreynolds.com

