Conference Proceeding Issue Published in International Journal of Trend in Research and Development (IJTRD), ISSN: 2394-9333, www.ijtrd.com

Role of Board of Directors in Policy Formulation and Decision Making For Market Capitalization and Growth Rate in Select Companies

Ms. M. Sangeetha,
Assistant Professor of Commerce, Vivekananda Govt. Degree College, Vidyanagar, Hyderabad, India

Abstract: In this paper, the importance of Corporate Governance is emphasized from the own Board of Director's of the Company and Independent Director's point of view. This paper also focuses on the Board's strategic decisions like having a Strategic Board, Strategic Recruiter, Strategic Interviewing, using objectivity based outsider recruiter, potential payoff and implementation and succession choice. Further, the paper also takes into account the Board tensions and tradeoff market capitalization, Covid -19 pandemic period profitability from 2019 to 2021etc. Eventually, the paper highlights the degree of not only market capitalization but also profitability suffered in diversified sectors related to different industries and Banking Companies. Therefore, the paper assumes significance during the Post Pandemic period (in the recovery period).

Keywords: *Covid -19 pandemic period, Independent Directors, Corporate Ranking, Market Capitalisation.*

I. INTRODUCTION

A Board of Directors is an elected group of individuals that represent shareholders. The board is a governing body that typically meets at regular intervals to set policies for corporate management and oversight. Every public company must have a board of directors. Some private and nonprofit organizations also have a board of directors.

By specific statute in most states, board approval is required for the following actions:

i) Amendments to the corporation's bylaws. ii) Issuance of shares by the corporation. iii) Declaration of dividends or repurchase of the corporation's shares. iv) Recommendations to the shareholders of plans to amend the articles of incorporation, dissolve the corporation or merge, consolidate or sell substantially all the assets of the corporation.

Further duties of the Board include: i) Ensuring legal and ethical conduct. ii) Selecting, evaluating. Compensating and where necessary replacing the CEO and other senior executives. iii) Approving corporate strategy. iv) Providing general oversight of the business. v) Evaluating board processes and performance, including selecting and compensating directors. vi) CEO succession planning. vii) Evaluating major investments. viii)Advising ,management on significant issues facing the corporation. ix)Statutory v/s Advisory Boards x)Statutory: Working for the company xi) Fiduciary responsibility xii) Responsibility for management succession. xiii) Evaluate performance of CEO's and key executives. xiv) Hire and fire CEO xv) Review and approve major corporate objectives, policies, budgets and strategies xvi)Working for the Owners/CEO xvii) Good way for wary CEO's to test drive a board. xviii) Don't get ensnared in minutes of audits, compliance and regulatory matters. iv) Minimal liability.

II. REVIEW OF LITERATURE

To gain indepth insights to the subject/ topic, relevant research papers and works have been referred and presented below:

Johnson, Daily and Ellstrand (1996) point out that board process influences company performance through strategic decisions. Decision on capital structure is theessential part of strategies implementation (David, 2008). The cases of Lehman Brothers and Bear Stearns in the United States and Linear Corporation Berhadin Malaysiahave shown the evidences that highly leverage capital structure lead to company failure. Therefore, as proposed by Johnson et al. (1996) and David (2008) this study will incorporate leverage as mediator variable. The proposal is also similar to the recommendation by La Rocca (2007) where the author points out that board effectiveness, capital structure and company value should be incorporated in a study. Based on above arguments, the main objective of this study is to determine the extent to which capital structure decision mediates the relationship between board process and company performance.

Effective and competent independent directors dissuade management from excessive risk taking to protect the shareholders and the company. Besides, Hasnah and Hasnah (2009) provide evidence that those independent directors who are able to provideunbiased viewscontribute to positive company , when directors perform their roles effectively, particularly their monitoring and services roles, they are expected to influence management to invest in a less risky capital structure (Mande,Park & Son, 2012). The effectiveness of the board in influencing the capital structure decision will influence company performance. The study suggests that it is crucial to empirically examine leverage as a potential mediator. The mediating variables help to explain the relationship between board process and company performance. , when directors perform their roles effectively, particularly their monitoring and services roles, they are expected to influence management to invest in a less risky capital structure (Mande,Park & Son, 2012). The effectiveness of the board in influencing the capital structure decision will influence company performance. The study suggests that it is crucial to empirically examine leverage as a potential mediator. The mediating variables help to explain the relationship between board process and company performance.

Scholars and practitioners in the industry agree with these concepts, with slight differences in emphasis (Chan and Mauborgne, 2009). Innovative corporations excel in these processes and are thus agile and strategic in making decisions (Ehsan et al., 2017).It is noteworthy, however, that results from some of the available research indicate a strong correlation between boards that have female directors and innovation effectiveness measured through R&D expenditures and citations, especially in industries in which innovation and creativity are critical (Chen et al., 2018).Leszczyńska (2018) argued that selection of directors based on filling a category to meet the composition desired without considering whether the director can fill the need for varied perspectives reduces the opportunity for robust discussions and well-rounded decision-making. Corporate governance (CGV) and sustainability are two domains that are receiving increasing attention by scholars as illustrated by the recent increase in the amount of research in this field (Naciti et al., 2021). This, thereby, shows that both sustainability and the role of governance in sustainability are increasingly concerned (Naciti et al., 2021).In addition to that, the Covid-19 emergency could affect the way that businesses self-govern, deal with socially responsible issues and carry sustainability practices (Eweje et al., 2021). In the context of the current dynamic environment, stakeholders are increasingly concerned with how businesses are governed to ensure a balance of the values of economy, society and the environment. Accordingly, the way in which the businesses create value for their stakeholders must be socially responsible and must not compromise on issues of society and the environment.Corporate social responsibility (CSR) is approached in different way by current literature. CSR refers to the voluntary implementation of corporate responsibility towards stakeholders in a way that balances values of economy, society and the environment (Thanh Tiep et al., 2021). The importance of CSR for corporate competitive advantages, corporate performance and firm value (FV) is firmly demonstrated by the current literature (Butt et al., 2020; Fuadah & Kalsum, 2021; Hendratama & Huang, 2021; Thanh Tiep et al., 2021).

OBJECTIVES :

The basic objective of the paper is assessing the impact of Board Decisions in improving the Market Capitalisation and Growth Rate in Corporate sector. As the study is on select companies from different sectors it is guided by the following other objectives:

a) To study the impact of Board Decisions on Average Market Capitalisation and Growth Rate in existing companies and new entrants , and
b) To evaluate the impact of Covid-19 pandemic on the change in profitability of Top 10 Companies during Covid era.

Table No : 1 Proportion or share of IT Sector in India's Gross Domestic Product (Projection 2022 to 2025)

IT SECTORS IN NUMBERS

	8%	$194	$350	1.6 LAKH
INDIAN ECONOMY	SHARE OF IT SECTOR IN INDIA'S GDP	BILLION IT INDUSTRY REVENUE IN 2020-21	BILLION ESSTIMATED SIZE OF INDIAN IT INDUSTRY BY 2025 ACCORDING TO NASSCOM	LAKH FRESHERS TO HIRED BY IT COMPANIES DOUBLE THAT OF LAST YEAR.

THE STRATEGIC BOARD CONTINUUM

The board benchmark in Strategic Board Continuum to help you determine your board's value. No list is magic. Scoring a 10 on the Strategic Board Continuum is not synonymous with good governance.

Of course, what drives the value of any board is the quality of the directors and their willingness and ability to assume the tremendous obligations inherent in board membership. No set of systems and no checklist can ever ensure good governance. Only good people can .The magic comes when outstanding directors combine with best practice Here is a list of the ten most critical mistakes:

- Failure to recruit strategically.
- Too many insiders.
- Too many paid consultants.
- Too much family.
- Too many cronies.
- Getting the money wrong.
- Fear of diversity.
- Information block.
- Passive directors.
- Failed leadership

IMPORTANCE OF BOARD IN MAKING THE COMPANIES TO SECURE BETTER BANKING IS AS FOLLOWS:

TABLE NO: 2 TOP 10 Companies of 2021 based on Average Market Capitalisation

Rank 2021	Rank 2020	Name of the company	Average Market Capitalisation in crores		
			Oct20-sep21	Oct19-sep20	Growth(%)
1	1	Reliance Industries	14,08,501	10,50489	34.1
2	2	Tata Consultancy Services	11,64,307	7,90,385	47.3
3	3	HDFC Bank	801370	608564	31.7
4	6	Infosys	585801	326616	79.4

5	4	Hindustan Unilever	554115	477027	16.2
6	5	Housing Development Finance Corp.	449560	345449	30.1
7	8	ICICI Bank	407221	274561	48.3
8	7	Kotak Mahindra Bank	353575	280562	26
9	12	Bajaj Finance	328079	207472	58.1
10	11	State Bank of India	312566	216328	44.5

In this table a modest attempt is made to rank the companies in 2020 and 2021 based on Average Market Capitalisation. Further, the growth rate (%) is also worked out to provide the change among the companies belonging to selected sectors The detailed information based on interpretation is as follows:

i) Reliance Industries has highest Market Capitalisation in the year 2021 over 2020 thereby recording a growth rate of 34.1 % .Tata Consultancy Services has achieved a growth rate of 47.3% into 2021 over the said base year 2020 Hindustan Uni Lever recorded a tremendous growth rate of 16.2%

ii) Companies engaged into business of banking and financial services indicated the flowing points a) HDFC Bank(31.7% followed by HDFC Ltd (30.1% ICICI Bank (48.3% Bajaj Finance (53.1%) and the SBI (44.5%) The secret behind the Bajaj Finance growth rate is , it is doing complete modern banking business though registered as an NBFC.

These ten mistakes are the symptoms of a toxic captive board. If your board exhibits these weaknesses , look to see where else there is weakness in your company. How was the board recruited? How is the board used? What is the attitude of management toward corporate governance? Why are they indifferent to one of the most powerful tools available to management today? These ten mistakes are the indicators of a failed board and perhaps a failing company.

ADVANTAGES OF A STRATEGIC BOARD:

1. Allows a company to gain valuable expertise available in no other way.
2. Enables strategic relationships and provides access.
3. Facilitates financing.
4. Serves as a think tank for big issues and strategic thinking.
5. Establishes accountability.
6. Supports and bolsters management.
7. Relieves isolation.
8. Attracts the best employees.
9. Facilitates cross fertilization and exposure to new ideas.
10. Balances stockholder interests.
11. Helps to avoid mistakes.
12. Proactively manages change.
13. Provides extraordinary value for minimal expense.

WHAT IS STOPPING CEO’s?

If boards are a strategic force in a company’s success, why doesn’t every company take advantage of this tool? Here are the key reasons:

1. Perceived threat to independence. 2. Focus on tactics. 3. Makes extra work 4. Resistance to change. 5. Ego. 6. Insecurity.

WHAT CHANGES THE CEO’s MIND?

What triggers the decision to move to a strategic board? Change. Competitive pressure. Internet time that compresses one year into ninety days or less/ The speed of change where you compete against yourself instead of your peers. Globalism. And often crises Business plan projections are unmet. A new round of funding is needed. A key member of management is leaving. The management team is failing. Or a new high financed competitor surfaces. The company is going public. Or is on the block. At some point, you realize you can learn faster and easier through others. If you are smart, you learn this early.

When a company is healthy, management and directors are inclined to think they have all kinds of time to make decisions. As a company slips, the next stages accelerate towards the crisis stage where only 13 percent of companies emerge whole. By this time. Its almost always too late for a board to save the company. Yet. it is often at this time. It is usually a turnaround situation, with a totally separate set of imperative.

The CEO with the cooperation of Board creates healthy proportion of Assets Base to augment the production and turnover. Here, an attempt is made to present the Growth of Assets consequent to Market Capitalisation. Table No:3 Top 10 Companies based on Market Capitalisation and growth rate in terms of Assets:

Total Assets Rank	Name of the company	Average Market Capitalization in crores		
		FY 2020-21	FY 2019-20	Growth(%)
1	Reliance Industries	875181	978599	-10.5
2	Indian Oil Corp.	356964	330064	8.1

3	NTPC	354385	340452	4.1
4	Oil and Natural Gas corp.	316454	303336	5
5	Power Grid Corp of India	282970	264104	-0.4
6	Bharti Airtel	261909	272671	-5.7
7	Vodafone Idea	203131	228886	-11.3
8	Tata Steel	165038	150393	9.7
9	Larsen &Toubro	147459	140128	5.2
10	Bharat Petroleum Corp.	140604	126469	11.2

This table indicated that Companies like Reliance Industries (-10.5%) Power Grid Corporation of India (-0.5%) Bharti Airtel ()-5.7%) Vodafone Idea Ltd.(-11.3%) have recorded a downfall in Market Capitalisation in the year 2021 over the base year 2020.

1. Companies from diversified sectors recorded very low growth rate like Indian Oil Corporation (8.1%) NTPC (4.1%) ONGC (5%) Tata Steel (9.5%) L& T Ltd. (5.2%) and the BPCL at (11.2%) This low growth rate is due to the Covid -19 pandemic impact on Corporate sector.

Business is blocking and tackling observes Micheal Burke., people get up early to produce at the lowest possible price. I don't know anybody selling products for more money than either years ago and most are selling their products for substantially less. Adds Burke who sits on nine boards in the Cincinnati area. 'Its tough stuff. If someone is not keeping an eye on the horizon, it's dangerous. You need the guy with instant replay who can see your play in conjunction with others. You need someone to say. I've tried to play on third down before. And it doesn't work .

The dramatic untold stories are the hundreds of companies public and private that have avoided crises, because of the advice and counsel of strategic boards of directors. As Ken Derr, CEO of Chevron, says there's nothing more important to a company's fortunes than a strong board. Ultimately if we don't. govern ourselves, the government will do it for us. So., who needs a board anyway? You do.

NINE STEPS TO STRATEGIC RECRUITING:

Recruiting can be the responsibility of the full board, the board governance committee, or , if it is a new board, a collaboration of management with perhaps an objective outsider. In all cases, the process should include management's thinking. There are nine steps involved in strategic recruiting.

1. Create a board charter.
2. Create a board matrix.
3. Define the board structure.
4. Develop a measurable profile for each director slot.
5. Know and specify why directors will want to serve.
6. Recruit proactively to each profile.
7. Interview and reference potential directors in the context of your board.
8. Provide comprehensive orientation.
9. Recruit in a continuum.

Table No: 4 Top new Entrants of 2021 in terms of Market Capitalisation:

RANK(OUT OF 500 TOP COMPANIES)	COMPANY	Average Market Capitalization(Rs crores)
81	Gland Pharma	48436
112	Macrotech Developers	35007
132	Indian Railway Finance Corp.	30765
146	Sona BLW Precision Forgings	27305
199	Clean Sciences and Technology	17936
210	G R Infraprojects	16234
250	INDIGO Paints	11948
260	Computer Age Management Services	10968
275	Shyam Metalics and Energy	1036
267	Krishna Institute of Medical Sciences	9821

This table exhibits that certain companies were earlier low performing entities. But, in this period of 2020 and 2021 they emerged as major growth leaders due to their pectoral significance emerged on account of change of in the business environment .

1. Companies like Gland Pharma, Clean Sciences and Technology and Krishna Insititute of Medical Sciences (KIMS) were earlier average performers. During this period they are ranked in less than Top 300 Companies.
2. Companies like Macrotech Developers, Indian Railway Finance Corporation, SONABLW Precision Forgings GR Infratech , Shyam Metallics and Indigo Paints recorded upward ranking over their previous ranks in 2021 over the year 2020.

Business of the Board is balancing between profitability in one hand and Value Based ethical management practices on the other hand to experience the better Corporate Governance .Here, an attempt is made to present the profitability performance of Top 10 companies during the Covid -19 era.

Table NO : 3 Change in profit of TOP 10 Companies in 2020 over 2019:

COMPANY	FY 20 (RS.CRORES)	FY19 (RS.CRORES)	CHANGE (%)
Reliance Industries	30903.00	31944.00	3.3
Tata Consultancy Services	33260.00	30960.00	-6.92
HDFC Bank	26257.32	31116.53	18.51
Infosys	15543.00	18048.00	16.12
Hindustan Unilever	6738.00	7954.00	18.05
Housing Development Finance Corp.	17769.65	12027.30	-32.32
ICICI Bank	7930.81	16192.88	104.17
Kotak Mahindra Bank	5947.18	6964.84	17.11
Bajaj Finance	4881.12	3955.51	-18.96
State Bank of India	14488.11	20410.47	40.88

This table reveals the following aspects:

1. Diversified sectoral companies represented by Tata Consultancy Services (_6.92%) , HDFC Ltd. (_32.32%) and the Bajaj finance Ltd. (-18.96%) have recorded a negative change in the above said period due to the Covid -19 global pandemic reflected in the form of Total Economic Lockdown in the country.
2. Companies like Reliance Industries Ltd.(3.3%) HDFC Bank (10.5%) Infosys(16.12%) Hindustan Uni Lever (18.05%) ICICI Bank (104.17%) and the SBI (40.88%) growth rate . This growth rate is due to the financial business which is happened to be the lifeline of economic and human activity even in the Covid -19 pandemic times.

III. INTERVIEW AND REFERENCE POTENTIAL BOARD MEMBERS

Even seasoned directors should be interviewed in the context of your board. They need to understand your charter and what is expected of them. How will directors be measured? What do you hope to gain from their membership? Is yours a captive board beholden to the CEO or a strategic board in partnership with management- or somewhere in between/? Where is your board on the strategic board continuum? Who else will they serve on the board with and how will they complement the mix and the culture?

Visit the candidates on their home turf- at their business and their home as well. Meet their families. It's a unique opportunity to see their culture and their leadership skills in action, to see whom they surround themselves with and where their priorities lie.

Questions to ask prospective board members:

- Why do you want to serve?
- What is your opinion of our company?
- How will you contribute? Examples
- What are your specific areas of expertise? How will those add value to the board?
- How many other boards do you sit on? For profit and not for profit. What role do you play on those boards?
- What is your view of the role of a board and corporate governance?
- Do boards add value? How?
- What are the downsides?
- How do you use your board?
- What is your most rewarding experience on a board?
- How specifically have you added value? Examples
- What is your most difficult experience as a director/,
- Are you willing to commit to the level of participation and support that we need?
- What committees would you like to sit on? Why?
- Do you prefer to be compensated in stock or cash?
- Are your goals and values compatible with those of our organization? Describe.
- What are your concerns?

Discuss the criteria in the profile and ask directors to describe their strengths and weaknesses in that context. Ask experiential questions based on challenges and issues before your board. What conclusions do they draw from your financial statements? How would they approach some of your key issues? You will learn a lot about the potential director and a lot about your company.

Invite prospective directors to your facility. Are they truly interested in your company? In your business? What kind of questions do they ask? How insightful are they ? Have they done their homework?

IV. USING OBJECTIVE RECRUITERS

Consider using an objective outsider to recruit for you. As David Mc Laughlin observes, there is definitely a shift from cronyism and clubishness to a search process for selection. More thought is now being given to background and balance. Harvey MacKay says, you should always go to two or three shops. When looking for advice you should always have more than one opinion.

The advantages of outside recruiting are that it

- Allows you to proactively recruit to your strategic plan to your critical issues.
- Gives you access to the broadest spectrum of targeted best candidates.
- Allows you to move beyond your own circle of influence.]
- Gives you access to a higher level of individuality than through informal networks.
- Provides a choice among highly qualified candidates, who become multipliers for you, whether or not they come on board.
- Validates the board to potential directors.
- Validates the board to your constituencies.
- Provides objective referencing and interviewing.
- Provides confidentiality and discretion.
- Does not waste the time of the CEO and directors on less qualified candidates.
- Maintains the goodwill of candidates and constituencies.

THE DIRECTOR'S CHECKLIST:

The decision to join a board is as critical for the director as for the board making the offer. Perhaps more so. At stake are your resources and your reputation. You are going to pledge your commitment, your loyalty, access to your network, your time and your energy. What are the questions to ask?

In today's competitive Corporate environment Managing the Objectives (MBO) propounded by Peter F.Drucker is gaining momentum in all the sectors. Table NO: 5 reveals the Top 10 Companies outperforming in profits after taxes ,Total Income growth, Average market capitalization based on ranking of companies during 2020 and 2021.

Table NO: 4 The Out Performing Companies in 2021 over 2020 based on Market Capitalisation and Profit After Tax (PAT GROWTH)(%)

Rank 2021	Rank 2020	Change in rank	Company	Avg.mcap growth(%)	Total Incomegrowth(%)	PAT growth (%)
73	91	18	Tata Consumer Products	100.1	25.40	18.33
5	4	-1	Hindustan Unilever	16.2	17.69	18.05
22	18	-4	Nestle India	11.5	7.00	5.79
38	34	-4	Dabur India	16.3	13.28	18.07
15	10	-5	ITCV	(0.6)	0.19	(13.90)
51	40	-11	Godrej Consumer Products	24.4	13.54	3.77
75	63	-12	Marico	33.6	8.50	9.83
49	36	-13	Britannia Industries	10.7	11.87	18.58
87	71	-16	Colgate-Palmolive (India)	14.1	6.50	26.81

1. In this table an attempt is made to provide the change in companies rank whose Market Capitalisation and The Profit after tax (pat) growth rate have recorded upward trend.
2. Companies like Hindustan Uni Lever, Nestle India Ltd, Dabur India Ltd, ITCV , Godrej Consumer Products, Marico Industries, Britannia Industries and Colgate, Palmolive Companies recorded negative ranking and slipped down due to the Covid -19 pandemic impact with an exception to Tata Consumer Products . This is due to the Consumer Products importance in the day to day life of the people of India.

Decision making by BOARD

The most noteworthy in our interviews is the overall trust of the directors' thoughts on what makes for effective boards. In their view, effectiveness has little to do with regulators, laws, recent shareholders initiatives to change board elections, and so on, and everything to do with what transpires within individual boards. The determinants that shape boards' behaviour, in the eyes of our interviewees, are illustrated below. What really matters, they told us in a variety of ways, is for each board to achieve clarity about its role - that is, about the extent and nature of its involvement strategy, management succession, risk oversight, and compliance.

This conception of board activities has several important implications. If, as our interviewees insisted, EA boards effectiveness is directly attributable to its activities, it follows that boats have responsibility to define their own role with precision and to decide how to perform it in the light of nature of the firm, its management, its industry, and its particular challenges. To gain this understanding, boards will have to invest extended time in hard-headed discussions of both, leading to concrete and actionable conclusions.

Profitability is the reflection of operational performance of any company. Operational performance and the financial position of a company are the result of Boards's ability in making right decisions in right time in the areas of all the functional areas of Board's Administration /management .

Table No: 5 Profit Margin pressure from 2017-18 to 2021 among the TOP IT Companies in (%)

YEARS	HCL	WIPRO	TCS	INFOSYS
2017-18	20.3%	16.1%	24.8%	24.3%
2018-19	19.6%	17.9?%	25.6%	22.8%
2019-20	19.6%	18.1%	24.6%	21.3%
2020-21	20.4?%	20.3%	25.9%	24.5%
2021-22*	19.4%	17.7%	25.9%	23.6%

*Motilal Oswal Projection

Source Companies:Motilal Oswal Report

This table is devoted to present the profit margin suffered in terms of the Gross Profit , Operating Profit, Net Profit, Profit Before Tax and Profit After Tax . For this purpose 4 dominant companies from IT sector are chosen namely , HCL. Wipro , TCS and Infosys The study is made from the year 2017-18 to 2021-22(projected for 2022) .

HCL Suffered a setback during 2018-19 and 2019-20 The current financial year of 2021-22 also, company faced the profit pressure.

Wipro Company has recorded a continuous growth rate during the first 4 years period from 2017-18 to 2020-21 However, in the current financial year of 2021-22 the profit of the company has recorded a significant decline.

TCS is a Market leader in the field of Software products and services. It has been recording highest growth rate in its business sector in relation to other companies . Even then , the Profit after tax rate is fluctuating throughout the study period and reached rise and slide from 24.8 % in 2017-18 to 25.9% in 2021-22.

Lastly another IT giant Infosys recorded the same tendency of erratic ups and downs in profitability during the study period.

Potential payoff and implementation:

When boards follow this strategic engagement framework, they avoid the risk. Instead, Directors are actively engage in companies strategy and are able to identify problems early on so that they can be discussed and corrected on a timely basis. In addition they are able to prioritise their responsibilities to effectively use their limited amount of time. Finally the boards conversation can shift from discussions about tactical and financial data to the implementation of strategy and the environment within which the company operates.

The research on such succession, on case studies that illustrate that process and on my own experience as a board member taking part in the succession process. Before beginning a discussion of the role of the boat a little context is useful. Capsule summary of recent research on management and performance of major companies includes the following points.With few exceptions, the economic performance of publicly held corporations rarely exceeds the mean for long periods of time. Only a handful of companies have maintained performance that has kept them in the top quartile for more than a decade. Generally, high performers regress to the mean. Study of 87 high performers in the 1976 – 1993 period showed a decline in spread above the standard and poor's (S&P) average from 21 % to 2%. Low performance rice toward the mean or disappear. The implication of these numbers is daunting. If the performance prayer to your CEO's arrival was above average, he or she will have to do something special to avoid a decline. If it was below average, your successor CEO will have a lot of problems to find and fix. Either way, that CEO has a very demanding job.

If anything, the job has become more difficult. Accelerating technological change and globalising markets have intensified competition. Growing, vast, and liquid capital markets have led to the emergence of an active market for corporate control.Companies that do not perform well are often gobbled up by strategy competitors or private equity funds. Top management operates under enormous pressure.Moreover, increasingly competitive global markets mean that world-class efficiency, capability for innovation,and customer focus are needed for sustained success. To achieve these capabilities, continuity in CEO leadership is critical.

One constant factor in the mix of attributes associated with those companies that sustain high performance over time is that they manage succession well. More often than not, depict insiders to succeed incumbents.

The research shows that from a sample of 1800 transitions CEO'S chosen from inside the organisation perform better than outsiders whether or not the company has been doing well. the difference is less dramatic when performance prior to succession has been good.Careful case by case analysis of succession suggest that the reasons for this difference in performance have to do with the insider CEO's knowledge of the company's technologies, operations, and competitors as well as his or her knowledge of company capabilities and culture.

Despite the apparent superior performance of CEO appointed from the inside and importance of continuity, and in the face of the growing demands on leadership and the complexity of modern companies, CEO turnover is higher in this decade than in earlier times, as is the number of outsiders chosen as new CEOs. Data from booz Allen Hamilton's most recent study show outsiders replacing incumbents around 20% of the time, even though performance is consistently poorer and tenure shorter.

The independent directors perspective

Serving as an independent director is a much more difficult task---and even more important----than most observers release. With new board governance regulations in place and rising expectations and criticism of corporate boards by outsiders,it is far more difficult to be an independent director now than it was in years past.Many observers have worried that qualified people will not serve on boards. That has not been my experience. It's just that they won't serve on as many boards as in the past, which is appropriate given the time it takes to be an effective board member. There are valid reasons for directors not to spread themselves too thin.

The greatest challenge that independent directors face is to keep themselves fully informed about the company on whose board they serve. Independent directors typically engage with the company and its board 6 to 8 times a year is most frequently if they serve on the audit committee or other special committees. Given strict enforcement of director independence, directors generally lack the wealth of knowledge about the industry or the nature of the business that senior executives of the firms have. Thus, they are faced with a significant problem of information asymmetry because management has far more information than independent directors can ever observed.The nine different boards on which I have served as an independent director include a wide range of industries, some financial services to oil and Gas, pharmaceuticals, retail, outdoor lawn equipment, and large computers. In none of these instances did I have industry-- specific knowledge,North was it possible to learn the industry in great enough depth to contribute to the management discourse in a meaningful way.

Given the inherent limitations, what then should independent directors contribute? Beyond the legal requirements and fiduciary responsibilities that are inherent to board service, there are four principal areas where directors should provide leadership: 1. Providing management with sound judgements about difficult issues, and asking probing questions that cause management and the CEO to look at their challenges from a different perspective, 2. Being an advocate for Soundbot governance, 3.helping to ensure the effectiveness of the company's leadership team and its leadership succession plans, and 4. Taking on leadership roles in crises.

CONCLUSION

The following are the conclusions drawn from the present paper:

i) Companies engaged into business of banking and financial services indicated the flowing points a) HDFC Bank(31.7% followed by HDFC Ltd (30.1% ICICI Bank (48.3% Bajaj Finance (53.1%) and the SBI (44.5%) The secret behind the Bajaj Finance growth rate is , it is doing complete modern banking business though registered as an NBFC.

ii) This table indicated that Companies like Reliance Industries (-10.5%) Power Grid Corporation of India (-0.5%) Bharti Airtel ()-5.7%) Vodafone Idea Ltd.(-11.3%) have recorded a downfall in Market Capitalisation in the year 2021 over the base year 2020.

iii) Companies like Macrotech Developers, Indian Railway Finance Corporation, SONABLW Precision Forgings GR Infratech , Shyam Metallics and Indigo Paints recorded upward ranking over their previous ranks in 2021 over the year 2020.

iv) Companies like Hindustan Uni Lever, Nestle India Ltd, Dabur India Ltd, ITCV , Godrej Consumer Products, Marico Industries, Britannia Industries and Colgate, Palmolive Companies recorded negative ranking and slipped down due to the Covid -19 pandemic impact with an exception to Tata Consumer Products . This is due to the Consumer Products importance in the day to day life of the people of India

SUGGESTIONS

A few valid suggestions are offered for the improved functioning of the Board in order to suggest the best practices as shown below:

1.Board composition and size: Boards of directors should be composed of members with a good mix of specialised expertise, including knowledge of the industry, customers, and important management functions.The board members should have diverse perspectives and opinions. The board should not be too large or too small. If board is too large it is more difficult for individual directors to become actively involved in the discussions. If the board is too small, it is difficult to have all the requisite knowledge and abilities at the hand, and the workload might be too great for directors to perform effectively. In the United States, the most common board size is 10 directors. Most board directors should be independent of management, as regulations now require.

2.Board member behaviour: Boards should be composed solely of members who are energetic, inquisitive, and attentive--which time to perform their duties. They should stay well informed about the developments in their company's industry. They should be willing to express their opinions in meetings in constructive ways.

3.Board leadership: The independent board must control the agenda and conduct of theboard meetings, not management. Depending on the situation,this can be done effectively either by an independent chair or a lead independent director. The leader should establish the orderly processes and encourage all the individual directors to stay properly engaged, contribute their knowledge and opinions freely, and work ok towards a consensus.

4.Board committee: The board should delegate some discussions to the committee structure allowing for discussion of certain issues in more detail by both members the committee structure allows for discussion of certain issues in more detail by board members with specialised expertise. Care must be taken to ensure that communications between committees and the full both are effective.

5.Role clarity: Directors must understand and agree on their board's role, both legal and practical, particularly on issues involving relationships and separations of duties with management. The board members must also understand their individual responsibilities. they need to understand their areas of expertise that they bring to the board and the areas of expertise of the other board members. They also need to understand when they should forcefully argue their positions rather than accede to others' judgements.

6.Board evaluations: The board should evaluate itself and its individual members regularly. Feedback from the evaluation should be used to improve the board composition, structures, and processes as necessary.

References

[1] AzaAzlinaMdKassimUniversiti Selangar,Zuainilshak, University Utara Malaysiaand Nor Aziah Abdul Manaf, Universiti Utara Malaysia:Board Effectiveness and Company Performance: Assessing the mediating role of capital structure decisions: International Journal of Business and Society,Vol.14,No.2,2013 ,290-304.

[2] Epstein, M. J., & Roy, M. (2005). Evaluating and monitoring CEO performance: Evidence from US compensation committee reports. *Corporate Governance*, *5*(4), 75-87.

[3] Fauzias, M. N., &Bany, A. (2005). Does pyramiding have an impact on firm's capital structure decision among Malaysian distress companies? *Corporate Ownership and Control*, *2*(4), 93-106.

[4] Feidakis, A., &Rovolis, A. (2007). Capital structure choice in European Union: Evidence from the construction industry. *Applied Financial Economics*, *17*(12), 989-1002.

[5] Finkelstein, S., & Mooney, A. C. (2003). Not the usual suspects: how to use board process to make boards better. *Academy of Management Executive*, *17*(2), 101-113

[6] Adams RB, Ferreira D (2009) Women in the boardroom and their impact on governance and performance J Financ Econ 94(2):291–309

[7] Ahmed A, Ali S (2017) Boardroom gender diversity and stock liquidity: evidence from Australia. J Contemp Account Econ 13(2):148–165

[8] Balas RM (2015) Competing via creation of distinctive organizational competences: "how to do it". Ekonomski Vjesnik/Econviews: review of contemporary business. Entrepreneurship Econ Issues 28(1):143–159

[9] Baregheh A, Rowley J, Sambrook S (2009) Towards a multidisciplinary definition of innovation. Manag Decision 47(8):1323–1339

[10] Berg P, Lingqvist O (2019) Pulp, paper, and packaging in the next decade: transformational change. In: McKinsey & Company. www.mckinsey.com/industries/paper-forest-products-and-packaging/our-insights/pulp-paper-and-packaging-in-the-next-decade-transformational-change. Accessed Jul 1 2020

[11] Blomqvist K, Harknink E, Kerssens-fan Drogenlon I et al. (2004) Measuring innovativeness-challenges and possibilities for knowledge-based firms. Paper presented at the 2004 IEEE International Engineering Management Conference, Singapore, pp. 530–535

[12] Bottia MC, Mickenson RA, Giersch J et al. (2018) The role of high school racial composition and opportunities to learn in students' STEM college participation. J Res Sci Teach 55(3):446–476

[13] Bradbury MD, Kellough JE (2008) Representative bureaucracy: exploring the potential for active representation in local government. J Public Admin Res Theory 18:697–714

[14] Braverman B (2019) A culture of inclusion: the board's role in fostering companywide diversity. Director Board 43(5):44

[15] Chan K, Mauborgne R (2009) How strategy shapes structure. Harvard Business Review. hbr.org/2009/09/how-strategy-shapesstructure. Accessed July 31 2020

[16] Chen C (2019) Developing a model for supply chain agility and innovativeness to enhance firms' competitive advantage. Manag Decision 57(7):1511–1534

[17] Chen J, Leung WS, Evans KP (2018) Female board representation, corporate innovation and firm performance. J Empir Finan 48:236–254

[18] Collins L (1994) Environmental performance and technological innovation: the pulp and paper industry as a case in point. Technol Soc 16(4):427–446

[19] Dabbert S, Lewandowski I, Pyka et al. (2017) Transformation of economic systems: the bio-economy case. In: Dabbert S, Lewandowski I, Weiss J, Pyka A (eds), Knowledge-Driven Developments in the Bioeconomy - Technological and Economic Perspectives. Springer, pp. 3–16

[20] Ehsan S, Yazdani N, De Leeuw S (2017) Supply chain integration strategies in fast evolving industries. Int J Logist Manag 28(1):29–46

[21] Eloranta J (2019) Board of directors–focus on value creation. Keuruu, Finland

[22] Ely RJ, Padavic I, Thomas DA (2012) Racial diversity, racial asymmetries, and team learning environment: effects on performance. Organ Stud 33(3):341–362

[23] Fuente JA, García-Sánchez IM, Lozano MB (2017) The role of the board of directors in the adoption of GRI guidelines for the disclosure of CSR information. J Clean Prod 141:737–750

[24] Hakovirta M, Lucia L (2019) Informal STEM education will accelerate the bioeconomy. Nat Biotechnol 37(1):103

[25] Harjoto MA, Laksmana I, Yang YW (2019) Board nationality and educational background diversity and corporate social performance. Corp Gov 19(2):217–239

[26] Jari K, Sahebi D (2013) Customer needs linked to production strategy and firm's dynamic capabilities. Manag Prod Eng Rev 4(2):63

[27] Jyothirmayee CA, Sreelatha K, Rao YH (2016) Innovations in nanotechnology in water purification. Indian J Res Pharm Biotechnol 4(6):282–282

[28] Kim MS, Lee DH, Kim CH et al. (2015) Shell–core structured carbon fibers via melt spinning of petroleum- and wood-processing waste blends. Carbon 85:194–200

[29] Abdullah, H., & Valentine, B. (2009). Fundamental and ethics theories of corporate governance. *Middle Eastern Finance and Economics*, 41, 88–96.

[30] .Afthanorhan, A., Awang, Z., & Aimran, N. (2020). An extensive comparison of CB-SEM and PLS-SEM for reliability and validity. *International Journal of Data and Network Science*, 4(4), 357–364. https://doi.org/10.5267/j.ijdns.2020.9.003

[31] Al-Fadly, A. (2020). Impact of COVID-19 on SMEs and employment. *Entrepreneurship and Sustainability Issues*, 8(2), 629–648. https://doi.org/10.9770/jesi.2020.8.2(38)

[32] Alessandro, M., & Marikka, H. (2021). Business continuity in the COVID-19 emergency: A framework of actions undertaken by world-leading companies. *Business Horizons* 64(5), 683–695. https://doi.org/10.1016/j.bushor.2021.02.020

[33] Ammann, M., Oesch, D., & Schmid, M. M. (2011). Corporate governance and firm value: International evidence. *Journal of Empirical Finance*, 18(1), 36–55. https://doi.org/10.1016/j.jempfin.2010.10.003

[34] Ararat, M., Black, B. S., & Yurtoglu, B. B. (2017). The effect of corporate governance on firm value and profitability: Time-series evidence from Turkey. *Emerging Markets Review*, 30(2017), 113–132. https://doi.org/10.1016/j.ememar.2016.10.001

[35] Arora, A., & Sharma, C. (2016). Corporate governance and firm performance in developing countries: Evidence from India. *Corporate Governance*, 16(2), 420–436. https://doi.org/10.1108/CG-01-2016-0018

[36] Bolourian, S., Angus, A., & Alinaghian, L. (2021). The impact of corporate governance on corporate social responsibility at the board-level: A critical assessment. *Journal of Cleaner Production*, 291(2021), 125752. https://doi.org/10.1016/j.jclepro.2020.125752

[37] Brigham, E., & Houston, J. (2006). *Basics of financial management*. Salemba Empat. \

[38] Butt, A. A., Shahzad, A., & Ahmad, J. (2020). Impact of CSR on firm value: The moderating role of corporate governance. *Indonesian Journal of Sustainability Accounting and Management*, 4(2), 145–163. https://doi.org/10.28992/ijsam.v4i2.257

[39] Diriba, M., & Basumatary, D. (2019). Impact of corporate governance on firm performance: Evidence from indian leading companies. *Parikalpana: KIIT Journal of Management*, 15(1&2), 127–140. https://doi.org/10.23862/kiit-parikalpana/2019/v15/i1-2/190r78

[40] Du Plessis, J. J., Hargovan, A., & Harris, J. (2018). *Principles of contemporary corporate governance*. Cambridge University Press.

[41] Efron, B., & Tibshirani, R. (1993). *An Introduction to the Bootstrap*. Chapman & Hall

[42] Efron, B. (2003). Robbins, empirical Bayes and microarrays. *Annals of Statistics*, 31(2), 366–378. https://doi.org/10.1214/aos/1051027871

[43] Elkington, J. (1997). *Cannibals with forks: The triple bottom line of 21st century business*. Oxford: Capstone Publishing Ltd

[44] Eweje, G., Iona, A., Foley, M., & Nerantzidis, M. (2021). Guest editorial. *Corporate Governance*, 21(6), 961–968. https://doi.org/10.1108/CG-09-2021-555

[45] Fabeil, N. F., Pazim, K. H., & Langgat, J. (2020). The impact of Covid-19 pandemic crisis on micro-enterprises: Entrepreneurs' perspective on business continuity and recovery strategy. *Journal of Economics and Business*, 3(2), 837–844. https://doi.org/10.31014/aior.1992.03.02.241

[46] Fahad, P., & Rahman, P. M. (2020). Impact of corporate governance on CSR disclosure. *International Journal of Disclosure and Governance*, 17(2–3), 155–167.48.https://doi.org Fuadah, L. L., & Kalsum, U. (2021). The impact of corporate social responsibility on firm value: The role of tax aggressiveness in Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(3), 209–216. https://doi.org/10.13106/JAFEB.2021.VOL8.NO3.0209

[47] Golubeva, O. (2021). Firms' performance during the COVID-19 outbreak: International evidence from 13 countries. *Corporate Governance*, 21(6), 1011–1027. https://doi.org/10.1108/CG-09-2020-0405 /10.1057/s41310-020-00082-1

[48] Hendratama, T. D., & Huang, Y.-C. (2021). Corporate social responsibility, firm value and life cycle: Evidence from Southeast Asian countries. *Journal of Applied Accounting Research*, 22(4), 577–597. https://doi.org/10.1108/JAAR-09-2020-0194

[49] Khatib, S. F. A., & Nour, A.-N. I. (2021). The impact of corporate governance on firm performance during the COVID-19 pandemic: Evidence from Malaysia. *Journal of Asian Finance, Economics and Business*, 8(2), 0943–0952. https://doi.org/10.13106/jafeb.2021.vol8.no2.0943

[50] Zahra, S. A., & Pearce, J. A. (1989). Boards of directors and corporate financial performance: a review and integrative model. *Journal of Management*, *15*(2), 291-33.