

Regulators as board leaders?

UNEASY TRANSITION. Moving from certainty of legal frameworks to ambiguity of markets requires a different approach



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In India's evolving governance landscape, a quiet but significant trend has taken root: retired secretaries to the Government of India and former heads of statutory regulatory agencies are increasingly stepping into boardrooms as non-executive chairpersons, shaping the strategic trajectory of listed companies. The appeal is intuitive: who better to steer governance than those who have helped define and enforce it? In an era of heightened scrutiny, their presence lends gravitas and reassures investors and stakeholders alike.

The transition from regulator to board leader is, however, not always seamless. Public office is typically defined by hierarchy, guided by precedent, and oriented towards risk minimisation. The boardroom, in contrast, demands strategic judgment, commercial foresight, and the ability to guide rather than direct. The chairperson's role extends beyond compliance to shaping the firm's long-term direction, mentoring management, and balancing prudence with enterprise. The issue, therefore, is not one of intent or integrity, but of institutional fit and role adaptation.

UNDERSTANDING THE SHIFT

This shift is best understood as a change in institutional logic rather than capability. Moving from the certainty of legal frameworks to the ambiguity of markets requires a different orientation: from enforcing rules to enabling outcomes, and from formal authority to influence exercised through engagement. Governance in this setting depends not on past designation, but on the capacity to interrogate assumptions, contribute to strategy, and exercise independent judgment. Absent these attributes, even the most distinguished appointments risk becoming symbolic rather than substantive.

Moving from regulator to board leader involves a shift from adjudication and enforcement to strategy and performance.

The point is not about competence, but about context: expertise is domain-specific, and institutional roles require recalibration when carried across settings.

This gap is not universal, but where it exists, it tends to be specific. It often lies in areas such as capital allocation, industry structure, and competitive



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positioning, as well as in the softer skills of boardroom engagement: questioning, dissent, and consensus-building.

These distinctions become most visible in decision-making styles. Public officials are accustomed to operating within clearly defined authority structures, where decisions are backed by ministerial responsibility. Boards, however, are deliberative bodies that rely on collective reasoning, where accountability is direct and cannot be externalised. Effectiveness depends less on authority and more on persuasion, listening, and constructive challenge. Without conscious adaptation, hierarchical instincts may sit uneasily within a collaborative governance environment.

REGULATORY OVERHANG

A related concern is the risk of a regulatory overhang. Boards led by individuals steeped in regulatory culture may exhibit excessive caution. While this strengthens compliance and reduces downside risk, it may also constrain strategic flexibility in sectors where innovation, speed, and calculated risk are essential. The result is not governance failure, but a potential imbalance between prudence and enterprise that may affect competitiveness, at the margin.

It is equally important to recognise that past performance in public office is not a reliable predictor of effectiveness in competitive markets. Unlike

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regulatory roles, where outcomes are often episodic and compliance-driven, corporate leadership is continuously tested by market performance, capital allocation decisions, and quarterly expectations. The metrics, rhythm, and accountability structures differ in material ways.

That said, it would be reductive to view such appointments sceptically. Former public officials bring valuable strengths in governance discipline, crisis management, and public accountability. These attributes can significantly enrich board deliberations, particularly in regulated sectors. The question is not whether they add value, but how that value can be fully realised.

IMPROVING OUTCOMES

The answer lies in calibration. One way to improve outcomes is through structured sequencing. Former regulators could first serve as independent directors, gaining exposure to business models, competitive dynamics, and boardroom processes, before assuming chair positions. This, in turn, raises a broader institutional issue: the effectiveness of independent directors themselves. While views may differ on how well the institution has delivered on its promise, one principle remains uncontroversial: no role of consequence can be performed effectively without preparation.

If independent directors are expected to exercise judgment, oversee complex management structures, and challenge corporate strategy constructively, they must be equipped accordingly. This requires more than familiarity with law or finance; it calls for capabilities in strategic thinking, risk assessment, communication, scepticism, and ethical reasoning, regardless of whether they come from public service or private sector, as each brings distinct strengths but also potential blind spots. The recent regulatory emphasis on structured training and

capacity-building is a positive step, but it may not be sufficient to meet the demands of increasingly complex corporate structures.

It is time to reconceptualise independent directorship, and, by extension, board leadership, as a profession in its own right. This would entail structured induction, continuous professional development, and certification through rigorous assessment, without grandfathering. Crucially, it must be anchored in a stringent conflict-of-interest framework, including cooling-off periods and robust fit and proper evaluations. It would also require clearer standards of accountability for contribution, not just conduct. Without such professionalisation, expectations will continue to outpace outcomes.

Within such a framework, the role of former regulators as Chairmen becomes easier to situate. Their experience remains valuable, but the effectiveness depends on preparation, sectoral understanding, and integration into a board culture that balances regulatory wisdom with commercial acumen. The journey from a full-time regulator to a part-time chairman is not merely a change in position; it is a shift in mindset and mode of engagement. Those who navigate this transition successfully can strengthen boards and contribute meaningfully to corporate India; those who do not may remain distinguished, but not decisive.

As India's governance architecture matures, the focus must move beyond credentials to competence, and beyond optics to outcomes. The objective is not merely to populate boardrooms with experience, but to ensure that such experience translates into effective oversight, strategic insight, and sustained value creation.