

Evolving talent agenda for the Nomination and Remuneration Committee



In a world battling the pandemic, business processes and operating environments have seen a dramatic change; leading to an evolution in the role, and the agenda, of the Nomination and Remuneration Committee (NRC). For e.g., the focus on executive compensation and succession planning has never been greater. In this environment, businesses have seen their talent landscape upended. Undoubtedly, there is a need for the NRCs to explore additional responsibilities and guide organisations in fulfilling the broader talent agenda.



Short - Midterm Focus



NRCs and their role in bridging the talent demand-supply gap

The impact of 'great resignation', combined with the paucity of talent, across levels, is felt across industries. The increasing attrition rates coupled with the increased scrutiny in the hiring process has led to difficulty in maintaining the talent pipeline, even at the leadership level. Nowadays, even with significant jumps in compensation at the leadership/senior management levels, candidates are renegeing on their commitments.

It is becoming clear that a strong culture attracts and retains talent. There is merit for the NRC to act as the cultural ambassador for organisations, owing to their interaction with senior managerial personnel. Organisations can benefit from empowering their critical resources who end up staying with them and celebrating their tenures with the organisation.

The NRC may wish to review attrition on a quarterly basis to ensure that business continuity

and growth initiatives are not impacted due to talent shortages. NRC members can address all new joiners quarterly for re-enforcing leadership commitment to the talent. However, the current talent market requires both speed and alacrity, the NRC with its current composition and frequency of meetings, cannot provide that necessary execution impetus. Amongst all this, the role of the NRC should remain directional rather than focused on execution. The NRC needs to guide organisations in building capability to execute the talent agenda.

Exploring alternate talent mixes and talent hubs

NRCs might benefit from spending more time in understanding the business requirements and priorities. Businesses may bring back the focus on outsourcing non-critical roles and activities and focusing only on core and critical roles, activities, and processes. The NRC can play the role of a guide and provide insights on the talent landscape from the market.

NRCs can influence the talent mix by nudging the organisation to increase focus on hiring part-time or gig workers, reintroducing women into the workforce, even if in flexible arrangements for bridging the talent shortages. The NRCs can advise Boards to look at engaging consultants who can work with the organisation on temporary contracts which can be spread across 6 months to 1 year. Organisations could explore tier 2 and tier 3 cities to create stickiness in the talent pool. Besides investing in technical training, organisations may benefit from investment in behavioral and cultural trainings to ensure that the organisational culture and DNA is shared with employees working remotely.

Organisations can use this time to create a bench strength and train people across multiple and diverse skill sets to ensure that they focus on building and engaging a flexible workforce under the guidance of the NRC.

Driving hiring decisions

In many organisations, the CEO and/or the promoter often don't sit on the NRC although the final decision on leadership level hiring remains with them. However as the stakes grow, promoters are wary of making bad decisions and thus invite more opinions and even change decisions on policy matters. The NRCs may benefit from working closely with the promoters/ CEO and the HR teams, right from the initial stages.

On an exception basis, the NRC can gain insights by conducting exit interviews for the exiting talent at senior managerial levels to identify what the organisation can do better. NRCs can periodically review exit reports for the wider organisation to identify key talent issues for their agenda. NRCs can guide the management on long-term sustainability through a competitive rewards strategy, a sustainable and inclusive culture and compelling career opportunities.

Executive remuneration and progression

Across most organisations, the HR team shares data with the NRC, and the NRC provides broad guidelines for compensation, increments, variable payouts, and progression. There is also the case for guidelines and principles to provide flexibility for exceptions.



The NRC chair could recommend leveraging third parties for compensation data and compare against the market to assess executive performance. NRCs are moving away from seniority and time bound promotions to scenarios where people assess their skills, learning needs, and apply for progression.

Proactiveness in selection of independent directors

The NRC could mandate recruitment consultants and their own networks in leading selection of independent directors. A large number of qualified independent directors sit on the boards of large organisations, by virtue of their proximity to the promoters however, there is often a question on their skills. This calls for defining a skill matrix to enable a need and merit-based hiring of independent directors. Additionally, programmes for continuous education and learning should be institutionalised for their development.



Long term Focus

Placing the right skills at the right time for the right positions

There is a requirement of new talent across the digital and analytics space. The NRC may benefit from working with the board and the HR department in making these skills available at the board level. The NRC may use their experience in assessing the impact from external changes and provide predictive risk analytics to insulate organisations from supply shocks.

The NRC may ask questions to assess the role – individual mappings from the board and the HR teams especially at leadership levels:

- Do we have the right talent at the right positions?
- Do we need to build talent internally or hire talent from the market?
- How do we source the right talent from the market?

The NRCs may guide the HR teams in creating a detailed organisational skills charter by breaking down jobs into skills. People can be trained on specific skills resulting in increased utilisation. In the long run, organisations can focus on sourcing specific skills rather than the multiple skill sets for cost efficiency.

NRC and the future of work

Organisations may benefit from collaboration between the executive management and the NRC in developing and reviewing the long-term talent strategy. The NRCs can highlight the importance of upskilling existing employees; the committee

could work with the executive management to train individuals identified in the succession pipeline. The benefits of investing in their career development and showing them a 3-to-5-year path rather than an annual plan can help drive retention and indeed long-term benefits.

The NRC can mentor HR teams on creating policies with defined success metrics across the talent lifecycle. The NRC members can engage in continuous dialogue with the identified teams (rewards, talent acquisition, diversity and inclusion) to advise and guide on policy alignment. These interactions can have a quarterly frequency, considering other priorities of the council members. Along with this, NRCs may seek feedback from the CXO group on the talent agenda to streamline these policies.

The NRC through the HR department can work towards alternate methods of engagement for the distributed workforce. Organisations may be better off measuring the happiness quotient and moving away from conventional engagement metrics.

The future of NRC

NRCs may benefit from reverse mentoring and increased diversity (experience, gender, employment type etc.) with fresh perspectives. For the NRC to make decisions for an evolving workforce, it might be pertinent for diversity in the decision-making process. The redefined role of NRC can be enabled by a strong and empowered HR department.

NRCs can also be involved in the review of the people strategy to help organisations be ready to meet the ups and downs of the talent market.

We would like to thank our NRC Council members for their valuable time, insights and perspectives that have contributed to building this PoV document.

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