

Corporate Governance: An Essential Discipline

Corporate governance is the system by which companies are directed and controlled. It is the way in which the affairs of corporations are handled by their Boards and management teams. These days, obligations in this regard are extending beyond simply the shareholders or owners of the company but also to a broader field of community “stakeholders”. It is therefore a discipline that is fundamental to the very fabric of the business and its affairs.



Putting it simply, Boards of directors are responsible for the total governance of companies. This entails setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting, and being accountable, to shareholders and other stakeholders on their stewardship.

This also entails ensuring absolute clarity as between Board and the executive management team as to precisely what the mandate is that is being given to management.

Core aspects of corporate governance are:

- Performance accountability against predetermined goals and key performance indicators.
- Effectiveness and efficiency of operations
- Financial accountability, and reliability of financial reporting
- Compliance with laws and regulations
- Safeguarding of people and assets
- Risk management.

Not unreasonably, most stakeholders are becoming increasingly outcomes and results focused. Of itself this increasingly requires development and implementation of monitoring and reporting mechanisms to enable constant measurement and reporting capabilities.

Apart from the obvious “business” aspirations, directors also need to be alert to the increasingly litigious nature of our society, and the inherent risks faced by companies, and by the directors and company officers personally.

Issues of workplace health and safety, racial, religious and sexual discrimination and harassment, child care and safety, professional negligence, and the increasing difficulties of effecting comprehensive insurance covers are just a few matters of considerable volatility in our society today.

Whether a business is large or small, the process of sound corporate governance commences with establishing a clear insight into the goals and objectives of the organisation, and then determining the roles, responsibilities and requirements of each of the relevant players. In this, the role of the Board is fundamental.

At a minimum, a competent board should ensure:

- That the Board itself possesses skills and competencies necessary for sound corporate governance and management
- That only appropriately skilled and competent people are appointed to senior management positions
- That a realistic business plan and budget is prepared
- That appropriate and timely monitoring and reporting systems and protocols are established and observed
- That internal fiduciary control systems are established and observed
- That management reports are reviewed and understood, and that where necessary, appropriate follow up actions are initiated
- That systems are established which will ensure that all aspects of legal compliance (eg workplace health and safety, employer obligations, taxation and other corporate lodgement requirements, privacy policies etc) are fulfilled
- That appropriate workplace, and work practices, policies and procedures manuals are established and understood and observed by all staff
- That rigorous safety procedures are established and observed
- That risks to the business are considered, and minimised.

To sum it up simply, sound corporate governance and guidance will be achieved if directors and managers abide by the proactive “8” philosophies:

“participate”, “contemplate”, “facilitate”, “validate”, “dedicate”, “anticipate”, “instigate”,
“mitigate”

If directors can't, or don't, apply these 8 philosophies, serious consideration should be given to the ninth:

“abdicate”

Cheers

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