Corporate Governance: Principles, Policies & Practices

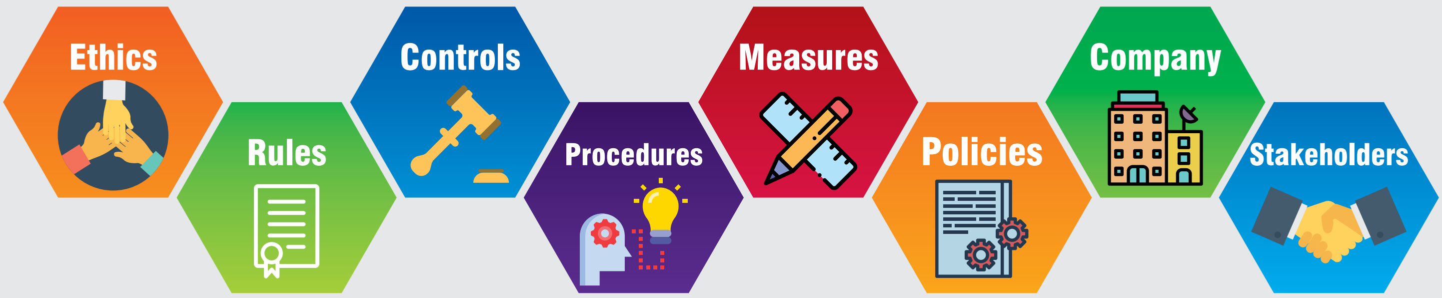
How Can IT help in Effective Governance?

Identifying and applying good governance within the organisation and how it links to excellence is of utmost importance. Understanding and addressing the new challenges to business models, strategy and risk management from IT innovation, social media, and a 24/7 global market are the need of the hour. Also, recognising the importance of leaderships' responsibilities and behaviour within the organisation and how they influence relationships across staff, customer, clients and the supply chain is a must. Encouraging a flexible and adaptive workforce, from the chairperson to the doorperson is one of the basic tenet of efficient Corporate Governance. Developing practices to enable sound accountability by the board, and useful and honest transparency and disclosures to all stakeholders is inevitable. Managing the various elements of governance, such as financial and IT governance are also the breeding ground of efficient Corporate Governance strategy. The role of assurance on strategy, analysis, operations, and resources to achieve desired outputs and outcomes, developing approaches to proactively identify, prepare for and respond to crises affecting business' ongoing continuity is what defines a coherent Corporate Governance strategy.

2 Key Pain Points to Look For Corporate Governance

The primary stakeholder having the greatest influence on corporate governance are the board of directors. They are elected by the shareholders as their representatives, and are responsible for appointing corporate officer, guiding the dividend policy, creating rules, processes and measures, building a capable hierarchy of executives to check the functioning of the company, maintaining and deciding the compensation of senior executives and the list goes on. They are the ones that plan for the worst to achieve the best. Good governance often requires a combination of board structures, boardroom skills, and compliance of legislations and regulations. Good governance skills are of utmost importance as they not only give better returns over time but also future-proof the organization.

Pillars of Corporate Governance



Topics to be Covered

1 Future-Proofing Your Governance & Excellence

2 IT Governance

1. Future-Proofing Your Governance & Excellence

In face of uncertainty, change management and crisis management are key mechanisms to remain effective. Developing the institutional capability and culture to deal effectively with a range of scenarios and unexpected situations is the need of the hour. The management is more effective, when they are visible, caring and engaged. This can be done by avoiding communication pitfalls like being transparent, knowing who will speak on behalf of the organization, and what to communicate by whom when situation goes out of control. Let's take a deep look on what can be done in such situations.

A. How to Deal with Crisis Management

A crisis can take place anywhere, and at any time. Survival of a business depends on how business owners have planned for the crisis. They should think about how a crisis strike would affect suppliers, employees, customers, general public and their company's value. Here are 7 critical steps to crisis management that every business should have in place regardless of its size.

a. Prepare a plan beforehand: The management should keep the key audiences completely informed, protect the employees working in the company and the consumers who buy their products. The plan should be a written document along with the steps to mitigate the problem at the earliest.

b. Be honest and transparent: Lack of honesty and transparency generates a lot of negative media coverage. This can sometimes lead to media frenzy remarks and loss of trust amongst the customers. Companies should take considerable steps by projecting transparency through all channels including social media interactions, press conferences etc.

c. Identify the spokesperson: In case the crisis affects all the stakeholders, it may attract media attention. Thus, businesses must select a spokesperson who ensures that the company speaks with one voice and delivers consistent message throughout media questions and interviews.

B. Dealing with Unexpected Scenarios

The Do's & Don'ts of Scenario Planning

1	2	3	4	5
Surrender The Urge to Base Your Decisions on What You Already Know	Do Not Give too Much Importance to Unlikely Events	Don't Think The Future will be Same as The Past	Give Up Over-Confidence & Excessive Optimism	Promote Open Debate
What to Do: Review the correlation between issues and markets that can affect your company's business.	**What to Do:** Assess trends by using qualitative followed by quantitative approaches.	**What to Do:** Develop scenarios revolving around critical uncertainties by involving executives through experiential techniques.	**What to Do:** Study the impact of each scenario and develop strategic alternatives for each case.	**What to Do:** Cultivate scenario based thinking comprising systems, processes, and capabilities that sustain it.
What Not to Do: Relying solely on trends that are limited to a particular geography or context.	**What Not to Do:** Concentrating on numerical precision at the beginning.	**What Not to Do:** Assigning the duty to create scenarios to junior members.	**What Not to Do:** Planning a scenario that does not consider all.	**What Not to Do:** Avoiding group-thinking exercises or belittling scenario planning as a one-time scenario.
Availabilty Bias	Probability Neglect	Stability Bias	Optimism, Over-Confidance Biases	Social Biases

To deliver the compassionate leadership that employees expect, great leaders often put themselves in their shoes. At times of uncertainty, people do not look for good intentions, rather they look for strong and decisive leaders who display genuine concern and care. Let's take a deep look on how to overcome obstacles to effective scenario planning:

1. Avoid Making Decisions Based on What You Already Know:

a. To define a strategic problem, intelligence is gathered.

b. A planning team determines the potential impact of trends on the defined problem.

c. People may generally base their decisions on the readily available information focusing on trends relating to their industry. This is known as availability bias which often leads to blind spots.

d. Scenario planners must look at a problem from all angles. They must try to understand the confluence of demographic, economic, technological, and cultural trends of a place to generate valuable counterintuitive ideas. This enlarges their perspective and often gives better solutions.

2. Avoid Considering Unlikely Events too Much:

a. As scenario planning progresses, company monitors the emerging trends according to their potential impact and degree of uncertainty. It then builds scenarios around the aforementioned parameters to come up with solutions.

b. The problem is that low-probability events, which could have easily been neglected are overemphasized and dismissed. This problem is known as probability neglect.

c. Temptation to adopt model trends and uncertainties qualitatively to generate intuitions about how trends may collide and interact must be avoided.

3. Avoid Assuming That The Future will Imitate The Past:

a. Scenario planners check the implications for each uncertainty into the future. Such outcomes become the basis for scenario building.

b. This prompts scenario planners to transform abstract hypothesis about uncertainties into realities. It helps decision makers to cater to both rational and emotional needs.

c. This is the point where problem arises. It's often noticed that decision makers often delegate scenario creation to third party vendors or their subordinates. This decreases their involvement with the project, which diminishes their power make sense of or act on them.

d. This is known as stability bias.

4. Avoid Over Optimism:

a. Decision makers turn their attention to identifying the opportunities and risks that each scenario denotes in contrast with the present business plan.

b. At this point, a complete list of potential actions and contingency plans is prepared.

c. Many businesses fail to succeed because they underestimate uncertainty and move immediately to action.

d. Excessive optimism leads to over budget or such projects that require a large amount of time.

e. This can be cured when managers forsake their temptation to choose the scenarios that they deem most fit and work solely on them.

5. Encourage Open Debate:

a. New ways of working and mental habits should be embedded to kindle scenario thinking.

b. Leaders must act as role models for the desired new behaviour that they hope to see in their subordinates.

c. Leaders must openly accept that they are susceptible to bias and hence should perpetuate an open environment.

2. IT Governance

IT governance is steadily making its mark. With increasing compliance risk and introduction of mitigation techniques, Businesses must pay attention to IT governance. Failures in IT affect customer relationship and consumer confidence, which organisations cannot afford at any cost. IT governance helps an organisation achieve regulatory compliance by establishing standards and synthesising processes and systems. Let's take a detailed look on the influence of IT in Governance.

A. Helps in Strategic Management

i. Business strategy must drive IT strategy to effectively enable and support the achievement of business objectives.

ii. Methods for accomplishing this alignment are effective implementation of portfolio management, balanced scorecards, and enterprise architecture methodology.

B. Various Benefits

i. IT helps businesses realize benefits through the implementation of performance monitoring and response, value management practices and benefits realization planning.

ii. Establishment of effective portfolio management is the key to benefits realization to govern IT enabled investments and the design and utilization of appropriate performance metrics, which are responded accordingly.

C. Helps to Optimize Risk

i. In an interconnected digital world, the integral components of governance activities include recognition, analysis, mitigation, management, communication, and critical monitoring of IT related business risk.

ii. IT includes features such as business continuity planning, alignment to regulatory and legal requirements, evolution of a risk appetite, and creation of tolerance methodology for risk based decisions.

D. Helps to Optimize Resource

i. To meet current and future strategic objectives, IT requires capable resources like to-the-point information, good infrastructure, and competent people.

ii. This demands identification of monitoring of external suppliers, staff training, and service level and knowledge level management.

E. Frameworks for IT Governance

i. For directing the company's strategic planning and accomplishing the goals and objectives, businesses need to implement such IT governance frameworks that are aligned with the enterprise governance.

ii. Frameworks such as COBOL, ISO, ITIL, etc. which are aligned with industry standards as well as in accordance with requirements of the business, should be implemented.

iii. IT governance should only be administered by the top level management of the organization with roles and responsibilities correctly mentioned.

Today, there are myriad programmes on Corporate Governance, but unfortunately, most of them are devoid of tools that can train Company Secretaries and Boardroom Executives on how to develop a sound Corporate Governance program. This advanced workshop will reinforce what governance is, and how good governance improves business excellence so that the organisation can retain administrative and operational excellence through both normal and more turbulent times. In our 4 day masterclass, Susan Milton will teach you how to sail your way through the nitty-gritties of Corporate Governance, through real life case studies, presentations, exercises, and group discussions, to make you identify the new governance challenges and how board members, senior officials and managers can ensure effective adaptation to a continually changing business environment.

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