Good Corporate Governance Should Be A Way of Life

With all that goes into managing and ultimately growing a business, regulatory progression steps may be unintentionally overlooked along the way, exposing the business to risk. Good corporate governance practices ensure the whole organisation understands policies related to risk mitigation and the business stays on top of its decision-making processes, says Director of Malander Group, Lyle Malander.

“Good governance is about ensuring an organisation can be trusted to do the right thing, even when there is no regulatory body in place. It speaks to internal business regulation, transparency, good corporate culture, employee buy-in and being an overall good corporate citizen,” Malander says.

He says, employers should as a means of leading by example, design and adhere to a code of ethics that assists in encouraging every aspect of good corporate governance.

Malander says organisations could use The King IV report as a benchmark. The report reinforces the notion that good corporate governance is a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner. Good governance is not a tick-box or compliance exercise.

“It is the responsibility of organisational leaders to ensure each individual employee moves beyond simply understanding what the company is trying to do and to having them embody the firm’s vision. Knowing the overall strategy helps the company’s employees remain focused on the organisation’s goals,” Malander explains.

Without the buy-in from an organisation’s employees, Malander says, even the best policies will never materialise.

“Only when you have everybody on board can policies, resolutions and strategies be shaped and implemented. Managers need to understand that good corporate governance requires involving all their employees in decision-making processes. When employees understand management’s strategies and are allowed to monitor the company’s financial performance, they understand their roles within the company, which leads to higher levels of moral, productivity and return on investment” says Malander.

Transparency is key for any organisation wishing to gain stakeholders’ confidence. It holds all decision makers in a company accountable for their decisions and mistakes. But more than that, it also prevents these individuals from whether knowingly or willingly participating in fraudulent activities.

“Nothing reiterates this more than the King IV Report, which says, good corporate governance requires an acknowledgement that an organisation doesn’t operate in a vacuum, but is an integral part of society and therefore has accountability towards current and future stakeholders. Transparency also assists with accountability. If we all know whose working on what, it is easier to spot where something went wrong, and what could be done to correct the error,” Malander says.

Organisations also need to have instilled into their fibre a good corporate culture which prioritises the practice of fairness in an organisation.

Managers must push their employees to be their best, but they should also recognise that a heavy workload can have negative long-term effects, such as low morale and high turnover. Corporates must also be fair to their customers, both for ethical and public-relations reasons. Mistreating of clients for whatever gain will jeopardise the company’s prospects in the long run, explains Malander.

“Good corporate governance by its very definition is a system laden in the organisation to keep it from falling prey to unscrupulous internal behaviour and external influences. Organisations, large and small have a duty to their shareholders to make them a profit. But perhaps, more importantly, they also have stakeholders whom they owe their best service offerings to, which means they need to be the best in what they do and that comes down to good corporate governance,” Malander concludes.

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