

Role of Professionals in Good Governance: the contribution of lady board members

Presentation by:

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Presentation agenda



- Contents
- ☐ Introduction
- Definition
- ☐ Pillars & Framework
- ☐ Code of Corporate Governance
- ☐ The Woman Director
- ☐ Board Tools
- Conclusion



Definition





What is Corporate Governance?



Corporate Governance:

system by which institutions are directed, controlled and held to account.

Good Governance is accountable, transparent, responsive, effective, equitable and inclusive decision making and decision

implementation process.

bby

Definition of Corporate Governance by OECD



Corporate Governance is a process or a set of systems and processes to ensure that a company is managed to suit the best interest of all stakeholders.

Organization for Economic Co-operation and Development (OECD) is a group member countries that discuss and develop economic and social policy which support free market economies



Definition of Corporate Governance



Corporate governance is seen in terms of the exercise of power of the corporation to increase shareholder value.

☐ The corporation, that is well governed has a vital role to play in promoting economic development and Social progress.

Source; Indian Journal of Research

Corporate Governance



Corporate Governance Means

- Better Oversight and Accountability
 Improved Decision Making
 Better Compliance and less conflict
 Increased Operational Efficiency
 Stimulates Performance
- ☐ Improved Risk Management
- ☐ Enhanced Stakeholder Relationship

The Chinese do not have a word for Crisis...instead there are two symbols...

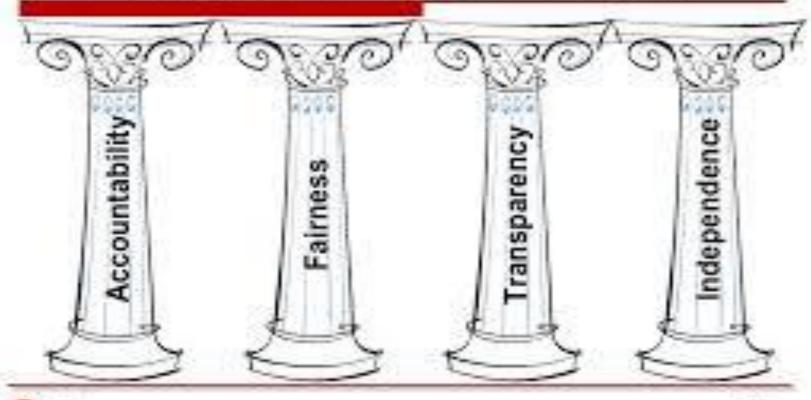




Fundamental Pillars of Corporate Governance



Corporate Governance - Pillars





Accountability



☐ Ensure that Management is accountable to the Board.

Ensure that the Board is accountable to Shareholders

Corporate Governance - Pillars

Transparency



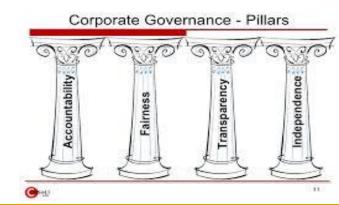
Transparency of Operations

- Openness about the outcomes a public sector entity is pursuing, the resources necessary or used, and the performance achieved.
- Ensure timely, accurate disclosure of all material matters, including the financial situation, performance, ownership and corporate governance.
- ☐ Open for inspection by authorized organizations and external parties."

Independence



- Procedures and structures are in place so as to minimise or avoid completely conflicts of interests.
- Independence Directors and advisors that is free from the influence of others.



Fairness



- ☐ Fairness in Dealings
- Protect Shareholders' rights
- Treat all Shareholders including the minority Shareholders equitably.
- ☐ Balance all those that have an interest in the company and its future.

"All decisions taken, processes used, and their implementation will not be allowed to create unfair advantage to any one particular party."

Other Fundamental Pillars of Corporate Governance



- ☐ Rule of Law
- Responsiveness
- Consensus Oriented
- Equity and Inclusiveness
- Effectiveness and Efficiency
- Participation



Crone Horwath Corporate Governance FrameworkTM



Crowe Horwath GRC views corporate governance as the systems and processes an organization has in place to protect and promote the interests of its diverse stakeholder groups.



Board Members....Who are they?



A board of directors (B of D) is a group of individuals that are elected as, or elected to act as, representatives of the <u>stockholders</u> to establish corporate management related policies and to make decisions on major company issues.

Every Public Company must have a Board of Directors.

http://www.investopedia.com/terms/b/boardofdirectors

Board Members....Key Role?



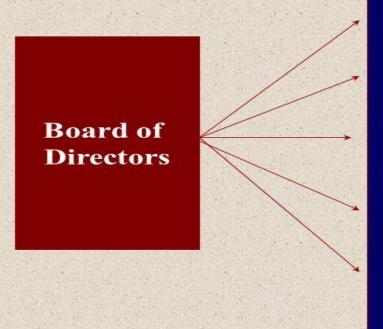
The board of directors' key purpose is to ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders.



Primary Role / Functions of the Board.....



Corporate Governance



- Setting corporate strategy, overall direction,
 mission or vision
- Hiring and firing the CEO and top management
- Controlling, monitoring, or supervising top management
- Reviewing and approving the use of resources
- Caring for shareholder interests

Primary Functions of the Company Secretary



- ☐ The Board should be assisted by a suitably qualified and competent Company Secretary.
- ☐ The CS provides guidance to the Board on their duties and Responsibilities and on matters of governance.
- ☐ The Board should empower the Company Secretary to enable them effectively carry out their role.

Primary Role / Functions of the Board



Providing Accountability

Strategy Formulation

Primary Functions of the Board

Monitoring and Supervising

Policy Making

Strategy Formulation



Strategy formulation is the process by which an organization chooses the most appropriate courses of action to achieve its defined goals.....

Strategic plans should be communicated to all employees so that they are aware of the organization's objectives, mission, and purpose.

Monitoring and supervising



- ☐ Monitoring is a continuous assessment that aims at providing all stakeholders with early detailed information on the progress or delay of the ongoing assessed activities.
- ☐ Supervising is Monitoring and regulating of processes or delegated activities, responsibilities or tasks.

Policy Making

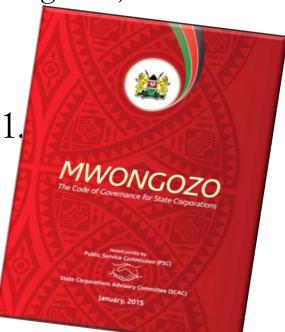


- Usually, a documented set of broad guidelines, formulated after an analysis of all internal and external factors that can affect a firm's objectives, operations, and plans.
- A corporate policy lays down the firm's response to known and knowable situations and circumstances.
- A formal declaration of the guiding principles and procedures by which a **company** will operate.

Code of Corporate Governance in Kenya



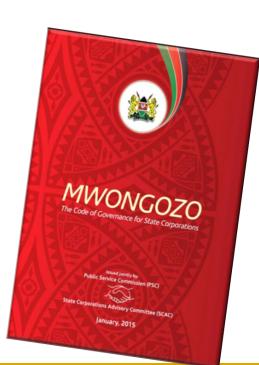
- ☐ The Capital Markets, (CMA) Code of Corporate Governance for Listed Companies.
- □Central Bank of Kenya, (CBK) Prudential Guidelines for Institutions Licensed under the Banking Act, 2013.
- □Insurance Regulatory Authority, (IRA)
 Code of Corporate Governance, 2011,
- ☐ MWONGOZO' Code of Governance.
- ☐ ICPSK, Code of Corporate Governance for Private Organisations.



Other Code of Corporate Governance



- ☐ King III Code of Corporate Governance.
- The UK Stewardship Code Institutions Licensed under the Banking Act, 2013.
- ☐ Australian Code of Corporate Governance
- □ OECD, Code of Corporate Governance
- ☐ Indian Code of Corporate Governance
- Malaysian Code of Corporate Governance



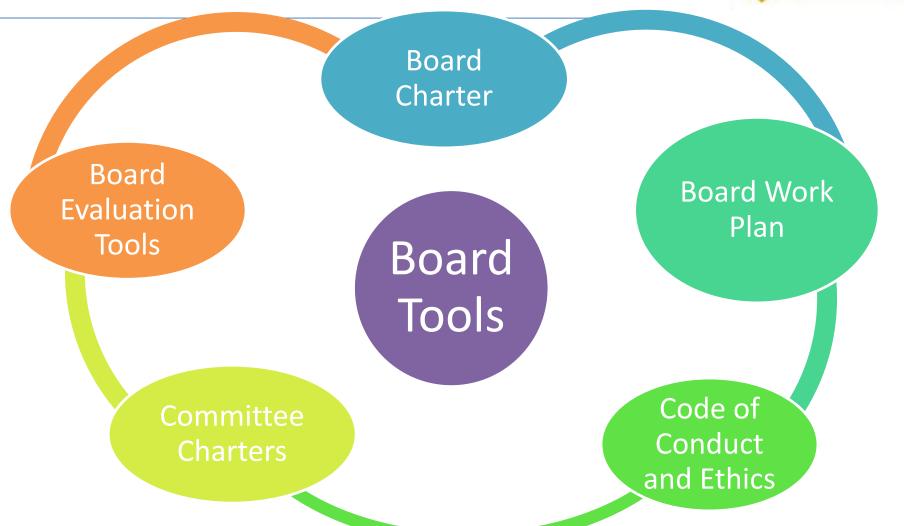
CoG.....Areas of focus



- 1. Board Composition, Roles & Responsibilities
- 2. Accountability, Risk Management and Internal Controls
- 3. Ethical Leadership and Corporate Citizenship
- 4. Shareholder Rights and Obligations
- 5. Stakeholder Relationships
- 6. Suitability and Performance Management
- 7. Compliance with laws and Regulations

Board Tools for Effectiveness...





Characteristics of Highly Performing Boards



Board Composition - Mix of skills & diversity of experience Different Perspective and Views Makes the best use of time Has effective processes Has functional and effective Committees Works constructively with CEO and Management. Works together as a team

Exceptional Boards



- ☐ Results Oriented
- Measures efficiencies, effectiveness, impact and outcomes.
- ☐ Cannot afford complacency keeps looking for ways to improve
- ☐ Has effective Leadership
- Customer insights



Source: Bill Taylor

Board Evaluations.....



"Behavioral psychologists and Organizational learning experts agree that people and organizations cannot learn without feedback.

No matter how good a board is, it's bound to get better if it's reviewed intelligently"

(Sonnenfeld, 2002)

Why Board Evaluations.....



Clarifies strategic focus & corporate goals Identifies skills development areas for directors. Improves decision making Improves sense of commitment & encourages individual participation Sharpens leadership behaviors Aligns boardroom behaviors Sets the performance culture of the organization

Results of Board Evaluations...



The Board should proactively consider the findings of the evaluation, set aside time to hold open discussions of the findings, identify improvement opportunities and implementing the same.

The Gate





Factors influencing quality of Governance..



- ☐ Integrity of Management
- ☐ Ability of the Board Knowledge and Skills
- ☐ Adequacy of the Process Timely Information
- Quality / Informed Decisions
- Commitment Level of Individual Members

Source: Indian Journal of Research

Factors influencing quality of Governance..... cont



- ☐ Financial Reporting Disclosure
- Participation of Stakeholder in the Management
- Quality of Corporate Reporting
- ☐ Corporate Governance and Excellence

Source: Indian Journal of Research



For Effectiveness, Board Needs ...



- ☐ Board Induction for new Directors.
- Meeting Attendance
- ☐ Sticking to schedules
- Preparedness
- ☐ Experience, Maturity, Knowledge and Awareness
- ☐ Courage, Behavior, Ability to drive change
- ☐ Engage in Continuous improvement

Source: Women on Boards Network





- Boards with both men and women Directors tend to be more active in overseeing the strategic direction of the Company and in reinforcing accountability through Audits and Risk Management.
- ☐ They also tend to make decisions more objectively.
- Boards with three or more women monitor the implementation of corporate strategy, compared to only two thirds of men only boards. (Brown et al. (2002)



- ☐ In 2012, a study by KIM Institute, *Bring the other half to the*
- Board Room State Corporations and Listed Companies.
- 80% are Men and 20% are Women.
- ☐ The Institute of Directors, in Feb 2014, No Much change only 26% of Women are in Professional Associations.
- ☐ African Dev Bank Africa's Top Listed Companies

Kenya has the highest with 19.8%

South Africa has 17.4 %

Botswana has 16.9 %

Zambia has 15.9 %

Ghana has 15,7 %.



The (CMA) in its "Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya" recommends that "the process of the appointment of directors should be sensitive to gender representation."

Progress in getting women into leadership positions has been slow and gender diversity in board rooms is yet to be realized.

It will in fact take extra ordinary effort by women to receive fair treatment and break the "glass ceiling".





We cannot succeed when half of us are held back."

Malala Yousafzai

The Woman Director... What qualification?



This was clearly demonstrated when Mr. Prakash Tandon (First Indican Chairman, Hindustan Lever ltd.) was asked what qualities he would look for when appointing his successor. He answered in a single word – Character.

Oh yes, good character, integrity, probity, accountability, responsibility, reliability, transparency, truthfulness, the list could go on.

He thought that character was at the centre of good governance. How correct he was!

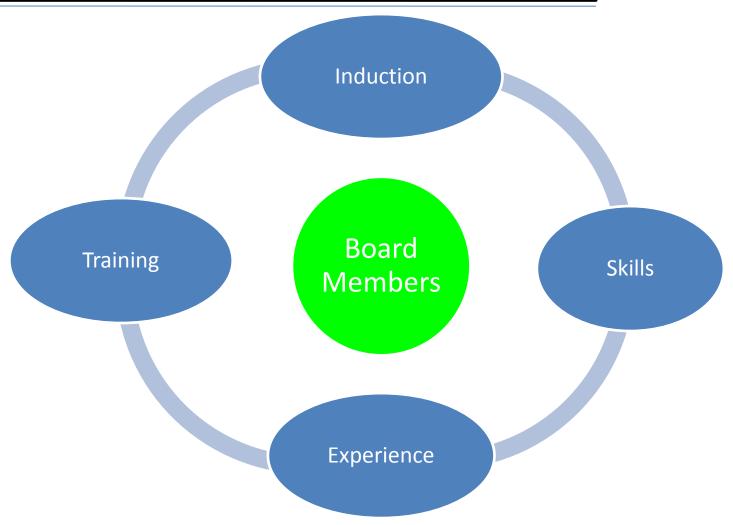
The Woman Director...



☐ Be well-rounded Board members with diverse expertise. ☐ Maintain independence and integrity at all times Continuous training and Development ☐ Focus on right issues n -Value adding ■ Encourage Creativity and Innovation ☐ Agree on Board Performance Evaluation Develop a Board Charter and Manual

The Woman Director.....





How to be an Effective Woman Director.....



- Seek adequate information and ask questions.
- Refrain from sitting on too many Boards
- Confidentiality
- ☐ Avoid Conflict of Interest
- Get to know the Organization
- ☐ Learn how to read the Financial Statements

Woman Director.....



- ☐ Influential Networks and Building Relationships.
- Seeking out Board Opportunities
- Marketing oneself / Personal Branding.
- ☐ Start Small, Build from there.
- ☐ Market Surveillance
- Mentorship

Source: Women On Boards Network

How Board Members get into trouble.....



☐ Poor Results of Performance – Goods or Services. ☐ Lack of Board leadership – Tone at the Top ☐ Meddling with Management Affairs – "Nose in, hands out" ☐ Internal politics and conflict of interest • Overstaying your mandate. (3 years, Renewable) ☐ Ineffective Board organization and process ☐ Conspiring in or tolerating legal violations.

Source: Women On Boards Network

Conclusion.....



As rightly observed by Martin Luther King Jr.

"We shall have to repent in this generation, not so much for the evil deeds of the wicked people but for the appalling silence of the good people"

Conclusion.....



- There are many reasons why the Board should promote good corporate governance;
- It makes business sense.
- ☐ It ensures conformance and sustainability;
- ☐ It is the role of Directors under the law, to ensure that Companies are well governed;
- ☐ It is now expected that corporations must have good corporate governance to access funds in the global capital markets.

Conclusion....





Never refuse an assignment except when there is a conflict of interest, a potential of danger to you or your family, or you hold a strongly biased attitude about the subject under focus.

— Jerrica Saviteh —

AZQUOTES

QUESTIONS?





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