




# **The Essentials of Corporate Governance Best Practices During and Post the Pandemic:**

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# TLGL: Who we Are




## Our Contacts

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## Our Services

Executive Coaching

Business Advisory

Change Management

Mentorship

Governance

Board Practice

Leadership

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# Agenda



- Key governance aspects for top performing boards
- Strategic board involvement
- The importance of change management
- Board Resilience: Managing a board during crisis and ensuring forward looking business continuity

# Corporate Governance



The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (Kenya) defines corporate governance as: *'the process and structure used to direct and manage the business and affairs of a company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking account of the interests of other stakeholders'*

<https://www.cma.or.ke/index.php/regulatory-framework/corporate-governance-for-issuers>

# Why governance fails



# Governance & Leadership

*“GOVERNANCE AND LEADERSHIP ARE THE YING AND YANG OF SUCCESSFUL ORGANIZATIONS. IF YOU HAVE LEADERSHIP WITHOUT GOVERNANCE YOU RISK TYRANNY, FRAUD AND PERSONAL FIEFDOMS. IF YOU HAVE GOVERNANCE WITHOUT LEADERSHIP YOU RISK ATROPHY, BUREAUCRACY AND INDIFFERENCE”*

*(Mark Goyder)*

## Codes at a glance...

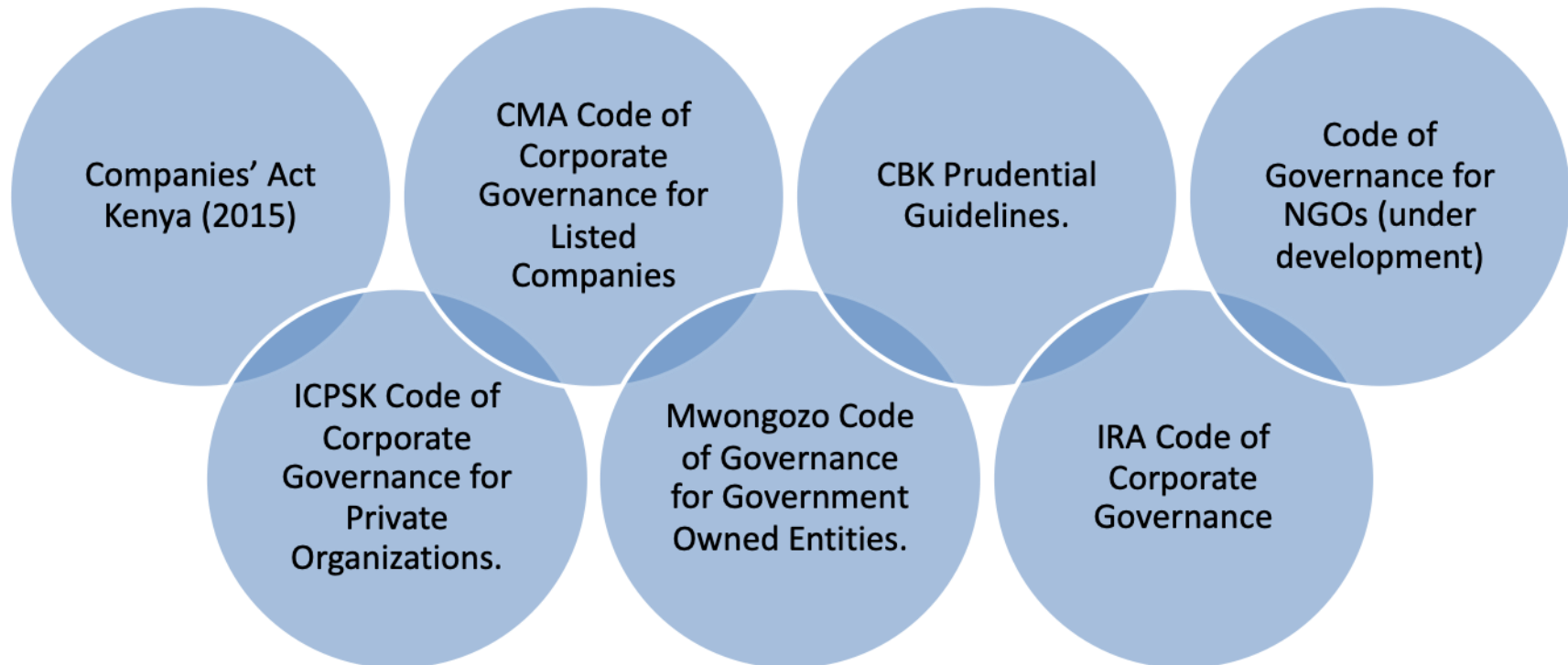
CMA Code	Mwongozo	UK FRC	King IV	IGCN Global Governance Principles
<ul style="list-style-type: none"> <li>• Board operations and control</li> <li>• Rights of shareholders</li> <li>• Stakeholder relations</li> <li>• Ethics and social responsibility</li> <li>• Accountability, risk management and internal control</li> <li>• Transparency and disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• The board of directors</li> <li>• Transparency and disclosure</li> <li>• Accountability, risk management and internal control</li> <li>• Ethical leadership and corporate citizenship</li> <li>• Shareholder rights and obligations</li> <li>• Sustainability and performance management</li> <li>• Compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership</li> <li>• Board Effectiveness</li> <li>• Accountability</li> <li>• Remuneration</li> <li>• Shareholders Communication</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership, ethics and corporate citizenship</li> <li>• Strategy, performance and reporting</li> <li>• Governing structures and delegation</li> <li>• Governance functional areas</li> <li>• Stakeholder relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Board role and responsibilities</li> <li>• Leadership and Independence</li> <li>• Composition and appointment</li> <li>• Corporate culture</li> <li>• Risk oversight</li> <li>• Remuneration</li> <li>• Reporting &amp; audit</li> <li>• Shareholder rights</li> </ul>

# King IV Code

PRACTICES & PRINCIPLES	GOVERNANCE OUTCOME
<b>PRACTICES:</b> Leadership, Ethics and Corporate Citizenship <b>PRINCIPLES:</b> Ethical Leadership, Organizational Values, Ethics and Culture, Responsible Corporate Citizenship	Ethical Culture
<b>PRACTICES:</b> Performance and Reporting <b>PRINCIPLES:</b> Strategy, Implementation, Performance, Reports and Disclosure	Performance and Value Creation
<b>PRACTICES:</b> Governing body structures and Delegation <b>PRINCIPLES:</b> Role, Composition and Committee of the governing body, Delegation to management, Performance evaluations	Adequate & Effective Control
<b>PRACTICES:</b> Governance Functional Areas <b>PRINCIPLES:</b> Governance in Risk & Opportunity, Technology & Information, Compliance, Remuneration and Assurance	Adequate and Effective Control
<b>PRACTICES:</b> Stakeholder Relationships <b>PRINCIPLES:</b> Stakeholders, Responsibility of Shareholders	Trust, Good Reputation & Legitimacy



# Corporate Governance in Kenya



# Board Role...

“The Board’s role is to create the future of the organisation, not just mind the shop”.

John Carver

# The Role of the Board



\*adapted from Tricker, RI: International Corporate Governance (1994) p149

# Dynamics



**“Poor team dynamics** fracture boards and lead to power struggles. Like any effective working group, a board should be comprised of professional peers who respect and work well with each other.”

HBR, 2012

# Global Trends in Corporate Governance pre 2020



Increasing regulation  
and accountabilities  
pressure in Global  
and Local Markets

Board role in dealing  
with Financial Crime,  
Fraud and Corporate  
Governance.

The Risk in the ever-  
changing complexities  
in Corporate  
leadership

Increasing Director  
criminal, fiduciary  
and personal  
liabilities

Applying hindsight, insight  
and foresight in directing  
the elements and conditions  
of the system can be in  
continual flux.

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# 2020 Global Trends in Corporate Governance...



# 2019 Global Board Culture and Director Behaviors Survey



## TOP PRIORITY TOPICS FOR THE BEST BOARDS

*These are the areas where the best boards focus their attention—and where they do not*



“Gold Medal Boards spend more time on forward-looking, value-creating activities and less time on compliance activities than their fellow directors on other boards.”

# Pillars of Corporate Governance



I

- Integrity

C

- Competence

R

- Responsibility

A

- Accountability

F

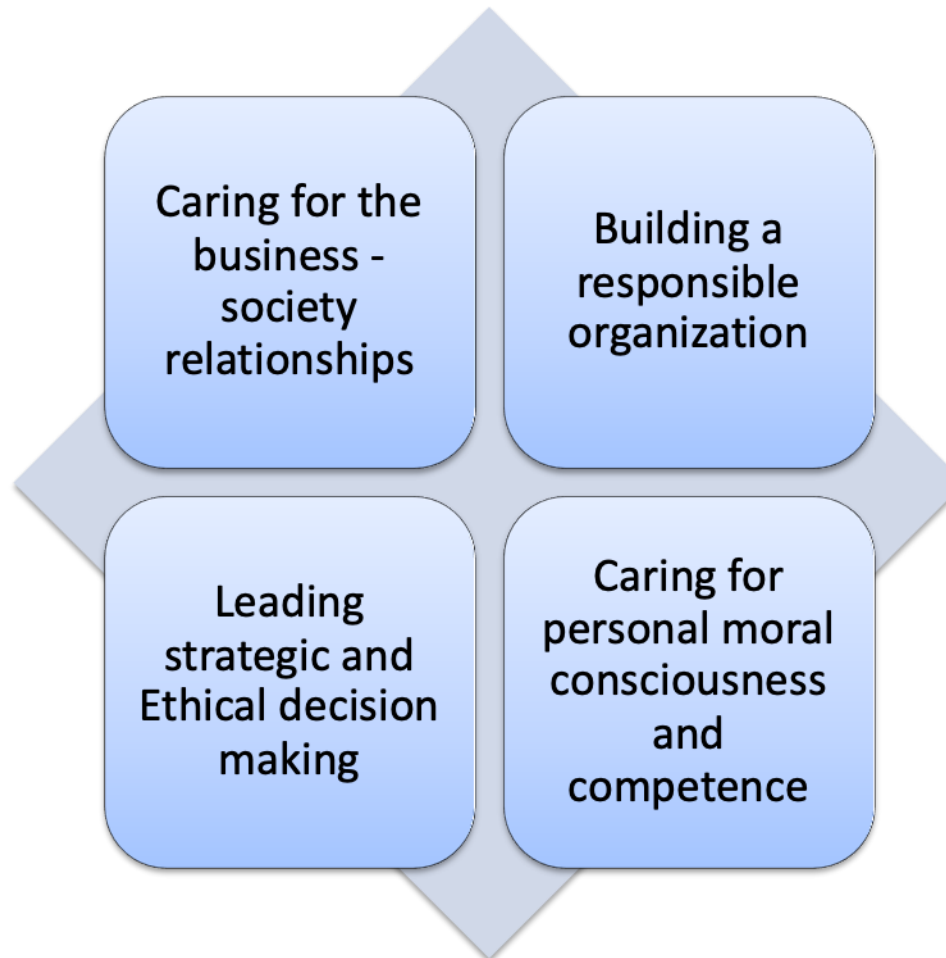
- Fairness

T

- Transparency



# Ethical Leadership



# Board Agenda



# What Directors Can Do to Impact Boardroom Culture



- Purposefully foster and facilitate high-quality debates
- Intentionally draw out the relevant expertise
- Keep the discussion focused on the matter at hand and eliminate tangents
- Build and demonstrate trust through their words and actions
- Avoid crossing the line from oversight into operations or management
- Be open to new ideas and ways of doing things
- Constructively challenge management when it is appropriate to do so

# Board Strategic Leadership Skills



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# Boards Ask Hard Questions



# The Transformative Board



*“Transformation needs to start from the top. The board of any organisation brings a unique value to successful transformation by creating clarity around the growth agenda and unleashing management to go after it.”*

– Korn Ferry

# Board Resilience



“During a crisis situation, those threats posed to a company’s value and reputation – or even its very existence –will typically go beyond the operational level as shareholders, regulators and legal authorities become involved. Under such circumstances, Board members are often challenged in ways that may be unfamiliar to them as they’re drawn into a more active role. “

# To Lead Effectively in a Crisis...



- Elevate Communication and Engagement– While Minimizing Distractions
- Don't Lose Sight of the Long-term– or Indulge Wishful Thinking
- Don't Neglect Culture, Behaviours and Leadership



# Board's Role in Crisis



Act as a 'sounding board' to the crisis management team for significant strategic decisions that need to be made.



Endorse the key strategic decisions and actions of the chief executive and crisis management team and provide Board level oversight regarding these key decisions.



Liaise with key external stakeholders including the regulators, shareholders and the media, only as agreed upon by the crisis management communications team.



# 6 Leadership Priorities for Boards Post-Covid



- **Align strategy and capital allocation with drivers of long-term value creation**
- **Internalize material ESG&D factors in enterprise risk management**
- **Strengthen preparedness and resilience to crises and systemic shocks**
- **Engage the firm in cooperative efforts to strengthen its operating environment**
- **Prepare the company's mainstream reporting in an integrated manner**
- **Adapt the Board's organization, composition and engagement to these imperatives**

# Business Continuity Considerations



- ***Employee/Talent Disruption***
- ***Supply Chain and Production Disruption***
- ***Financial Impact and Liquidity***
- ***Internal Controls and Audit Function.***
- ***Key Person Risks and Emergency Succession Plans***
- ***Incentives.***
- ***Board/Governance Continuity***

# In Conclusion



*“EXCEPTIONAL BOARDS EMBRACE THE QUALITIES OF A CONTINUOUS LEARNING ORGANIZATION, EVALUATING THEIR OWN PERFORMANCE AND ASSESSING THE VALUE THEY ADD TO THE ORGANIZATION”*

(The twelve principles of Governance that power exceptional boards)

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