



**“Global governance issues affecting
Corporations: ”
Presented By**

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The nostalgic history of the corporation



- Global governance issues affecting Corporations:
- Increasing expectation of board oversight on Human Capital issues and corporate culture
- Managing shareholder activism, virtual board, and virtual shareholder meetings
- The increasing emphasis on corporate purpose Greetings and appreciation.

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The nostalgic history of the corporation



- Global governance issues affecting Corporations: • Increasing expectation of board oversight on Human Capital issues and corporate culture • Managing shareholder activism, virtual board, and virtual shareholder meetings • The increasing emphasis on corporate purpose Greetings and appreciation.
- The nostalgic history of the corporation
- The opportunity of the effective and productive corporation
- The dearth of the corporation, and the destruction of careers
- The opportunity for reclamation: Good Corporate
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governance and effective management

Introduction



- Corporate Governance as an emergent discipline is a framework used by a Corporate entity to control and manage its functions.
- It documents how the entity relates to its stakeholders and may be defined as the stewardship responsibility of corporate directors to provide oversight for the goals and strategies of a Corporation and foster their implementation2 .
- In Kenya, Corporate Governance has been defined in the Capital Markets Act 3 as, “the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and Corporate accounting with the ultimate objective of realizing shareholder ultimate value while taking into account the interests of other stakeholders”.

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Introduction



- It is concerned with striking a balance between the Corporations' economic and social goals; “between individual and communal goals while encouraging efficient use of resources, accountability in the use of power and stewardship, and as far as possible, aligning the interests of individuals, Corporations and society”.⁴

Definition

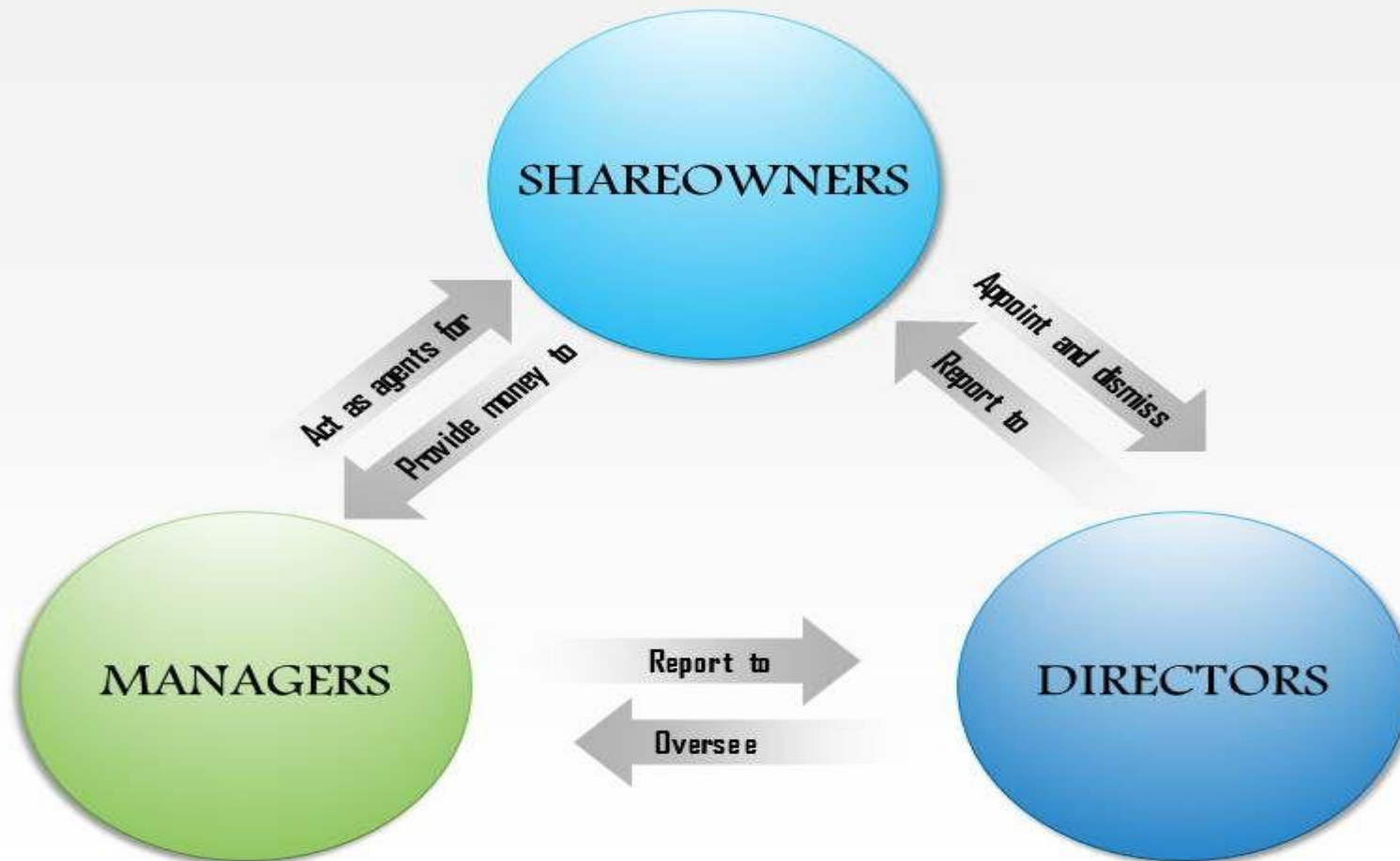


- A corporation is a legal entity that is separate and distinct from its owner.
- Corporates in Kenya fit in 5 categories
 - a) Multi-nationals
 - b) State Corporations
 - c) Private Corporations with significant State shares and therefore control
 - d) Private Corporations
 - e) Corporates in the category of home grown SMEs- mostly in the service sector

The Corporation: Three main stakeholders



Corporate Governance Issues



The Productive Corporation is one



- Whose governors practice a good Corporate governance that facilitates management with quality oversight and guidance and allows the management to do their job
- Which recruits a well educated and well suited CEO of high competence and high integrity, to serve as managing director or as is suitable for the Organization.
- Whose Governors work with their CEO to determine the strategic direction of the Corporation through effective Strategic Planning, definition of best management structure, and the recruitment of the best people to the staff team (trained, competent and high integrity)
- Whose Governors are not conflicted in their personal interests and therefore retain their confidence to firmly guide management, let them work and hold them to account.
- Whose CEO works to implement the Boards Strategic Plan and resolutions, to regularly and transparently reports progress to the board, as a way of giving them the information they need to make decisions.
- The CEO work tirelessly to support the effective functioning of productive senior staff serving under him/her and guides them to achieve their best.

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The Productive Corporation is one:-



- Whose CEO and staff offer their best services competently and with humility, leaving clients appreciating their services enough to recommend them to others.
- Whose services become clearly known, appreciated and sought after
- Which becomes self sustaining because of the quality of services it offers, because the citizenry are willing to pay for such services.
- Whose CEO embodies the values of the organization before the board and before the students, thus ensuring an attractive Corporate culture.
- Whose staff team respects Board members, the CEO, the senior management and one another.

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Corporations Have setbacks



- Sadly, Kenya is today known to be the country where good governance in Corporations is very scarce. I hear it said again and again, about someone that has been appointed to serve on a board, that He or She has been given a job. Such people then go on to begin seeking for resources from the organization.
- Kamau, in a research paper presented to the School of Law, pointed out that;
 - State Corporations that have experienced upheavals owing to bad corporate governance are: the Kenya Cooperative Creameries (KCC); National Housing Corporation; Kenya National Assurance Company (KNAC) which was wound up in 2001; Kenya Meat Commission (KMC); Mount Kenya Textiles (Mountex) and Kisumu Cotton Mills (KICOMI) among others²⁰.

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Corporations Have setbacks



- An example of the breach of Corporate Governance is in the case of KNAC's senior executives allocating themselves allowances which were way above the ceiling²¹.
- Uchumi Supermarket Limited which collapsed and was revived by the Government was characterized by perfunctory expansion of branches, unsuitable financing, poor resource policy and heavy borrowings which were not channeled to their intended purposes²².

Corporations Have Setbacks



- The National Bank of Kenya faced liquidity problems due to imprudent loan allocation and interference from politicians who used to impose their cronies on the Board of Directors without following due procedure for their appointment²³.
- KMC, a meat supplier in Africa, Europe and the Middle East in the mid 1960s declined due to policy misdirection, high-level corruption and political patronage²⁴ 20 Muthumbi, M. (2007).
- After reviving KMC and KCC Kenya Government goes after Rivatex. Daily Nation July 29, 2007 21 Standard Reporter (2006). KMC - a History Littered With Crippling Debts. The East African Standard, June 21, 2006 22 Wambugu, Benson (2011).

Corporations Have Setbacks



- Permanent Secretary lists reasons for Uchumi collapse before Nairobi court. Daily Nation, March 14 2011 23
<http://mjengakenya.blogspot.com/2008/07/national-bank-of-kenya-bigger-scandal.html>.23.7.2013 24 Supra note 24 7 KCC collapsed following political interference and sale of equipment to individuals wellconnected with the Government25.
- A central thread in the collapse and mismanagement of these State Corporations was the non meritorious appointments of directors of the boards which were not in consonance with sound Corporate Governance principles.

The opportunity for Corporations



- Is to recruit people of high competence and integrity to be appointed to the board of directors
- Is to offer them training in Corporate Governance
- Is to recruit a competent CEO and strategic Staff.
- Is to work with management to ensure all legal fees are paid, a positive culture among staff, their welfare is taken care of and high quality services are offered
- Ensure regular audits, evaluations, quarterly board meetings, and Annual General Meeting
- To be the leading service provider in Kenya, approved by lawful standard setting bodies
- To compete against the best in the world and ensure the services that the Corporation offers, reach the most needy. ver

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Definitions: Global Governance



- GG is
- “the various institutionalized modes of social coordination to produce and implement collectively binding rules, or to provide collective goods” (Risse, 2012, p. 700), arguing that while the debate about global governance is focusing on governance without government and the rise of private authority in world politics, it is also based on the assumption that functioning states are capable of implementing and enforcing global norms and rules (Risse, 2011).
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Conclusion



- We have a great opportunity to contribute to the elimination of the culture of corruption, negativity and Corporate micro-management, by committing ourselves to be responsible governors whenever we have a chance, and preventing such types of director from messing our corporations.
- Remember, we are in a global village

Thankyou for the opportunity to speak to you