CORPORATE GOVERNANCE

With the financial crisis through the collapse of banks in 2008, and more recent company and charity failures such as Carillion and The Kids Company respectively, this is now considered, and has in reality always been, a very important area for all companies.

Governance is ensuring that a reporting and responsibility structure is put in place that ensures both transparency and control, in such a way that it enables the business to act more efficiently not to restrict it (good governance is merely a well-run business).

Governance includes a clear board and committee structure with authority being clearly given by the board to the committees through terms of reference or standing orders. There should be clarity around financial controls as well – with clear signing authorities at each level.

Directors' duties were codified in law by the Companies Act 2006 and, therefore, directors now have increased exposure in all areas, even covering social responsibilities such as the environment. They must have, and be seen to have, all the controls and policies in place to take control of these duties from the top.

This is why it is so important to have clear governance which can even be detailed on a company website – listed companies have an obligation to do this. Large private company groups are also now expected to report on various areas of governance including, more recently, supplying an annual Modern Slavery Act statement and six-monthly Payment Practice reports. A further new requirement is the Streamlined and Carbon Reporting (SECR) policy which will now have to be put in place as well.

Governance is also very important in the financial area – if a company goes into insolvent liquidation, Directors can end up being personally liable, It is therefore vital that Directors both know the financial situation of the company as well as having adequate controls in place to ensure spending is controlled and money is well protected. This area will often be overseen by an Audit Committee.

As part of good governance, the Board should be able to work effectively together. This means that their working relationships should be good with each other but there are times when, maybe due to external pressures or over enthusiasm, there can be destructive clashes. Alternatively, the Chair may be too domineering for the rest of the Board, or not strong enough, or the Non-Executive Directors may not be challenging the Executive Directors enough. In these situations mediation and facilitation tools may be used. An annual Board Review is also considered good practice and can:

- Provide a check on progress against the organisation's mission and objectives;
- Provide accountability to members, shareholders or key stakeholders;
- Highlight the Board's achievements;
- Identify areas for Board improvement;
- Set a lead for the organisation in Performance Evaluation and continuous improvement;
- Provide benchmarks for measuring Board Performance in the coming year; and
- Enable more effective group dynamics within the Boardroom.

A strong part of good governance is good change management, allowing a company to be more agile and flexible to changes in the marketplace. Change management programmes should be transparent and open, yet controlled, with all relevant people, from the board directors to the customer facing staff, having the opportunity to have a say and be involved. Through being done in an open and transparent way, this fits and works well with good governance generally.