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Abstract— This critique is on the discussion by INSEAD Panel at the Global Business Leaders Conference which took place in Abu Dhabi, United Arab Emirates on the future of governance. Following the video discussion, literature review on governance was done to strengthen the stand taken in this critique. Governance should be a driving factor to success. However, companies have been casualties affecting millions of employees who lose their jobs. Governance rules in isolation have proved unsuccessful. Pomposity, greed and abuse of positions have led to failing companies, organizations even governments. Board members who become irrelevant due to the changing world have contributed to the dysfunction of governance leading to the fall of many companies. Therefore, I recommend training the Board should include ethics as this is an umbrella for good decisions regardless of context. Board members need also be independent to be able to make decisions without undue influence. The board should begin to use the stakeholder view which benefits society. Communication has to flow both ways for informed decisions to be made. The critique concludes that there is hope for governance once ethics begin to reign and ensure justice for every stakeholder. Support for the company will be ensured in return by the society who are the customers of the company as it does not exist in a vacuum. Governance is everywhere. Each individual around the globe should strive to make a difference in improving the future of governance.

Keywords— Governance, Fundamental duality, Ethics, Separation of powers, Conflict of interest.

I. INTRODUCTION

This is a critique of the Global Business Leaders Conference held on 24 October 2016 in Abu Dhabi, United Arab Emirates. It consisted of panelists from different geographical backgrounds who conflicted in their views concerning governance. Their discussion was on the changing face of corporate governance in today’s world, where they were reviewing the evolution of governance practice around the world. They defined governance as setting the direction just like a captain on the steering wheel. They also defined it as knowing the rules of the organization or corporation and how they are played.

However, the concern by the panelists was that governance around the world is not improving because it is not understood or that it is being misused. There is errors and bleeding that is happening around the world in different companies. This is because of greed or fear being created by the governance structure of which the panelists agree that there is something amiss. Such as Wells Fargo bank where the employees were practiced fraudulent acts to achieve governance strategies (Veetikazhi R., Krishnan G., 2018). They discussed about ethics which also had a controversial discussion and later became the key of which governance should revolve around. They discussed about managing the culture of governance to suit the context. It is also one of the challenging aspects for governance as it goes through a lot of cultures. The big question I see in the panelists is taking into consideration ethics, what should change, culture or the rules of governance.

II. JUSTIFICATION

After witnessing big companies struggle and fall such like Wells Fargo and Black Berry even with governance systems which seemed faultless, experts have been puzzled and are trying to put the puzzle together to discover what is wrong with the present governance systems. Despite board members going for education to train in governance so as to improve their performance when it comes to governance, there are still problems with the governance structures. These problems are not coming to an end due to the complexities the governance finds itself in and I will comment on some of them here as discussed by the panelists.

III. METHODOLOGY

This critique looked at different literature available in the field of governance which includes watching videos, reading articles published in leading journals, websites available online and reading periodicals on Governance. A lot of literature was reviewed where I considered only that which is necessary for this critique and rejected that which was not necessary. I concentrated on literature from 2014 to 2020 to get the recent trend which governance has been evolving through.

IV. LITERATURE REVIEW

Firstly, looking at the definition that governance is knowing the rules of the organization and how they should be played, I find is not correct. This is because many of these
rules are causing casualties in the society as a whole. There are CEOs who are falling victims because of flaws in governance. For instance, at the Wells Fargo Bank rules were strictly followed by the employees resulting in the fall of the once giant US company (Veetikazhi R., Krishnan G., 2018). If the employees did not meet the target as prescribed by governance, there was a consequence which was met by fear causing fraudulent acts.

There are also companies, corporations, organizations who are collapsing because of poor governance strategies such as the Blackberry and Kodak manufacturing companies (Hodge N., 2019). Failing to see the changing world and change their strategy to conform to the changing world caused the two giants to collapse.

Even governments are urged to practice good governance and have been questioned whether the governance in place is for the narrower good or for public good. This is the case in Africa dominated by lack of good governance has been seen to be the cause of unsustainable development in our continent (Chigudu D., 2018). Furthermore, literature confirms that good governance even in government is good for sustainable development to take place. Probably this is why development in Africa is forging at a snail’s pace. Chigundu stated that “although corporations adopt international accounting standards, they hardly put them into practice breeding managerial deficiencies and abuse of discretion pervasive on the continent” Chigudu D., (2018). Poor governance is a global disease caused mostly by self-interests and as the panelists stated in the INSEAD video, it needs to be addressed if it is to have a future. Moyo in Zimbabwe in her study has put out the fact that good corporate governance is important for economic growth and success hence there is a need for competent board members who can construct and make strategies that will be beneficial for the company and all stakeholder (Moyo N J, 2016).

In Malawi, some companies such as ESCOM are struggling to keep on their feet because of poor governance (CONREMA, 2018).

The panelists in the video state that too many boards do not understand the operations of the companies until they collapse would they then start talking about good governance. These sentiments are correct because as Giant companies collapse, CEOs, employees make victims, losing what they have built because of poor governance (Ramachandran V., Krishnan G., 2018) is when heads begin to spin. Usually this is because the board of directors who meet once, twice, thrice or in this video 4 times a year did not do their job correctly. Either they did not choose the right people to fit the governance structure or they used fundamental duality which has a negative relationship with the performance of a firm or company (Rutledge R. W.; Karim K. E.; Lu S., 2016).

I do not agree with panelists that even though the key role of the board is reframing the mission of the organization, they need to pay attention to shareholders’ will because it is the shareholders who can hire and fire the board. This place the board in a box, not giving them enough room to freely make decisions. Ironically, when a problem arises, the board of directors are answerable and go to jail, not the shareholders.

Similarly, governance itself is not understood that it should trickle down the ladder to the operations. This is because it is not the board of directors who do the actual operational work. It is the executives and the rest of the employees according to governance. Therefore, the board and CEO are removed from the action (work) if they detach themselves from the bottom of the ladder. Hence there is a need for a re-look into governance communication structure. Wells Fargo governance problem was not about the top management but it was the tone at the bottom which was abusing the process but the board and CEO did not see it (McRitchie J., 2017). The tone at the bottom was louder.

Furthermore, I concur that governance problems continue to exist because the governing bodies do not walk their talk. They practice conflict of interests in many ways. For instance, the board of directors who report to the owner or shareholders of the company, also have a fiduciary duty with the CEOs for the corporation which is a fundamental duality. They are placed in a situation where they have to do what is good for the owner or shareholders and what is good for the corporation whose agenda may be differing. Similarly, the CEO also has a fundamental duality in that he serves as the secretary of the board which is a strategizing body and also executor of operations through the executives.

The panelists also rightfully reproached shareholder’s approach to governance where they prioritize on profits only so long it is done within the law and there is no fraud. Therefore, governance is portrayed not to care for others such as employees and the society at large because they look at their profits. But then, there is a need for social responsibility as companies do not operate in a vacuum. Corporate social responsibility is now seen as a driver of good governance (Sharma N., Dang R., 2014) and companies should be striving to fulfill their social responsibility instead of indulging in self-interests and conflict of interests.

It is also true that lack of transparency and fear of top management who can fire if someone does against their word is the cause of so many irregularities. Lack of transparency lead stop management drawing high salaries or giving themselves big bonuses and the fear of something being taken away from them, silences the employees and executives causing damage to the company. Unfortunately, when this happens, it is the owner of the company who suffers the loss because he genuinely cares for the company but the majority in governance do not care but only about what they are taking from the company.

Fortunately, after the financial crisis due to previous bad governance, the word good governance has been introduced. Education on governance is now the talk of the day. Board members are now attending class to train about governance. Company Owners have also been attending governance courses which the panelists consider it great news for schools as well as governance. So, there is hope.

V. HOPE FOR FUTURE GOVERNANCE

In the video, I was glad to see that there is hope for the future in governance because the more people are made aware, a change in the right direction will take place. It is also
important that the panelists also discussed governance whose new view is through the eyes of the stakeholder unlike that of the shareholder which disadvantage the customers. Their expectation is to have governance that shareholders, stakeholders, government, executives, media are all interested and everyone else benefits from it. Governance that favors transparency where accountability of what a customer is paying for will be evaluated by the customers themselves.

The following expectation of having Board of directors who don’t create fear in employees that they will lose their jobs if they do something against their word is another interesting one. The boards should be striving to do better for the company as well as the employees and provide safety for the employees to speak without fear. There is still fear in the employees who are not listened to at work and suffer consequences which are even spelled in the governance rules.

The panelists talked of preferred dominance of stakeholder approach over shareholder approach in governance. I agree with this because it will create room for more participation in strategy and decision making. Clarification of accountability at different levels on individuals responsible in the governance structure is possible. Where there is participatory decision and strategy making, there is transparency and accountability that come along with it. Therefore, each level will be held accountable and responsible for their own wrongs and mistakes.

On the issue of sustainability, I would tend to support the idea of panelists that businesses should be moved to family businesses because of the succession plans which will provide sustainability of the companies. The ownership will enable the business not to disappear because the owners have genuine interest in the survival of the company. My thoughts would be that it is prone to shareholder view as the family will concentrate on their interests as family members and forget their social responsibility.

If governance education is taken seriously, it will enable whistle blowers to freely speak their minds without fear but also within the right bounds. This in other words allows transparency and freedom of speech so that people can be able to speak up when something goes wrong. This is like stripping the power of the shareholders and directors to that of the stakeholders. It will strengthen the company’s credibility and win more customers. If this can be achieved, it will be a plus and should be encouraged.

Panelists believe that it is important that owners really search for people who have a heart for stakeholders and not for their interests. However, this is easier said than done. The difficulty is that the shareholders who appoint the board have a strong hold on the board and the business. This can probably require legal enforcement so that the shareholders do not put unnecessary pressure on the board of directors. Directors also should be taken to task to satisfy the society as a whole instead of themselves and the shareholders.

With the training that the board members have found necessary, it will ensure that the board have knowledge of what is happening and begin to own the strategy and understands the mission of the company. Once they understand the mission and own the strategy, they will be able to seek sustainable means of running the company instead of running it down and causing collapse.

In view of the panelists’ discussion and literature review on the future of governance, it is true that governance need drastic reforms if it is to transform itself. It should not just be about debates or writing but it needs action and here are my recommendations.

VI. RECOMMENDATIONS

The culture of the board still remains undesirable. There is a need for the board to revisit their culture and see what works and what does not work.

There is need that the board should be independent and make decision which are free and fair. Since governance sets the tone of the culture in a company, the governance body has the right atmosphere to be able to do that. Therefore, the board should be seen to be independent with members who are independently able to assess the culture of the company and create a culture for the benefit of the business and all stakeholders. They should be able to assess the performance of the company due to the fiduciary responsibility and be able to assess the CEO for real competency or incompetency.

The world is striving to have a balanced type of governance because too much governance undermines leadership. This is to say that even though too much leadership is good it should be consistent with good governance. Hence, the call for separation of powers between governance, CEO and executives which will enable to have stakeholder effectiveness by being active and involved to the point of determining the vision and mission of the company. This is what happened in Wells Fargo Bank after its misery entry.

Governance should ensure to benefit the society as a whole. Future governance should not only benefit the owner and the shareholders but benefit everybody who is affected by it. If it benefits all stakeholders, it is likely to receive the support of the whole society making the business strive where it is operating.

It is recommended that if the board of directors realize their ineffectiveness should step aside and go for training or education. This will ensure that the top management is creating value for the company. Where there is transparency and accountability, there is democracy and therefore a director should perform if they don’t perform, they should be removed. Directors should also take responsibility if they cannot meet the demands or add value. They should move out and get trained to be ready to come back and add value.

Where the rules of governance cease to be relevant, the board should try to make sense of them and change them accordingly. However, if they cannot understand them it means they are no longer relevant therefore the board should be able to change what does not work. Similarly, it could be that the company culture is a problem, then the board has to change the particular culture to suit the rules of governance leaving those cultures which are compatible with the governance.

I would also recommend that the new governance should look at the Stakeholder view which unlike shareholder view safe guards the interests of all those affected by its operations.
Shareholders even though they are a necessity, they should not be at the cost of the employees, customers and society. Successful companies take into account all the stakeholders and thereby ensure sustainability of the business. Therefore, stakeholder analysis and assessment are very important because it will let the company know who to engage with for the benefit of the company. If a company improves its governance, it will be evidenced by happy employees, happy customers, ‘happy’ and I will add ‘supportive’ society.

The use of technology with the new digital norm should be taken aboard to increase meeting times. The culture of the board when it comes to meetings should change and become digital. This will assist the board to meet more and follow up on the operations of the company through the reviews of their strategies. It will also remove the disconnect that has existed between the board and the company’s operations. It is necessary that the board understands their work and be able to monitor the operations of the company by frequent meetings. Meeting only 4 times or less a year would cut off the board from the operations. Otherwise, they would only get to know some things after the situation has already worsened and end up in jail. This is important so that right choices and decisions are made on time.

Another important recommendation is by looking at governance ethics as being universal. It is universal because it is not only about one company’s culture but it is about responsibility, truthfulness, fairness and justice. It true that Ethics is not a company’s culture that it can vary from one company to another but it should be what influences the culture of the company. This is important and I think it should be one of the components to be stressed and included in the future governance. The golden rule is that do not do anything to another person that you don’t want them to do to you should be on top. This is what should rule in the future governance and it will reduce the fraudulent and unscrupulous ways that hurt many people in many ways. It is important to handle all stakeholders in the right way. It is true that the world is becoming a small village and we eventually are going to have a common culture determined by the society. These sentiments have also been echoed in a study by Moyo that governance is about transparency, accountability, responsibility and equality which is all about ethics (Moyo N.J., 2016).

It’s a good recommendation to have governance or board members trained prior to taking up leadership to understand what they are embarking on because they are going to affect a lot of people’s lives. The training or induction should be holistic to enable govern with good ethics and morality. Choice of members also matters as good choice of people for the board will improve governance. All this is possible if the governing bodies would take time to listen to what is around them as leaders. Benchmark with those that are already practicing good governance because it helps to make choices on where to improve to be a better company.

Finally, improved and constructive communication such as communicating the values of the company will help in improving the governance of the organization. Therefore, better communication should be one of the future goals in governance because communication is key to solving problems. Two-way communication will alert the board of any changing situations to allow them make decisions that will be beneficial for the company’s mission (Ertürk, K. Ö., Berkman, A. N., 2016) It is good to make the world deal with governance now and not wait when things go wrong.

VII. CONCLUSION

Even though governance in the world seem not to be improving, efforts are being made to improve it. The board of directors who have started training themselves to learn more about good governance is one reason to look forward to for an improved governance system. The panelists have shown that there is need for independence in the new governance structure and there are expectations that this can be achieved if each director makes an effort to apply what they are getting trained in. An appeal would be placed to those who are still not making an effort so that they should make an effort or else, they might become irrelevant. Ethics is something that should not be left out and this should be done during orientations to ensure that the board of directors make the right choices and decisions that would benefit all the stakeholders in the society and in the organization itself. Ethics is universal and it is what will make governance successful no matter which culture the corporation find itself in. Governance rules in isolation have proved unsuccessful (Veetikazhi R., Krishnan G., 2018). Pomposity, greed and abuse of positions have led to failing companies (Himself D., Inkpen A., 2017). Board members who become irrelevant due to the changing world have contributed to the dysfunction of governance leading to the fall of many companies.

Duality has to be reduced because this cannot move governance forward as it is flawed. Duality tends to favor one side therefore it will cause conflicts. A study revealed that duality between CEO and the company’s performance have a negative relationship (Rutledge R. W.; Karim K. E.; Lu S., 2016). The expectation as discussed in the video is that if the directors are independent, things might improve. This is because in the study above, the researchers found out that independent directors committee have a positive relationship with the company’s performance (Rutledge R. W.; Karim K. E.; Lu S., 2016). This means if what is expected as above could materialize, governance would be a better structure for companies and businesses. However, the real question is, will it come to pass, media news continues to increase when it comes to poor governance. I will agree with William Pound as he stated in his video it all can begin with each one of us, where ever we are to make a difference in improving the future of the corporate governance.

REFERENCE


