



Good corporate governance requires more than a 'tick-box' approach. Good governance practice not only leads to greater regulatory compliance but can also lead to better decision-making in the organisation. The 'tick-box' approach will assist to address compliance requirements, but driving better decision-making requires something else entirely. It requires leadership.

Good corporate governance stems from strong foundations of ethics, accountability and transparency. Most importantly, it's led by capable corporate leaders. They provide the crucial 'human face' of good governance. Leaders must be skilled in organisational leadership and empowered to drive their organisation forward with an ethical and focused mindset.

At its simplest, corporate governance is described as the way in which organisations are directed and managed. The term 'corporate governance' refers to a range of corporate systems, policies, practices and relationships focused on issues such as the structure of the Board, responsibility for decision-making, integrity in financial reporting and disclosure, the rights of shareholders and other stakeholders, and management of risk and remuneration. The 'principles based approach' to corporate governance in Australia encourages each organisation to establish a corporate governance framework that works best for its own circumstances.

Every organisation needs to establish rules, policies and processes based on best practice corporate governance principles to effect structured control and decision-making.

But the true success of a corporate governance framework depends more upon the people than the rules. Strong leadership provides the fuel to an organisation's corporate governance engine. Are your Board and management team acting as true organisational leaders in keeping the corporate governance fire alight? This question can only be answered by analysing whether your leaders are focusing their attention in specific areas.

Leading the way

Good corporate leaders understand the organisation's vision, objectives and values and lead the organisation in making them real. Strong leadership is anchored by ethical principles that flow through the organisation. The Board and management team must foster positive attitudes and model the ideal behaviour or values of the organisation.

Leaders should communicate objectives and strategy. When informing people of a decision, it helps to explain the reasoning behind it, so that everyone can align their decisions with the same values.

Good corporate culture and processes will allow the organisation to deal with issues in a productive and effective manner. In setting the cultural tone of the organisation, good leaders can build strong relationships with staff at all levels that also enable them to spot opportunities and problems early.

Creating effective organisational structure

An effective organisational structure needs clear division of responsibilities, accountability and transparency. The fundamental relationship between the Chair and the CEO is the cornerstone of a successful structure. The performance of the Board, the Chair and the CEO must be monitored and assessed on a regular basis.

The Board establishes the key relationships and the division of responsibilities. The correct people must be empowered to do the correct jobs. They must have adequate power to do these jobs well and without valueless escalation. The Board must continually monitor whether these structures and individuals are working well in practice. Clear communication and accountability are fundamental, as is diversity and collaboration between all key individuals.

The Board, along with the CEO, must demonstrate skill in managing the business and the dynamics between team members to ensure that the organisation continues to function effectively. This will involve the corporate leaders creating appropriate rules and processes, empowering all staff and facilitating positive team dynamics.

Encouraging innovation

Strong leadership in corporate governance sets the boundaries and clarifies what the organisation considers to be a successful outcome. This guides the development of new products and services, changes to technology and operations, and enables the organisation to maximise its market position.

The organisation should also demonstrate a willingness to hear feedback. In this way, new ideas can be developed that meet the needs of stakeholders. It's also important for leaders to know the impact they are having on followers. Using feedback, leaders can improve their skills and effectiveness.

Ensuring operational execution

The Board and management team must constantly monitor compliance and feedback to ensure that the corporate governance framework is dynamic and evolving along with the organisation. Adequate training of all staff is essential on an ongoing basis.

Beginning at the Board level, leaders can channel positive decision-making attributes throughout the organisation. When the Board models appropriate decision-making behaviour, it coaches management in making appropriate choices and keeps the organisation strong, fit and flexible in its operation.

Developing a high-achieving culture

Strong leadership encourages outstanding individual and team contributions, involves all staff optimally in the business and benchmarks processes and results against best practices.

Leaders should report organisational performance back to those responsible for implementation. This helps explain past and future decisions, and reinforces the importance of good decision-making throughout the organisation.

In conclusion, good corporate governance is established with effective structure, processes, policies and reporting that reflect current best practice guidelines. But its lifeblood is strong leadership that drives a culture of appropriate decision-making and ethical performance.

Gullone Group Consulting assists organisations in the design of best practice governance structures, processes, policies and reporting to suit the organisation's unique business context. We also offer Board governance surveys and governance advisory services. Our team of highly qualified and experienced consultants can also support your leaders' development, assisting them to excel in driving good governance standards throughout the organisation.

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Strong leadership provides the crucial 'human face' of corporate governance and provides the fuel to an organisation's corporate governance engine. The challenge when times are tough is to maintain a corporate culture and direction that is true to the mission, objectives and values of an organisation. A strong organisational leader will have the skills to deal with adverse events and the ability and frameworks in place to assist the organisation to turn challenges into opportunities.



Gullone Group Consulting

Level 27
101 Collins Street
Melbourne VIC. 3000
p: +61 3 9221 6281
w: www.gullone.com