



Good Corporate Governance: The Panacea for Poverty Reduction and Transformation

Rockson K. Dogbegah

President, IoD-Gh

Presentation Outline



Definitions



Linkages between Good Corporate Governance and Poverty



Corporate Governance Failures



IoD-Gh Membership



Conclusion

Definition of Corporate Governance



Corporate Governance is the **System** by which companies are **directed** and **controlled**

[CADBURY REPORT, 1992]



Definition of Corporate Governance



Corporate Governance regulates the exercise of:

- 1 Power
- 2 Authority
- 3 Direction
- 4 Control

within an Organisation, in order to ensure that the organisation's purpose is achieved in a sustainable manner.

The key objective in Corporate Governance is to ensure that the Organisation is **governed** in a way that is **consistent with the principles of Good Corporate Governance**



Key Principles of Corporate Governance:

The following are some of the main principles:

- 1 Integrity
- 2 Responsibility
- 3 Accountability
- 4 Transparency
- 5 Effectiveness
- 6 Efficiency
- 7 Sustainability
- 8 Reliability

Relationship Architecture in CG

The relationship between the **Shareholders, the Board, the Management, employees** and **other Stakeholders** is at the centre of many of the challenges that arise in Corporate Governance

Many of the guidelines **in the codes of Corporate Governance and codes of Best Practice**, are directed towards reducing the **potential for conflict**, between the various stakeholder groups



Corporate Governance will therefore seek to harmonize **the interests of the Shareholders, the Board, Management, Employees, and other stakeholders**, as well as the interests of the community in which it operates



What is Poverty?

Poverty may be explained to mean **not having enough money** to meet basic needs including food, clothing and shelter

*However, poverty is more, much more than just not having enough money



What is Poverty?

The World Bank Organization describes poverty in this way:

**“Poverty is hunger.
...These are all costs
of being poor.”**

What is Poverty?

Poverty reduction, poverty relief, or poverty alleviation, is a set of measures, both economic and humanitarian, that are intended to permanently lift people out of poverty



**How does
Good
Governance
reduce
poverty?**





Benefits of Good Corporate Governance and Linkage to Poverty Reduction



It defines the rights and responsibilities of all active agents within an organisation, attracting talent and financial capital, boosting internal efficiency, and providing economic value to stakeholder's long term.



Benefits of Good Corporate Governance and Linkage to Poverty Reduction



The importance of Corporate Governance is made apparent by the positive impacts that occur when risks are controlled, and company procedures are streamlined and consistent.

Companies can see direct benefits with good Corporate Governance



Efficient Procedures

due to the repeatability and consistency of task performed



Visibility of Errors

this repeatability and consistency helps to quickly identify the non-conformities in procedures



Reduced Costs

when tasks are streamlined companies can eliminate the waste from scrap, rework, and other costly inefficiencies

Companies can see direct benefits with good Corporate Governance



Smother-Running Operations

regular disruptions from inconsistent procedures are eliminated



Compliance

a culture that supports Corporate Governance allows for its products to reach the market while meeting its intended specifications and working correctly

Is at the heart of poverty reduction. These are the guiding philosophies behind why governance exists and how it operates



People



Purpose



Process



Performance



Is at the heart of poverty reduction. These are the guiding philosophies behind why governance exists and how it operates



People



People are the organizers who determine a purpose to work towards, develop a consistent process to achieve it, evaluate their performance outcomes, and use those outcomes to grow themselves and others.

There must be a people management strategy



Purpose



Is at the heart of poverty reduction. These are the guiding philosophies behind why governance exists and how it operates



People



Purpose



Every piece of governance exists *for* a purpose and to *achieve* a purpose. The '*for*' is the guiding principles of the organisation. The mission statement. Policies and strategies must be developed to achieve the mission of the organisation.

Is at the heart of poverty reduction. These are the guiding philosophies behind why governance exists and how it operates



Process



Governance is the process by which people achieve their company's purpose, and that process is developed by analysing performance. Processes are refined over time in order to consistently achieve their purpose, and it's always smart to take a critical eye to your governance processes



Performance



Is at the heart of poverty reduction. These are the guiding philosophies behind why governance exists and how it operates



Performance



Performance is a process that operationalize the business of the organization. The result is the ability to have the appropriate performance management (or policies, framework) and plan. apply the same findings to the rest of your organisation, is one of the primary functions of the governance process

Beware - Corporate Governance Failures, A Global Phenomenon:

Bad corporate governance can cast doubt on a company's reliability, integrity, or obligation to stakeholders; all of which can have implications on the firm's financial health



The International Stage





Beware - Corporate Governance Failures, A Global Phenomenon:



Tolerance or support of illegal activities can create scandals like the one that rocked Volkswagen AG starting in September 2015.



Beware - Corporate Governance Failures, A Global Phenomenon:

Again, corporate governance became a pressing issue in the United States at the turn of the 21st century, after fraudulent practices bankrupted high-profile companies such as Enron and WorldCom



Volkswagen AG

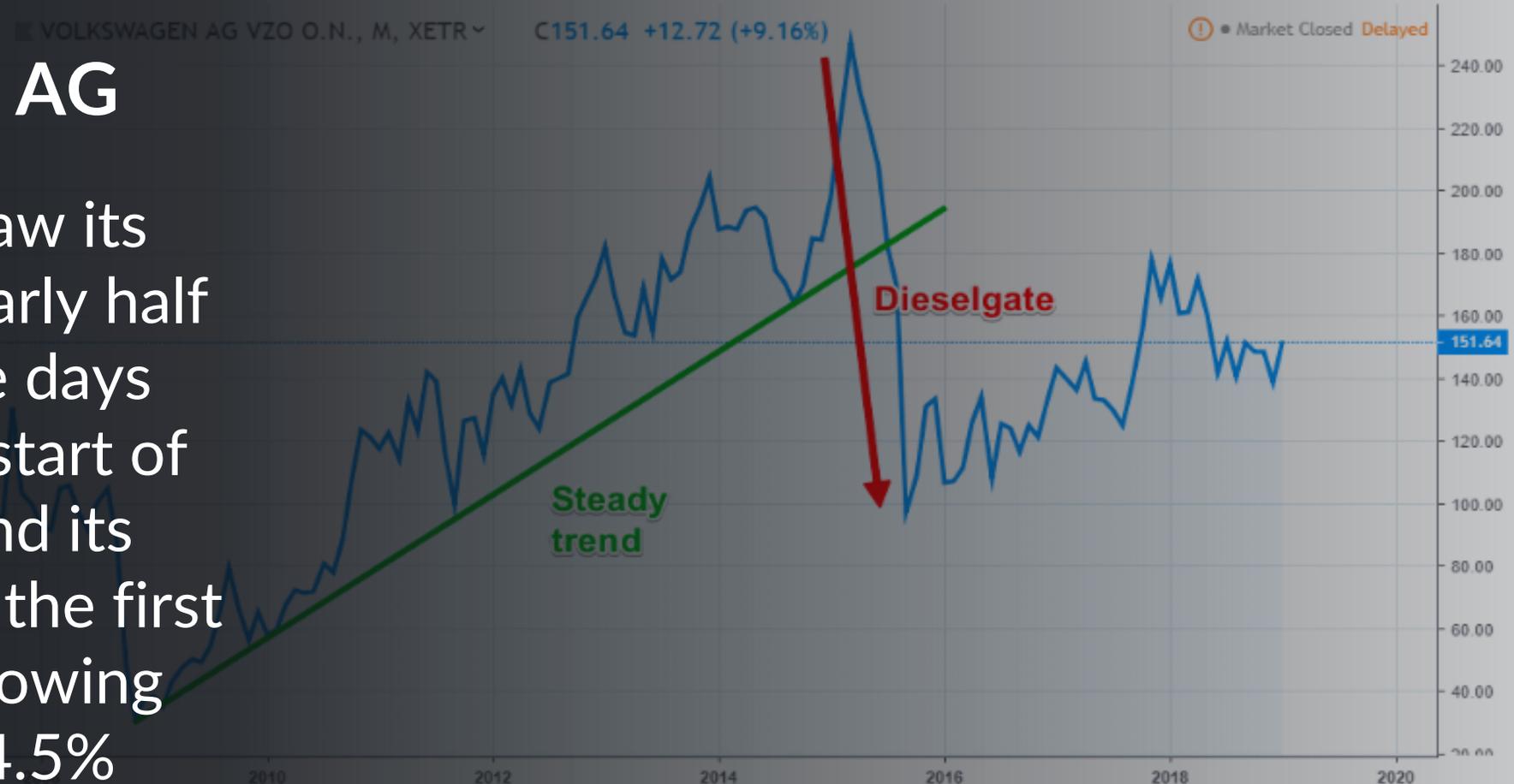
The development of the details of "Diesel gate" (as the affair came to be known) revealed that for years the automaker had deliberately and systematically rigged engine emission equipment in its cars to manipulate pollution test results in America and Europe.



Beware - Corporate Governance Failures, A Global Phenomenon:

Volkswagen AG

Volkswagen saw its stock shed nearly half its value in the days following the start of the scandal, and its global sales in the first full month following the news fell 4.5%



Beware - Corporate Governance Failures, A Global Phenomenon:

Volkswagen AG

VW's board structure was a reason for how the emissions rigging took place and was not caught earlier.

Beware - Corporate Governance Failures, A Global Phenomenon:

Enron and WorldCom

The problem with Enron was that its board of directors waived many rules related to conflicts of interest by allowing the chief financial officer (CFO), Andrew Fastow, to create independent, private partnerships to do business with Enron



Beware - Corporate Governance Failures, A Global Phenomenon:

Enron and WorldCom

What happened was that these private partnerships were used to hide Enron's debts and liabilities, which would have reduced the company's profits significantly



Beware - Corporate Governance Failures, A Global Phenomenon:

Enron and WorldCom

What happened at Enron was clearly a lack of corporate governance that should have prevented the creation of these entities that hid the losses in the markets



Enron and WorldCom

- Both the Enron and WorldCom scandals resulted in the 2002 passage of the Sarbanes-Oxley Act, which imposed more stringent recordkeeping requirements on companies, along with stiff criminal penalties for violating them and other securities laws.
- The aim was to restore public confidence in public companies and how they operate

Poor Corporate Governance

Poor corporate governance has been cited as one of the major causes of the collapse of the seven banks by BoG, and other financial analysts:

- 1 Board level and senior management were either inactive or engaged in activities that inured to their personal interests rather than to the growth of the banks
- 2 For instance, there was the observation that most of the non-performing loans were advanced to people who were related to senior board managers

Poor Corporate Governance

- 3** Furthermore, Board of Directors of banks failed to oversee bank accounting and corporate reporting systems as well as the external auditing system due to lack of experience or greed

- 4** In addition, Board of Directors failed to provide proper functioning risk management framework

Poor Corporate Governance

- 5** There was also the lack of independence and integrity among Chief Internal Auditors in most of the collapsed banks, leading to cover-ups for executive directors during review processes

- 6** The general non-adherence to policies of corporate governance has greatly contributed to the collapse of these banks

Resultant Effects

- 1 Loss of employment
- 2 Financial Sector Crisis
- 3 The banking sector clean-up costed government GH¢11.7 billion and brought a reduction in the number of banks from 34 to 23 currently
- 4 Introduction of a financial sector clean-up levy of 5% of banks' profit before tax

Question for All

Why become an Ambassador for Good Governance?





Part 2

10 IoD-Gh Membership Benefits

- 1** Credentials, HFloD, FloD, MloD, AloD
- 2** Entry into Directors' Register
(referrals, recommendations, opportunity to server on Boards)
- 3** Access to IoD-Gh's CPDs and events at Discounted rates
- 4** Access to CG related Information
(Emerging Trends in CG, IoD-Gh Newsletters, Publications, Contemporary issues)
- 5** Leadership Development

10 IoD-Gh Membership Benefits

- 6 Networking
- 7 Mentoring
- 8 Business Development
- 9 Good Corporate Citizenship
- 10 Be part of the world of Directors

Associate Membership

- 1** Granted to students pursuing a program in Corporate Governance at the tertiary level (graduate or post-graduate level) through application

- 2** Granted to those who do not possess the qualifications for direct membership as per the direct admission route

Associate Membership

3 Associate members who have 5 or more year's managerial experience shall work at achieving full membership status by attending training organized by IoD-Gh or go through Continuous Professional Development (CPD) course(s) in Corporate Governance and submit evidence to that effect. Subsequently, they may go through an Interview and subject to satisfactory performance, will be admitted into membership

4 Associate members who have little or no managerial experience will have to wait until they acquire the relevant experience to apply for upgrade

Full Membership

- 1** Managerial Experience of not less than 10 years
- 2** Occupied a leadership position. At least a Unit Head for a minimum of 5 years
- 3** Be involved in Board related activities for not less than 3 years
- 4** Be involved in any Committee work for not less than 5 years

Full Membership

- 5** Shall be of sound mind and not less than 25 years of age

- 6** Shall not have any criminal record

- 7** Should possess a minimum of first degree (or a tertiary level qualification – Academic or Professional) in any discipline

Fellow

- 1** A member of the Institute may become eligible to upgrade to the status of a Fellow, provided he has been in continuous directorship practice for not less than 8 years

- 2** Practicing directors with distinguished track record of not less than 12 years may apply to be admitted directly to the grade of Fellow
 - Admission fee – for direct entry is GHS5,000 and it is a one-time payment. This may be subject to review in subsequent years by Council. Fee for upgrade for existing members is GHc1,000 (also subject to Council review).

Honorary Member and Honorary Fellow

These categories of membership may be granted to individuals who have distinguished themselves in their fields of endeavour and have made significant impact in their organizations and on society. They shall bear the credentials HMIoD and HFIoD respectively



The International Stage

Organizing Annual Directors' Week Conference Celebration on the Continent

The maiden event is slated for
15th - 18 November, 2022

Theme

**Stimulating Political Participation in
Corporate Governance in Achieving
Vision 2063**

- **All PMI members are invited to participate in this event**

Objectives of the Directors Week Celebration in Africa

- 1 Stimulate the culture of good cooperate governance and leadership
- 2 Discuss and develop strategic interventions for corporate governance failures
- 3 Enhance capacity of directors
- 4 Network with Global and Continental stakeholders in the governance and leadership landscape

Objectives of the Directors Week Celebration in Africa

- 5 Promote a formal Public and Private sector dialogue forum in the corporate governance landscape
- 6 Stimulate Political Leadership in promoting good corporate governance on the Continent
- 7 Recognize and Celebrate Promoters/ Achievers of good corporate governance outcomes

Good Corporate Governance is about the 4 P's



People



Purpose



Process



Performance



Conclusions

Good corporate governance leads to four main outcomes:

- 1 Ethical culture and effective leadership
- 2 Effective controls
- 3 Good performance
- 4 Legitimacy

This will ultimately lead to the achievement of organizational objectives and hence its resultant effect on poverty reduction and transformation



**Do you wish to become
an Ambassador of Good
Corporate Governance
to reduce poverty and
to transform your
community?**

Make the decision today!



Thank You

Contact Us

Head Office

No. C 372/14,
Teinor Street
Dzorwulu, Accra

Email

info@iodghana.org

Office Lines

+233 24 366 2528
+233 24 071 4798
+233 30 273 2269

Learn More

www.iodghana.org

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   Institute of Directors-Ghana
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