

WHY CORPORATE GOVERNANCE?

"Why should one decide on corporate governance for a family business or a corporate?"

A question asked by many but rarely answered fully. Below are

13 reasons why Corporate Governance is desired for an organization.

ASSESSMENTS REQUIRE BENCHMARKS

Many companies don't evaluate the right measures to assess where they stand on all aspects of the business front, which leads to gaps that can only be filled if assessments are periodically undertaken in a systematic approach to reveal obstacles and problems in need of fixing.

SUSTAINABILITY NEEDS GOVERNANCE

The objective behind business sustainability is to keep the company going across time, generations and functions with an optimum level of success while reclaiming its values. Keeping its shareholders' interests, in presence and absence of its leaders, is of great importance. For this to be attained and sustained, all corporate governance fundamentals need to be preserved.

INSTITUTIONALIZATION: YOU'RE NOT A START-UP ANYMORE

A need for establishing a real corporate with institutionalized

platforms arises as the rules of the game start to change from start-up to medium to large-size companies. The importance of professional managers, well established departments, and solid systems are crucial to consider at this stage.

UPON FULL EXIT: MAKE IT SHINE

Companies that are well governed in all the various aspects of Corporate Governance have a higher chance of increasing their equity value in the sellout process. This is particularly due to the fact that the buyer is more reassured when buying a company that scores well on all institutionalized measures.

GOING PUBLIC NEEDS A FOUNDATION

Companies with the ambition to go public (perform an Initial Public Offering – IPO), need to have a solid Corporate Governance foundation to ensure getting the highest returns on their equity, as well as being prepared for a different stage of transparency

and relative loss of control.

SEPARATING OWNERSHIP & MANAGEMENT: 2 JOBS, NOT 1

What really matters is to have the company ready to move forward successfully in case the owner decides to step down from the management seat. This decision needs a company that is stable in its systems, controls, authorities, and, above all, scores high on talent management.

ESTABLISH A BOARD TO KEEP YOU FOCUSED

Companies need to establish boards that professionally reflect the true needs of the company, as well as reflect the owners' aspirations and vision. The representation of independent directors needs to be considered carefully to ensure decisions are made with no bias or conflict.

Boards also need professional and periodical evaluation and enhancement

IDENTIFY AUTHORITIES TO AVOID CONFLICT

Authorities of the key leaders, managers and corporate entities have to be very clearly identified, documented and reflected in the internal policies and procedures. Avoiding overlaps and having clarity about authorities provides focus to employees' performance, as well as fair basis for evaluation and controls.

ABSENCE OF RISK MANAGEMENT AND MITIGATION IS RISKY BUSINESS

A detailed risk register covering the various aspects of the business and prioritizing the different areas while developing mitigation plans should become part of the company's DNA.

Governance puts plans in place to predict risks and set protocols for their management

TALENT AND EXECUTIVE MANAGEMENT NEED PROTOCOLS

Companies need to have their executives' structure filled with the right talent, as well as having good successors at least for the key jobs. Talent needs to be attracted, developed and retained.

SUCCESSION PLANS ARE ESSENTIAL

Succession has always been a key pillar in ensuring the sustainability of businesses, and the CEO's position requires a strong succession plan. This is reliant on two arms: the accessibility of talent on the one hand, and the maturity of the HR function and succession systems on the other hand.

Corporate Governance allows for stronger and more reliable succession planning

MANAGING CONFLICTS OF INTEREST BETWEEN FAMILY MEMBERS NEED TO BE MANAGED

When the number of family members involved in the business increases – especially when reaching the 3rd generation, many conflicts arise. To handle this very sensitive topic, foundational work needs to take place on the corporate side as well as the family side.

THE EXECUTIVE COMMITTEE IS KEY

The Executive Committee (ExCom) is the place where the board approved strategy becomes implemented and executed. The ExCom needs

to operate using more profound tools and techniques that allows reaching the highest efficiency and effectiveness in executing and cascading the strategy, positively affecting the culture, mitigating risks, and ensuring the business follows a clear approach in setting the objectives and KPIs down to the individual levels.

Corporate Governance provides organizations with systems and protocols to ensure stability, sustainability, and ongoing success within a proper framework. Its benefits extend from the owner to the CEO to the youngest employee providing each of them with a set of authorities and responsibilities, which they are accountable for and evaluated upon. This system keeps organizations from failing because of issues in internal structure and affairs.

L O G I C
C O N S U L T I N G

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