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Beyond Governance

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In the last two decades, the corporate world has been hit several times with cases of corporate scandals and failures with some even resulting in global meltdowns. One of the most common scandals is the Lehman Brothers scandal in 2008 which saw financial markets globally collapsing. Bringing this closer to home, Zimbabwe has experienced its fair share of corporate scandals, and the Office of the Auditor-General Zimbabwe has over the past years revealed some of these. An analysis of these scandals, whether local or global, brings out one common denominator as a major contributor, poor corporate governance.

In a time of great change, accelerating globalisation and increasing uncertainty, companies the world over are searching for a new form of governance that is better adapted to the times to take advantage of economic competitiveness and create substantial growth.

Corporate governance is a concept of directing business corporations based on integrity, honesty, transparency and accountability to satisfy the needs of stakeholders. The Accounting profession has gone a long way to continuously improve the way corporates are governed with lessons being learnt from some of these scandals. The main aim of this article is to highlight how poor corporate governance has contributed to the failure of organisations.

Corporate governance has become an increasingly interesting subject, partly due to the collapses of high-profile international corporations, the demand for transparency and accountability in the utilisation of shareholders' funds. As a result, all enterprises, whether they are in the private or public sector, should always endeavour to accomplish and uphold business success through good corporate governance.

Good corporate governance is as critical to public entities or state-owned enterprises as it is to private companies and non-profit organisations. It is necessary to ensure that public entities contribute positively to a country’s overall economic efficiency and competitiveness. Ineffective corporate governance may lead to poor financial performance, lack of accountability and transparency in the entities with the potential of causing business failures and losses that, unfairly so, are eventually borne by taxpayers. In trying to establish the main causes of failures of corporate entities, it has been concluded that more often than not, government officials, management and the board of directors are responsible and accountable for ineffective corporate governance structures and the poor performance of organisations.

There has been a notable lack of clarity and conflict of objectives in entities which has led to their poor performance and a lack of appropriate monitoring and remuneration systems to motivate the board and management to effectively perform their duties. Boards of Directors in some organisations have been failing to adapt to technological advances and some have proved to be incompetent and in some instances, there have been issues of corruption. In this regard, the role and effectiveness of the board of directors have emerged as very important when examining the causes of poor corporate governance, corporate collapses and inefficiencies in organisations.

A number of corporate governance initiatives have been introduced to govern the operations of entities and their boards. But empowering directors to effectively discharge their obligations and enforcing compliance with good corporate governance practices have proved to be a major challenge. Effective corporate governance is grounded in a clear view of what matters most to the business, the full range of risks facing the organisation, and how these risks relate to the business and its strategic priorities. Only with an understanding of these areas is it possible to say what is or isn't a risk. Second, it begins and ends with the ethical conduct in every organisation that paves way for crystallising a clear corporate purpose, exhibiting the right values, and ensuring these are being acted upon.

The million-dollar questions therefore are:

- If good governance has become an important goal as strategic plans and policy actions are put in place, why have there been cases of poor corporate governance and failure of businesses?
- Are the structures and processes put in place working as they should?
- What should be done differently by organisations to ensure that they operate ethically?

At root, the best corporate governance creates a clear and visible line of cause-and-effect from the board's mandate, purpose, and values to the cultural norms and everyday behaviours exhibited at all levels. A business that can demonstrate this linkage will be well placed to outperform its competitors and provide a step further to achieving its goal.

After all, this has been said and done. All issues boil down to the human element – the professional who is involved in all the frauds, white-collar crimes, irregularities, and misrepresentations. When one assesses the professional misdemeanours over the years, from the early 1900s to this century, one is left in awe with the level of sophistication and commitment by which these are now being executed. A further assessment looks at the changes that have been made over the years to combat unprofessional behaviour in the form of refined codes of ethics, improved governance systems, changes in both financial reporting and audit standards, robust enterprise risk management systems and intelligent software applications, but still, the human professional keeps outwitting all these. To say the least the professional, as a criminal, is always ahead.

The question then becomes "so what needs to be done in this age where the professional is almost undoing the gains of the profession at large?" A closer look at the professional as a human may be the solution which may require the accountancy profession to conduct more studies on these areas. Beyond governance aspects, we may just need to come back closer to home and have an assessment of the human professional as individuals continue to circumvent controls and manipulate systems put in place in order to achieve their own personal goals, resulting in the aforementioned corporate scandals.

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