

Corporate Governance

Do you work in a transparent or opaque organisation?

Claire Campbell
Project Manager
North Lancashire Primary Care Trust



What is Corporate Governance?

The OECD describes corporate governance as:
“involving a set of relationships between a company management, its Board, shareholders and other stakeholders..... providing the structure through which the objectives are set and the means of attaining those objectives and monitoring performance”



UK Codes & Guidance

Corporate Governance takes into account principles of good practice as set out in the following;

- Cadbury report (1992) Board responsibilities/ financial reporting
- Hampel (1998) developed Governance principles further.
- Nolan (1995) Standards in public life



Nolan – 7 Principles of public Life (1995)



- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

International Guidance



- Principles of Corporate Governance (OECD 2004)
These principles offer non-binding standards of good practice for private companies in terms of corporate governance including;
 - A basis for an effective corporate governance framework
- Member countries include;
 - UK, Canada, USA, Australia, Japan, Korea and many European Countries

International Corporate Governance



- World Commission on the social dimensions of Globalization focuses on international governance for inclusive globalization
- Health care bodies in UK and internationally subscribe to corporate governance reform particularly in public health

Why instigate Corporate Governance?



The adoption of a comprehensive corporate governance framework is the cornerstone of sound business conduct and is fundamental for all public (and private) bodies

Six Core Principles



1. Good Governance means focusing on the organisations purpose and outcomes for citizens and service users.
 - Achieved by/ outcome;
 - Ensuring a clear organisational purpose and objectives
 - Ensuring that users receive a high quality service by reviewing information/ service user input
 - Ensuring that taxpayers receive value for money

Six Core Principles



2. Good governance means performing effectively in clearly defined functions/ roles
 - Achieved by/ outcome;
 - Clear functions of the governing body
 - Clear responsibilities of Executives/ Non-executives and ensuring these are carried out
 - Being clear about relationships between the governing body and the public

Six Core Principles



3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

- **Achieved by/ outcome;**
 - Putting organisational values into practice
 - Individual Board members behaving in ways that uphold and exemplify effective governance

Organisational Values



- Organisational values are the social principles, goals and standards held within a culture and they define what members of an organisation
- A hallmark of good governance is the development of shared values which becomes part of the organisations culture underpinning all policy and behaviours. This are in addition to compliance with legislation e.g. equal opportunities and anti-discrimination laws.

Six Core Principles



4. Good governance means taking informed, transparent decisions & managing risk

- **Achieved by/ outcome;**
 - Being rigorous and transparent about how decisions are made
 - Having and using good quality information, advice and support
 - Making sure that an effective risk management system is in operation

Six Core Principles



5. Good governance means developing the capacity and capability for the Board to be effective
- **Achieved by/ outcome;**
 - Making sure that Board members have the skills, knowledge and experience they need to perform well
 - Developing the capability of people with governance responsibilities and evaluating their performance as individuals and a group
 - Striking a balance in the membership of the Board between continuity and renewal

Six Core Principles



6. Good governance means engaging stakeholders and making accountability real
- **Achieved by/ outcome;**
 - Understanding formal and informal accountability relationships
 - Taking an active and planned approach to dialogue with and accountability to the public
 - Taking an active and planned approach to responsibility to staff
 - Engaging effectively with stakeholders

Substandard Governance



A failure in corporate governance is a threat to the future and success of organisations, both public & private

- **Resulting in;**
 - Poor experiences for users
 - Financial irregularities (e.g. Enron, WorldCom)
 - Serious tragedies (NHS Inquiries e.g. *Royal Liverpool's Children's Inquiry report (2001)*)

Substandard Governance



- The warning signs of service failure:
 - Poor leadership
 - Poor decisions based on inadequate information
 - Lack of clarity of roles, responsibilities and accountabilities
 - Failure to address known problems in working relationships
 - Insular organisational culture
- Corporate Governance= organisational brain/
nervous system

Challenging standards of Governance



- Questioning, using the six core principles;
 - How clear are we about what we are trying to achieve?
 - Have we clearly defined roles?
 - What are the values we expect from staff?
 - How effective are the risk management systems?
 - What skills do people have/ require?
 - Who are we accountable to and for what?

Conclusion



Good Corporate Governance is more than making sure things do not go wrong or fixing them if they do.

It adds value, ensures effectiveness in an ever changing environment.

Well- governed organisations are well placed to achieve and sustain high quality services, which can only benefit patient care.
