More thoughts on governance

Governance means the method by which an organisation is run or governed, over and above its basic legal obligations. Governance can be argued to have four key components:

Transparency: being clear and unambiguous about the organisation’s structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, legitimate stakeholders and the market generally.

Accountability: ensuring that there is clarity of decision-making within the organisation, with processes in place to ensure that the right people have the right authority for the organisation to make effective and efficient decisions, with appropriate consequences for failures to follow those processes.

Stewardship: developing and maintaining an enterprise-wide recognition that the organisation is managed for the benefit of its shareholders/members, taking reasonable account of the interests of other legitimate stakeholders.

Integrity: developing and maintaining a culture committed to ethical behaviour and compliance with the law.

As embodied in Governance Institute’s definition, good governance encompasses not only the system by which organisations are controlled, but the mechanisms by which organisations and those who comprise them are held to account.

Governance, therefore, is vital to making the right decisions.

Faced with key decisions, all officers in an organisation must ask themselves this fundamental question:

What would ordinary, right-thinking members of the community — knowing all the relevant facts — believe to be an appropriate exercise of stewardship in such circumstances?

It is here that we see the vital link between governance and trust, given that decision-making within this context encourages the trust of all stakeholders.

For companies in Australia, the principal reference and reliance for corporate governance rests in the statutory provisions of the Corporations Act 2001 and the 3rd edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations. Although the latter has been developed for listed companies, they have become the model for other organisations, such as government agencies and not-for-profit organisations, when considering corporate governance frameworks.

The result is that arrangements for corporate governance in Australia reflect an amalgam of primary legislation, prescriptive rules, ‘if not, why not’ codes of sound practice, custom and market incentive.

Governance Institute runs a number of relevant training programs including Governance Essentials, that include governance frameworks, governance roles, how to apply governance principles, and the key tools required for governance implementation and monitoring.

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