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NEWSLETTER

Insight

'GOVERNANCE PROFESSIONAL - LEADING THE WAY'

GOVERNANCE PROFESSIONAL – LEADING THE WAY

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"In today's world, the role of the Corporate Secretary has no one meaning and covers a multitude of tasks and responsibilities. That said, the role lies at the heart of the governance systems of companies and is receiving overly unconfined focus."

Introduction

Governance encompasses the system by which an organization is controlled and operates, and the mechanisms by which it, and its people, are held to account. Ethics, risk management, compliance and administration are all elements of governance.

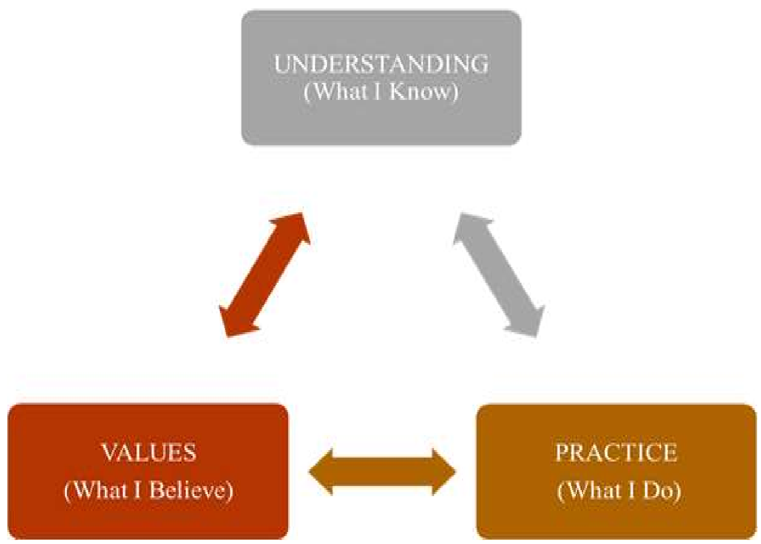
The Competency Framework for Governance Professionals supports the minutiae of visitor secretaries and governance professionals by identifying the behaviours required for upper performance in a visitor secretarial or governance role.

These behaviors are grouped into three areas in the framework: Understanding, Practice and Values. In each zone a mixture of the key nature or cadre competencies that sit at the heart of good governance are identified.

The framework describes how these cadre competencies are exemplified through professional behaviors. Together, they pinpoint what a constructive visitor secretary or governance professional knows, does and believes. This provides a well-spoken picture of the role for governance professionals and those who work with them.

By describing how each competency can be demonstrated in practice at variegated levels, the framework helps individuals at all career stages to review and plan their professional development. It moreover offers a benchmark for those who are recruiting and developing others and assessing the governance sufficiency of their organization.

Experienced recruitment and HR specialists moreover shared insights into how employers' expectations of governance professionals are evolving.



Corporate governance

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Corporate governance is a ramified beast. Even those of us who have built their careers in fields where governance is a necessity might not fully understand everything it encompasses.

People are the founders, the board, the

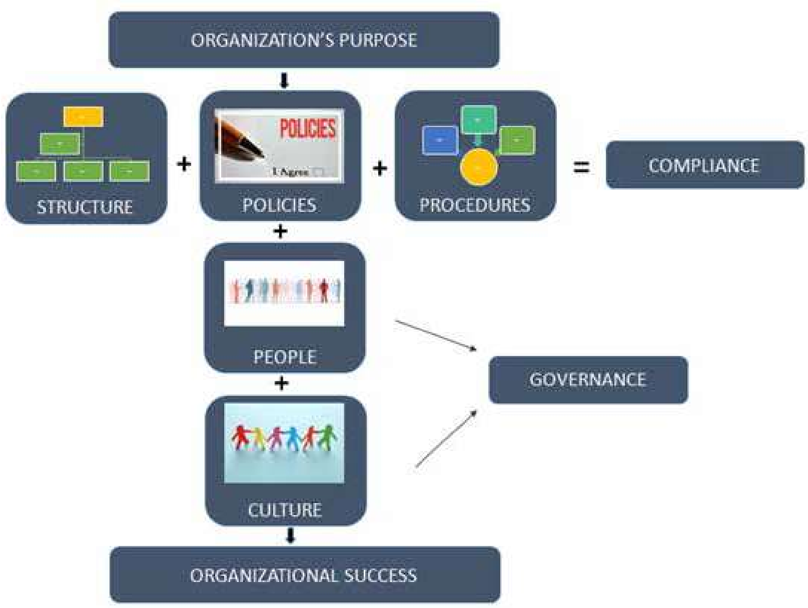
* The views expressed are personal views of the author and it should not be taken as views of the NIRC-ICSI

stakeholder and consumer and impartial observer. They determine a purpose to work towards, develop a resulting process to unfold it, evaluate their performance outcomes, and use those outcomes to grow themselves and others as people.

Further, every piece of governance exists for a purpose and to achieve a purpose. Every one of their policies and projects should exist to further this agenda.

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 analysis is a key skill in any industry. The one of the primary functions of the governance process is the ability to look at the results of a process and determine whether it was successful, and then apply those findings to the rest of your organization.



The motive of Leading Governance is to support luminous corporate governance by developing leadership in the Boardroom.

We are passionate well-nigh governance, and the positive impact good governance makes in the minutiae and profitable running of organizations. Although we recognize the contribution good governance makes to the marrow line, it is the impact on the workbench team, staff, customers and suppliers that makes us governance champions.

Leading Governance helps organizations to modernize their performance by developing the leadership and governance capabilities of their Boards and key staff. We believe that leadership and governance should be embedded in all visitor activities. We recognize that leadership can be ripened at any level within an organization, and that constructive governance is the responsibility of all staff and workbench members. We focus on workbench minutiae so that the values and culture are set from the top and can influence behaviors throughout the organization.

Role of Governance Professional

The governance professional's role is to enforce a compliance framework to safeguard the integrity of the organization and to promote upper standards of upstanding behavior. Professional has a significant role in profitable the workbench of the organization to unfold its vision and strategy. The governance professional can hold mixed titles, depending on the organization. Professionalmay be appointed Company Secretary, or Legal Counsel, or Chief Financial Officer. Professionalmay be appointed Chief Governance Officer or Chief Risk Officer. The title will vary depending on the circumstances of each entity. In particular, the person has a significant impact on the level and quality of the organization's corporate governance and governance culture and often has a pivotal role in profitable the workbench to unfold the entity's vision and strategy. The activities of the governance professional encompass legal and regulatory duties and obligations and spare responsibilities prescribed by the employer. However, in essence, the functions of a Governance Professional-

- Leads and advises on best practice in governance, risk management and compliance;

- Champions the compliance framework to safeguard organizational integrity;
- Promotes and acts as a 'sounding board' on standards of ethical and corporate behavior;
- Balance the interests of the Board or governing body, management and other stakeholders.

Consequences of Poor Corporate Governance

One of the biggest purposes of corporate governance is to set up a system of rules, policies, and practices for a company – in other words, to account for accountability. Each major piece of the "government" – the shareholders, the board of directors, the executive management team, and the company's employees – is responsible to the others, therefore keeping them all accountable. Part of this accountability is the fact that the board regularly reports financial information to the shareholders, which reflects the corporate governance principle of transparency.

Poor corporate governance is best explained with an example, and there is no better example than Enron Corp. Many of the executives used shady tactics and covert accounting methods to cover up the fact that they were essentially stealing from the company. Erroneous figures were passed along to the board of directors, who failed to report the information to shareholders.

With responsible accounting methods gone out the window, shareholders were unaware that the company's debts and liabilities totaled much more than the company could ever repay. The executives were eventually charged with a number of felonies, and the company went bankrupt. It killed employee pensions and hurt shareholders immeasurably.

When good corporate governance is abandoned, a company runs the risk of collapse, and shareholders stand to suffer substantially.

Ethics and Good Corporate Governance

To achieve the desired goals of good corporate governance there is a need for a change in the mindset of all the concerned players. However, all this would be of little consequence unless the business is carried on ethically. While it is important to ask, 'Is this profitable?', more important is to ask 'Is it right?'. Asking such a question itself would reflect a change in the mindset. It needs to be remembered that credentials today run far beyond the financial numbers, while nobody will deny that turnover, growth and profits are important, but should they be at the cost of ethics and integrity. Should credibility be sacrificed at the altar of profit with professionalism and corporate governance being good terms.

To paraphrase "apart from what a company does," it is equally important to focus on "how it does it." Yes, the means are equally important as the goals. We need to reiterate that ethics and morality cannot be given a go by to achieve a goal, else sooner or later the society will have to pay the price. Therefore, it is important to generate trust amongst the employees by creating transparent systems which are just and equitable and intended to serve the large goal of satisfying all the stakeholders.

CHANGES IN TODAY'S SENARIO

The advancement of new technology has been taking place since the beginning of human history. From the invention of items like the spear and knifes made out of rocks and sticks to aid in the capturing and killing of animals for food, to items like the first printing press and the computer. Now-a-days with the advancement of science and technology, we find everything becoming automate without interruption of man. Prior days it was difficult for a man to do everything manually which is a tiresome job and time-consuming.

It can also be meant where a single system is used to process all the elements of the workflow of financial transactions and it also includes what's is called as the front, middle, back office and General ledger.

Where a single system is sufficient to control all the elements of work-flow of financial transactions, including what is commonly known as the Front, and Back office, and General ledger.

In the Recent changes made by the Ministry of Corporate Affairs, whether the changes made in the definition of small companies, launching of MCA 3.0 version, applicability of Corporate

Social Responsibility (CSR), establishes a Central Scrutiny Centre (CSC).

The Ministry of Corporate Affairs (MCA) amended the Companies Rules to revise the definition of a small company and to allow non-resident Indians (NRIs) to incorporate One Person Companies (OPCs) in India.

Some of the benefits of adopting new amendments are it facilities shortening of the settlement cycle, increases transparency, avoids costly duplication of work and manual intervention, since there is an absence of human intervention there is a reduction in risks and errors, faster data capturing, processing and report generation, increases overall efficiencies, better regulation by systematic audit trail, makes the market cost-effective.

Where there are pros, there are its limits or boundaries as well like as we already know we use a single system to process all the elements but when firms adopt to use multiple systems there arises valuation discrepancies.

- As we already know we use a single system to process all the elements but when firms adopt to use multiple systems there arises valuation discrepancies.
- There will be a need for so much capital in maintaining multiple systems.
- There might also be issues like lower speed in processing, flow and quality
- Automation Deficit and Increase in Manual Intervention.
- The initial cost for installation of software is very high.
- Sometimes when there is continuous disruption while in the trade process, circumstances may arise like taking the trade flow out and processed manually by increasing the risk of human error.

Even though, the new amendments led to rise in economy with a systematic approach with transparency to all and it reduces complexity and generate scope and employment as well.

"Change is hard because people overestimate the value of what they have -- and underestimate the value of what they may gain by giving that up."

As the amendments gives effect to decriminalization of unrepealable offences under the Companies Act, 2013 and moreover provide greater ease of living and ease of doing business for companies and citizens as the compliance related issues are stuff made simpler.

Conclusion

In summarizing, corporates having governance could ensure for good governance only by transformation of mind set of management and professionals. It will be impractical to expect the corporate sector to be a lotus even as it tries to keep itself afloat in all the waste around it. If such a scenario continues, not too many lotuses will be there to bloom resulting in all the avoidable gloom.