Essential elements in good governance

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Chartered Management Institute

CMI at a glance

Our Vision:

Better led and managed organisations

Our Charitable Mission:

More Professionally Qualified Managers and Leaders

Our Credentials:

- Only Chartered body in Management and Leadership - since 1947
- Only body able to award Chartered Manager and Chartered Management Consultant
- Professional community for more than 130k managers and leaders
- 80k students on CMI Management programmes
- We work with over 200 employer partnerships
- We work with over 600 University and Education partners globally - 16 in Malaysia
- IIP Gold and Times Top 100 Companies

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A global view

What CMI Offers:

- Leadership and Management - setting standards
- Global reach and reputation
- Chartered status
- Demonstrable positive, practical impact
- Support for capacity-building
- Basis of common governance standards built into all levels of our leadership and management frameworks

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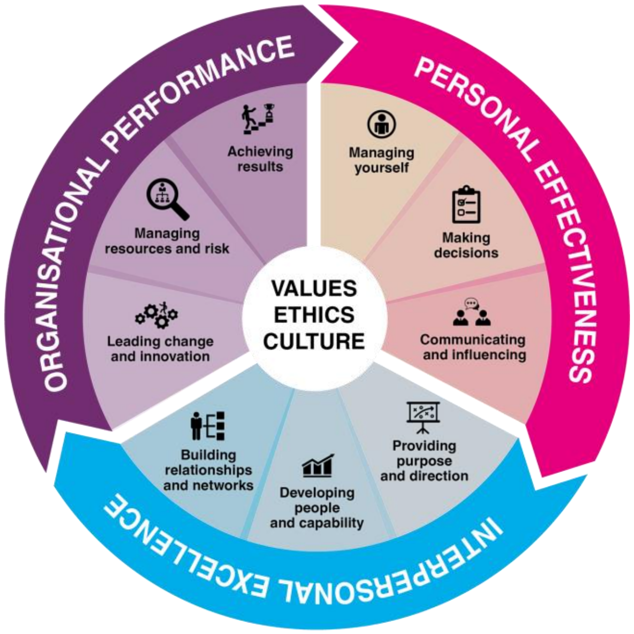
Competency framework



- CMI's Professional Standard for Management and Leadership
- Developed in consultation with leaders from all sectors and across a wide range of organisations
- Informed by CMI insight and thought leadership
- Reflects proven best practice in Management and Leadership
- Underpins all CMI qualifications and Chartered Manager

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Importance of good governance

- → The behaviour of government and industry are always in the public eye
    - Whether **perceived or actual** - consider the recent issues involving a leading airline
- → Weak corporate governance systems that lack transparency and protection for shareowner rights have been shown to **reduce foreign investment** and capital flows to developing economies
- → Good corporate governance facilitates effective, entrepreneurial and prudent management offering confidence that the organisation is well run to **deliver long-term success**
- → It involves a framework of legislation, codes and voluntary practices to protect the interests and **retain the trust and confidence** of various stakeholders - employees, customers, suppliers and other parties including the wider public
- → Requires robust company and financial markets laws promoting accountability and transparency and include measurable commitments not only for financial targets but also to the long-term purpose of an organisation

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Governance in Malaysia

Chief Secretary to the Government, Datuk Seri Mohd Zuki Ali

- Civil servants must abide by the principle of neutrality and professionalism and respect that separation of powers is an essential element in the rule of law as enshrined in the Federal Constitution.
- Important for the public service to provide the best customer experience to honour the people's wishes for an efficient, clean and trustworthy administration.
- "The public service, which drives the national policy formulation and implementation, is the key to the nation's success for the well-being of the people"
- "In preparing to become a developed nation, the efficiency of public service delivery must continue to be strengthened so as to support economic growth and to increase productivity for mutual prosperity"
- Civil servants should also adhere to the **five key principles**, namely togetherness, interaction, dynamism, service quality and culture of integrity in driving service excellence.

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Governance in the public sector

Openness, Integrity, Accountability

- → **Openness** - to ensure stakeholders have confidence in the decision-making processes and actions taken in the management of their activities
  - Through meaningful consultation with stakeholders and communication of accurate and clear information which leads to effective and timely action and stands up to external scrutiny
- → **Integrity** - being straightforward and complete based upon:
  - Honesty and objectivity
  - High standards of propriety and probity in the stewardship of public funds and resources, management of department affairs
  - Effective controls and personal standards and professionalism of the individuals within the department and in the quality of its financial and performance reporting
- → **Accountability** - where public sector entities and staff are responsible for their decisions and actions
  - Including all aspects of performance with a clear lines of responsibility

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Dimensions of good governance

→ Six dimensions of good governance:
  - Communication and accountability
  - Political stability
  - Government effectiveness
  - Regulatory quality
  - Rule of law
  - Control of corruption

→ Conduct of public affairs and manage public resources
  - Successful economic development
  - Management of economic and social resources for development

→ Administrative and process-oriented elements - separation between "politics" and "administration"
  - Land issues
  - Environmental concerns
  - Security

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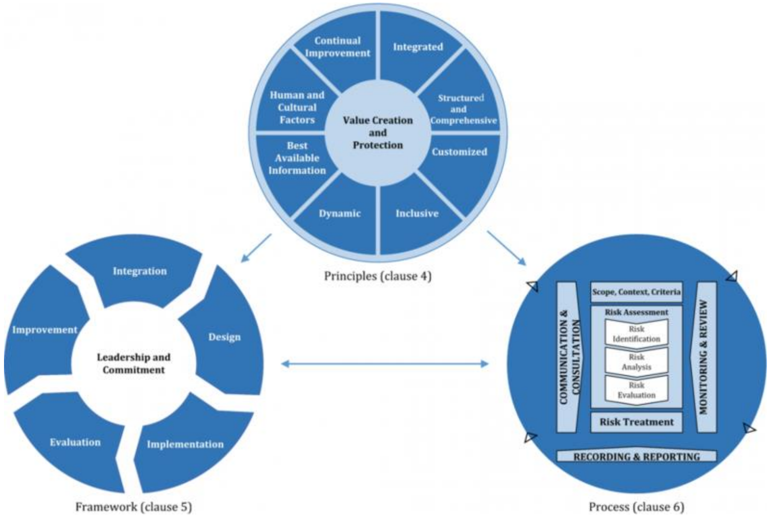
Governance - whose responsibility?

- → So who is responsible for ensuring good governance?
  - Management boards - trustees
  - Committees and special interest groups
  - Executive management
- → Organisation policies and procedures
  - Staff training, risk reward culture
  - Lines of authority and accountability
- → Financial considerations
  - Operational management processes and procedures for collection of data and information
  - Risk management policies and procedures - risk mitigation logs
- → Technical considerations - ICT systems (including cyber security)



ISO 31000

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Factors in good governance

- Check and balances between parliament, civil service and judiciary
- **Leadership behaviours**
- Integrity and honesty - **differences in culture, values and beliefs**
- Organisational structures and statutory accountability
- **Codes of conduct**
- Accountability for public funds
- Communication with stakeholders - confidentiality vs transparency
- Roles and responsibilities - **staff training**
- Risk management processes
- Budgeting, financial management, audit - internal audit committees, external audit
- Regulatory and legislative frameworks - **impact assessments**
- External reporting, performance measures
- **Influencers:** pressure groups, government agencies, corporations and other lobbyists, not-for-profit bodies, trade associations, unions, opposition parties

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Corporate governance

- In corporate governance the structure and operation of the board of directors, financial reporting, transparency and audit, separation of powers, risk reward culture and minority shareowners’ rights are all integral
- Corporate governance is a means to address the varying interests of competitiveness, corporate citizenship, social and environmental responsibility and a mechanism for encouraging efficiency and combating corruption
  - Associated with improved creditworthiness and higher average annual total returns
- Requires a set of processes, customs, policies impacting **how management direct, administer and control a corporation**
- Relationships with stakeholders - **shareholders, management, board, employees, suppliers, customers**, lenders, regulators, the environment and the community
- Need to clarify lines of authority, accountability, roles and expectations, providing technology and resources, leadership style and vision, communication processes
- Business risk management
  - Evaluation, assessing, ranking, **mitigating risk**, risk management, implementation
- Business risk includes internal process failures, supplier failures, customer failures and e.g. accidents, acts of God, terrorism, political/economic

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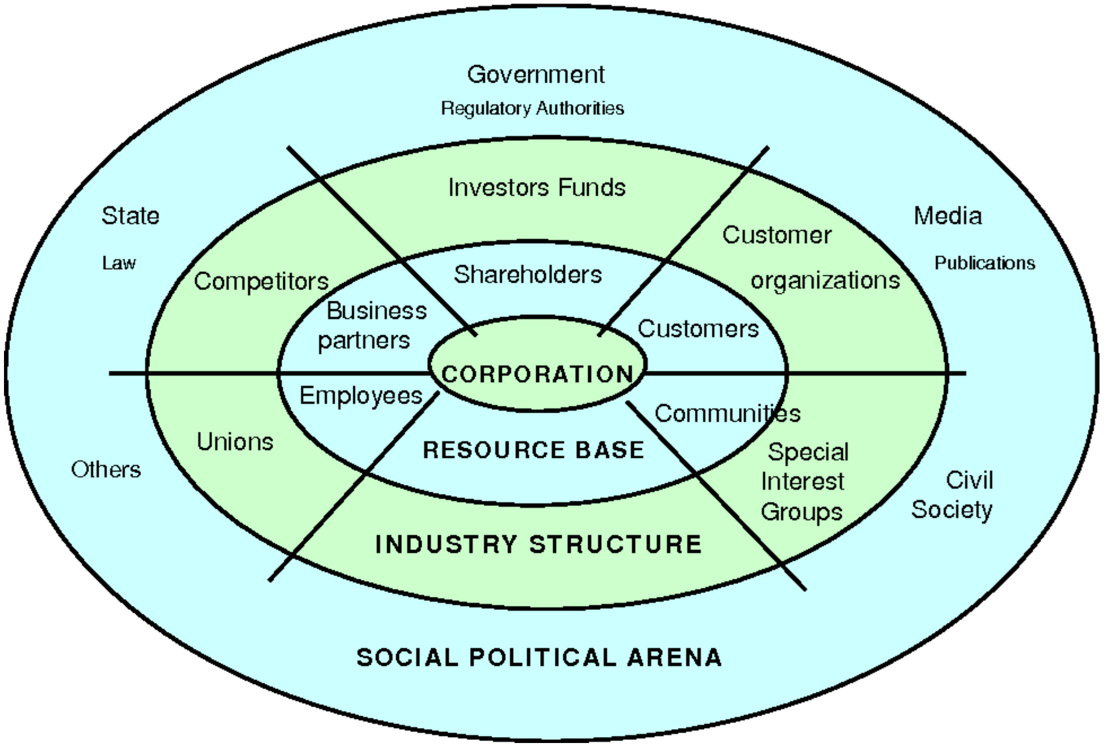
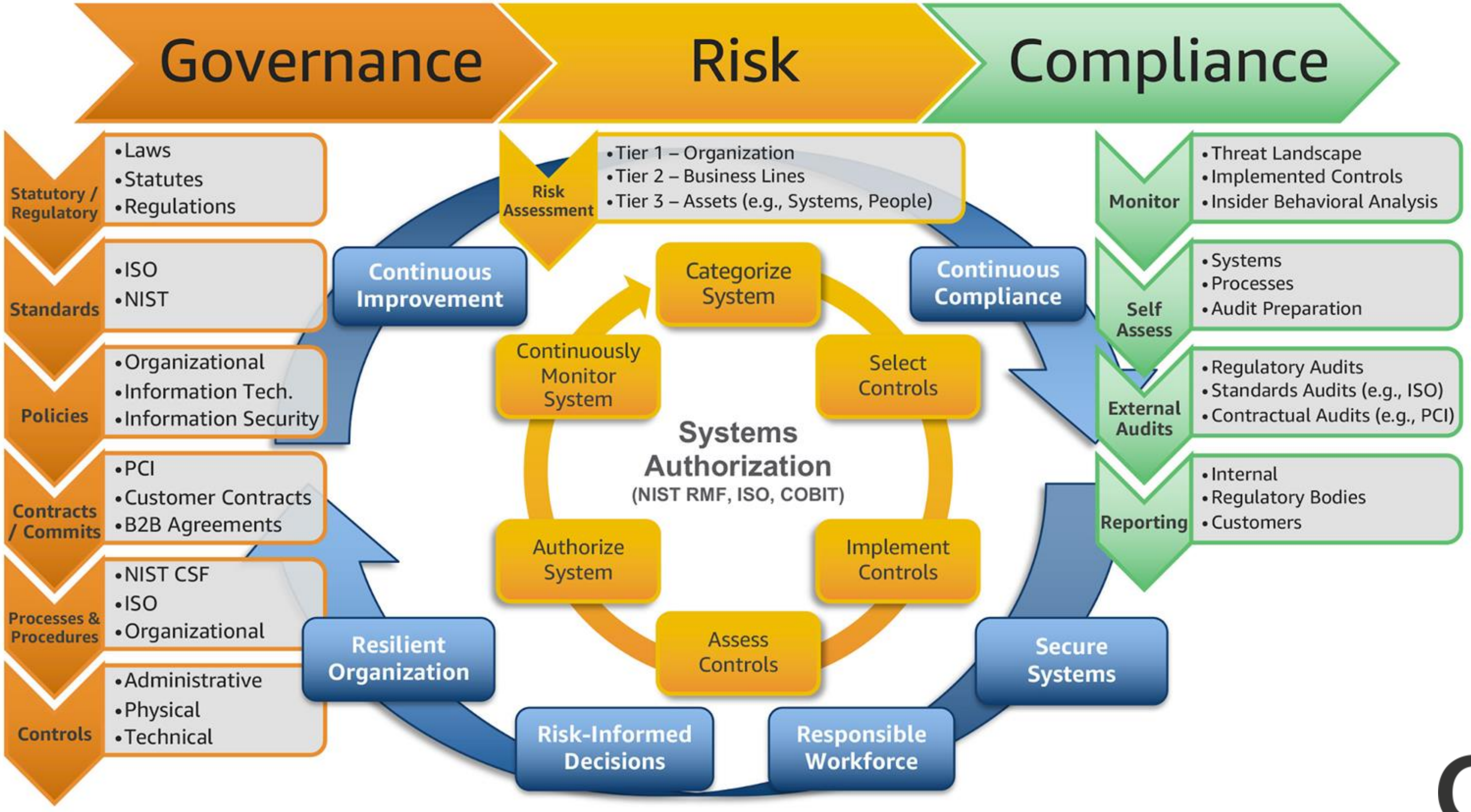
Corporate stakeholders



Governance, risk, compliance



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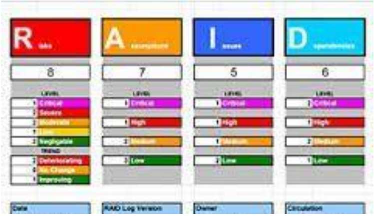
Corporate risk management

→ Types of risk
- Market risk, operational risk, **contractual**, legal and regulatory risk, financial risk (credit risk, liquidity risk), structural risk, skills gaps, technical risk, cultural and social risk, **brand image, supplier and buyer risk**, random events



→ Risk management methods may include
- RAID (risks, assumptions, issues, dependencies) logs, PRINCE2, probability of occurrence and potential consequences, financial management of risk (future free cash flow), competencies to manage business activities, competitor and environmental analysis, use of guidelines such as ISO 31000

→ Assessing may include but is not limited to reviewing the effectiveness of controls, procedures and governance, risk reporting and accountability, effectiveness of audit process, lines of authority.

→ Ranking: benchmarking, scorecard methods, industry best practice, simple prioritisation methods, formal methods - e.g Delphi

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Corporate risk management

- Managing including monitoring and managing costs (expected and unexpected loss), net social cost benefit, risk mitigation and reporting techniques, **improving ICT systems and procedures**, upskilling staff, avoidance of high risks, stress testing, event analysis.
- Risk mitigation such as transferring risk, use of insurance policies, contingency planning, disaster planning, alternative risk transfer, **risk avoidance, minimisation, prevention and prediction of risk**.
- Risk management methods includes senior management influence, policy setting, implementation at operational/departmental/functional levels, bottom up processes, formal roles of governance (steering groups, committees, independent external auditors), processes such as RAID, PRINCE2 etc.
- Reporting may include but not limited to issues, assumptions, risks, metrics (KPI's)

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