

Companies must vigilantly monitor their strengths and weaknesses

Monish Chatrath (Managing Partner, MGC & KNAV Global Risk Advisory) talks to us about the ways in which today's businesses can foster a culture of good governance

In a fast-changing corporate environment, how can companies foster a culture of good governance?

At no point of time can a given set of requirements be determined as being ample for the sustained value creation of an organization. It is this dynamic nature of corporate governance that necessitates the need for ongoing introspection on its principles and practices.

The principles enshrined in the essence of corporate governance, inextricably and essentially, transcend the borders of time. These relate to the moral, ethical and legal framework and consequently extend beyond the letter of the law, to the spirit in which business decisions are taken.

Are there universal principles of good governance that apply across all sectors?

Discussions relating to corporate governance in India have typically tended to focus on either the largest companies or companies operating within specific sectors that are most visible in the market. However, implications of corporate governance are neither size nor sector diagnostic.



The basic tenet of corporate governance requires the promoter interests to be protected by the board. Across the globe, the principles of corporate governance require the active participation of forces outside the company, particularly the regulators. However, these are not the only pillars for effective implementation. Inevitably, external forces and policy making need to be supplemented with ethical and effective management, through established controls, stringent mechanisms and above all a clear mindset that recognizes the real value of good governance.

Eventually practices that unlock the value of a business will develop standards and with those will come the recognition of the need for reliable disclosures. Until the stakeholders see an ongoing enhancement of their value and disclosures that are provided

on a consistent, comparable and reliable basis, the growing plethora of corporate governance initiatives will remain firmly in the 'nice to have' box, but in reality may provide only limited value.

It is companies that vigilantly monitor their strengths and weaknesses, which will go far in improving their 'as is' processes. They will lead the way.