

Personality and Governance

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Lot of discussions take place with regard to corporate governance. Improvement of corporate governance, transparency, clarity, accessibility to information have become more or less day to day chants by all stakeholders like policy makers, policy implementers and of course the corporate entities. Hence, it is pertinent to know the meaning and importance of corporate governance and also understand if really corporate governance is in existence and if yes, it really helps corporate in achieving its goals.

A company is a registered body corporate registered with the Registrar of Companies with an object to do business for profit; it is a legal person or legal entity and not a natural person. It cannot think on its own; cannot act on its own. The Directors and Key Management Personnel of the company are supposed to be doing the job of thinking and acting as company. Yet, they are different from the company.

At first, they are human beings and come with the ills of being a human. They are appointed to take care of the wellbeing of the company. Whole-time Director, Managing Director, Independent Director, Non-Executive Director are various breeds of Directors who attempt to shape the policies of the company and the way the company is run. Chief Financial Officer and Company Secretary are classified under Key Management Personnel (KMPs). Of the KMPs, Company Secretary assumes a greater role in achieving and upholding a greater amount of corporate governance for the company. Company Secretary has the onus of ensuring highest standards of governance adopted and practiced by the company. He reports to the Managing Director and the Board of Directors, who are all human being first.

Directors hold a fiduciary responsibility towards the company and its stakeholders. They are expected to guide the company for the benefit of its stakeholders without any kind of self interest. Similarly KMPs are required to serve the company without any self interest and for the benefit of the shareholders, investors and other stake holders. Nevertheless, it is a very difficult task for any one to be away from being selfish at all the times. Major corporate failures that occurred in our country in the last two decades have highlighted that inappropriate behaviour of officers holding power in the corporate such as directors and other professionals contributed to these failures. Therefore, we need to know that the individual behaviour determine the corporate governance process as they have the potential to lead corporate failures.

Hence, there is need to evolve a study of behavioural risks in corporate governance and ascertain what constitutes behaviour that derails the concepts of corporate governance. Looking at the processes involved in risk identification and risk management, we do not find that the personality aspect of

behavioural risks have been identified or managed effectively in relation to directors or KMPs under any of the existing corporate governance mechanisms in the country, such as the Code of Conduct, Companies Act, SEBI Regulations and so on.

Currently the behavioural risks are managed on issue basis, one to one situations and considering the significant impact of personality associated with rather than impact of such risks on corporate and society as a whole. This leads to a breach in the corporate governance process. This needs to be plugged. Corporate leaders require being exemplary in their behaviour including their thought process! While it is essential for the corporates to achieve better corporate governance, it is more essential for its leaders to have better self governance. Corporate integrity is directly proportionate to the integrity of the persons leading the corporate and it also strongly reflect on the human resources of the corporate thereby help achieving the commercial as well as social goals of the company.

It is true that Company Secretaries have a great role to achieve higher levels of corporate governance. But, it is a myth to believe that company secretaries alone could achieve it. Company Secretaries could at best be instrumental in implementation of corporate governance rules. Nevertheless, adhering to or complying with listing agreement of stock exchange or any other SEBI regulations do not guarantee a centum on the corporate governance front.

Directors and other KMPs need a strong will to call a spade a spade. Similarly, they need to know the fact that a wrong behaviour on their part could risk the integrity of company and wreck the corporate governance of the company. This necessitates a proper guidance and training for the entire above first in managing their behaviour and second that of the corporate. Training is more essential not only for honing once skills but also to set right once behaviour, thought process, increasing the level of honesty, integrity towards oneself, the company and its stakeholders. Only thereupon we can claim having achieved perfect corporate governance in this country.

It is true that a better training may bring in a better human being. But to sustain it, it is essential to have a better system of monitoring and controlling. Achieving this would be a mammoth exercise in a country like ours with such diversities. Notwithstanding, we need to achieve it for being successful corporate. Government, general public, investors, directors, KMPs every one have their own role to play. It is time to mesmerize our self the benefits of being a good human and proceed to achieve a good corporate entity.

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