



Governance and reporting requirements and the entrepreneurial business

By Professor Colin Coulson-Thomas

Corporate governance and reporting serving vested interests rather than benefiting the public.

A theme paper for a London Global Convention that will discuss governance, reporting and sustainability is questioning whether a change of direction is required. Its author, Professor Colin Coulson-Thomas, critiques the impact of twenty years of elaboration and growing complexity: "As citizens and investors, do we sleep more comfortably at night or do we await the next corporate scandal or failure with a mixture of cynicism and resignation? Internationally, is governance leading to lower levels of favouritism, fraud and corruption? Has it reduced the number of business failures? What breakthroughs have occurred? Where is the innovation in boardroom practice?"

The Professor calls for balanced assessment: "Might the effectiveness of boards and corporate performance have improved more if the additional time and resource had been devoted to traditional director, board and business development?"

Alternatively, have the pioneers of corporate governance highlighted the importance of directors and boards and helped to improve their effectiveness? Might things have been much worse in the absence of governance and more complex reporting requirements? Is a silent revolution under-way,

the full effects of which are yet to be apparent?"

The theme paper questions the direction of travel: "Is governance improving or just changing? Is it becoming more complex like financial reporting? Are boards more relevant and vital? Are they better informed and more effective? Are more corporate policies being implemented? Is there more or less diversity of practice and is this beneficial? Could the effort devoted to governance have been better employed addressing issues like giving those who invest via institutions a voice and encouraging boards to better engage with shareholders?"

Coulson-Thomas also asks: "Where is it all leading? Will a web of governance and sustainability codes, regulations, laws and policies impose further costs on business, inhibit responsible risk taking, reduce diversity and stifle innovation?"

Will board members become so concerned with compliance and playing it safe that they slow progress and end up afraid of their own shadows? Will the default position be a no vote against anything that appears unfamiliar or different?"

The Professor argues that cost and unintended consequences should not be ignored: "Sometimes the vested interests in additional requirements are easier to identify than the 'customers' who might benefit from them. Producing ever more

lengthy, detailed and complex accounts on grounds such as "improving accountability" or "better reporting" may generate extra revenues for accountants but how much of what is produced is actually read? Are shareholders taking more informed decisions or are they ticking boxes to receive the leaflets or brochures constituting shorter versions on offer? Do accounting requirements distort decision making?"

Reporting requirements and, in particular, integrated reporting must be considered. Coulson-Thomas asks: "If national and international requirements are not to lead to longer and more complex reports and accounts what can be done to reduce the 'clutter'? One might debate whether taken as a whole an annual report is fair and balanced, but are the weighty tomes produced by some companies understandable to most of the shareholders receiving them? What happened to relevance, economy, simplicity, proportionality, adaptability, flexibility and diversity?"

The theme paper questions the relevance and applicability of contemporary arrangements: "Do developing countries, SMEs and public and voluntary organisations have requirements that are not addressed by current approaches? Are the latter stimulating enterprise? Is corporate governance reflecting the concerns, needs and priorities of ambitious entrepreneurs and business builders? Do they view it

as an enabler or a constraint? How many successful entrepreneurs, pioneers and innovators ascribe their achievements to governance or reporting arrangements?"

Coulson-Thomas questions whether customer or vested interests are being served: "Who are the 'customers' of governance, sustainability and reporting requirements? Are the main beneficiaries people who are remunerated to develop, assure, advise and comment upon them rather than shareholders? Are the interests of the latter best served by the ever greater complexity of requirements and the growing cost of meeting them? When changes are mooted and consultations occur, are the respondents shareholders or those with a vested interest in regulation?"

The theme paper issues a warning and a challenge to boards: "If shareholders, boards and other business interests do not respond to consultations on governance, sustainability and reporting and/or comment upon proposals and developments in these areas they should not be surprised if what emerges reflects interests other than their own. So what should a board do in order to lead and develop approaches that are appropriate for the situation it is in, the challenges and opportunities it faces and the interests of a company's stakeholders? Given current laws, regulations and codes how much scope is there for board leadership and innovation in the arenas of governance, reporting and sustainability? What can an individual company do differently to achieve greater impact and contribute more to successful and sustainable business development?"

The London Global Convention "Boards to Lead: Effective Corporate Governance and Sustainability" is organised by the Institute of Directors of India and is designed to address these and related questions. The four-day event which includes the 13th international conference on corporate governance and

sustainability represents an opportunity for business and professional leaders, regulators, Ministers and opinion formers to take stock of what governance, reporting and sustainability have achieved and consider what the next steps should be. Details of the convention are available from <http://www.iodonline.com/london-global-convention-2014.html>.

The theme paper "Boards to Lead: Effective Corporate Governance and Sustainability" by Professor Coulson-Thomas can be downloaded from <http://www.iodonline.com/images/gc2014/theme.pdf>. It goes on to explore how best to encourage innovation and responsibility, address concerns, achieve a better balance between costs and benefits and re-establish board leadership.

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