

Governance misunderstood

Governance may sound scary and Victorian, but according to CARL BATES its value should not be underestimated

Business owners often go into their particular business because they are passionate about it. They may know anything from a little to a lot about actually running a business, the particular industry they are entering and the roles that will be required. Among this group of business owners, governance is not a word used frequently. Nor is a formal governance structure a consideration for these companies. Generally, this is because the term governance is misunderstood.

Having some kind of governance structure in a company is critical to the growth and development of any successful business. And while it can be a scary and frightening thought for some, there is a clear and rational argument for doing it. Try and find a company that has achieved long-term growth, profitability and success that does not have a board of directors.

The companies that we deem as being successful, such as Microsoft, General Electric and Fletcher Construction, all have an effective governance structure. So why is it that we do not provide ourselves with the same opportunity?

Herein lies the problem. Governance isn't simply for multi-national, multi-billion or even multi-million dollar companies. It can be a key driver, a key tool and a key component of any business – be it a business with one employee (maybe you) to a company of a reasonable size. The role of the board is critical in any business that wants to have serious growth and take their business to a whole new level.

Yet there can be an element of threat felt by New Zealand business people, when they look at sanctioning a board to begin to govern their own business – their baby! They often believe that they will be controlled, overruled and outvoted when it comes to operating the company that they started!

Yes, to a degree, this threat is real. The business owners will have to reflect on their achievements and mistakes, and report on them. They are likely to have to make some changes, and will have to listen to the advice of their board. And who is the board? They are a group of business experts

who are there to support the growth, development and guidance of the business.

Most importantly, having a board of directors means that the business owner becomes accountable for their actions and decisions. It is this activity that enables the business to grow faster and more effectively.

So, as a business person, consider for a moment – if you were to decide to appoint a board whose primary purpose was to steer your company in the most suitable strategic direction for your business's long-term success, and to take accountability of the management, financials and even failings of your company, would these concerns still be paramount?

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Fundamentally the key benefit a board – the right board – has to offer is the ability to translate the expectations and vision of the business into action, performance and achievement.

There may be some ambiguity about what governance actually means, but the results from choosing to grow and develop your business by implementing a governance structure are clear – and beneficial.

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