

Creating value through governance: channelling corporate culture and ethics in boards ?

Joint conference

Think Ahead ACCA

ecoda
The European Voice of Directors



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ecoDa and ACCA are committed to taking a lead on improving Corporate Governance (CG), and believe it is a dynamic and ongoing process. It is important for companies to challenge their corporate culture, and to regularly question how CG can help create a thinking culture and a culture of accountability through ethical leadership and appropriate behaviour. With this in mind, the two organisations recently organised the conference, hosted by MEP van Nieuwenhuizen, to brainstorm possible ways to create value through governance, now and in the future.

Cora van Nieuwenhuizen, MEP said: *“Corporate Governance remains a topical issue in the media. I was pleased to have the opportunity at this important conference to discuss the topic broadly, with a vast range of stakeholders, without waiting for the next scandal”.*

“Ethics, corporate values and Corporate Governance should be on the top of the agenda of every company, large and small, and not only when companies face a crisis. It is important to remember that culture cannot be changed in a fortnight or even in a few months, it is a long term journey. Corporate Culture has to be challenged regularly to make it a lively reality”.

The debate revealed a consensus on the fact that a limit has been reached of what can be delivered through regulation and that companies should spend more time in defining how they should operate. The panellists agreed that the culture issue needs to be addressed, for example though a critical evaluation of existing CG rules to check if they are fit for purpose. Corporate culture is about understanding and shaping what drives behaviour of individuals at all levels within a company, especially when they are under pressure.

A starting point would be to have a value system set by boards and top management, leading by example –“tone at the top”- , under a balanced “stick and carrot approach”. There is a need for incentives, but also for the imposition of real deterrent in case of bad behaviours. It was stressed that consistency between a clear corporate purpose, strategy, set of values and behaviours is desirable.

Beatrice Richez-Baum, Secretary General of ecoDa stated: *“It is not because there is little explicit reference to ethical behaviours in EU corporate governance provisions that board members are not required to exercise their discretionary judgement, to confront values and to exercise leadership. Board members have the responsibility to align the strategy with the corporate values and to develop a culture of accountability”.*

Importantly, it was also reminded that that corporate governance, ethics and corporate culture are not only about multinationals and listed companies, smaller non-listed entities or family businesses - which represent about 99 % of all companies - also have a strong interest in it and see their added-value.

Ewan Willars, Director of policy at ACCA, concluded: *“The discussion showed a general agreement on the fact that corporate culture is rising up the agenda, not only the political one, but also growing in importance for companies themselves too”.*

“It should indeed be squarely in the sights of board members. It should also be in the minds of all finance professionals, ranging from finance leaders, those undertaking audits, to new

students considering a finance profession. The challenge is to understand and assess culture, to be able to do this consistently, and in a meaningful but accessible way, and to deliver actions and practical insights. What we have to do now is giving boards - and others - the concrete tools and language to engage with the subject, and empower them to improve corporate culture".