

# Corporate governance advisor for case

Business



## Corporate Governance Corporate Governance Advisor for case Introduction

As a Corporate advisor, the first task at hand is to make the chairman understand what Corporate Governance is all about and above all what it entails. It is known that corporate governance is the process and structure that is used to direct and manage the business affairs of a company, towards enhancing prosperity, and corporate accounting with the aim of realizing shareholders long term value. Corporate governance helps in lowering the costs of capital, improves performance, gives better access to external finance, higher affirms valuation and share performance, and reduces the risk of corporate crisis and scandals like in this case where the company had to incur loss of such magnitude. All these aspects of corporate governance help in decision making capabilities.

The decisions that the board have been making from the point of insufficient information and without due regard to either the risks or the environmental, social, and corporate governance issues involved. It is necessary to advise them on the growing importance of governance issues. It is imperative for the role of the good governance in corporate performance, and maximization of share holders' value and the protection of investor's rights. The decision by the board to invest a large amount of money which was raised primarily by bank loans, in developing a residential area by constructing homes, villas, a five star hotel recreational site and other required sites are informed by this lack of informed decision on corporate governance. The board should be advised that, the main objective of corporate governance is to reinforce a company, and encourage the standards of self rule so that the intensity of governance is in line with other domestic and international practices. It helps in the responsibility of handling money and the conduct of commercial

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activities.

The serious concerns about the environmental impact of the construction plans and a very high probability that the project will be banned by the government's Real Estate Standards Agency and the eventuality of the board cancelling the project, with a write off of the expenditure already incurred.

This was possible to avoid, if cooperate governance was in place, as the scales of trade, and the size of companies' bureaucracies' involved makes it harder for individual control, and makes regulation externally by all the government agencies involved before a project can commence. To avoid the spread of failures corporate governance has come in handy for most companies in economies which are fragile thus need to look at accountability, ethics and transparency issues (Mallin 2007). Corporate governance improves competitiveness, improves financial performance, helps in sustaining the economy, and makes shareholders of the company get a fair share of their returns.

Good corporate governance practices must be enhanced and natured to evolve as a matter of best practices, and the Chairman should commit themselves as part of their growing continuing listing obligations. The guidelines give the standards of giving annual reports as part of disclosure obligations. The issues of integrity make it necessary for the board and management to incorporate the corporate management in their company.

The regulation by other government agencies which was at stake in this case makes it necessary for corporate governance. It can also help in the training of directors of the board to know the value of corporate governance. The management is accountable to the board, and likewise the board should also be accountable to the shareholders. Moreover, transparency is vital to

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management and outsiders, so as to have the required picture in information on performance, ownership, and financial position of the company.

The chairman should therefore, understand that the principles of good governance include; having directors on the board, who offer planned regulation, manage and organize the company and at the same time should be accountable to the share holders. The board of committees is established by the board to perform assigned mandates. They are expected to share holders' rights, recognize shareholders interests, and promote ethical standards which are established by the code of conducts of the company, to give proper disclosure and transparency of any financial and commercial matters. Nevertheless, there are still pillars which are essential for corporate governance, this can include; fairness, and independence. When it comes to independence, the directors are chosen so as to be free from the influence of others and perform their functions and avoiding conflict of interest.

Reference:

Mallin, C. A. (2007). Corporate governance. New York: Oxford University Press.