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| **Lecture topics**  • Week 1: Corp Governance & Structure  • Week 2: Corporate Parenting & Strategy  • Week 4: Industry Structural Analysis  • Week 5: Lifecycle Approach  • Week 6: Resources Analysis  • Week 6: Financial Appraisal  • Week 7: Diversification, Merger and  Acquisition |

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| **Corporate Governance**  The word 'governance' has Greek and Latin origins, referring to the work of steering a  ship, steering and ruling.  **CG concerns the Board’s role, membership, structure, leadership succession….and in this course, we are also exploring corporate level issues and corporate level decision** |

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| **Corporate governance is concerned with the process by which corporate entities, particularly limited liability companies, are governed; supervision of executive actions; the acceptance of a duty to be accountable; and the regulation of the corporation within the jurisdiction of the states in which it operates’**  ***Bob Tricker, Editor C t G Corporate Governance - An International Review*** |

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| **'Something where a comprehensive view of corporate activity comes together with the responsibility for understanding social, economic and stakeholder demands for performance accountability.'**  ***International Institute of Management Development ….on the work of the Board of***  ***Directors*** |

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| **Directing *not* Managing**  **The Institute of Directors’ Centre for Director Development takes the view that the director is part of a board which should be concerned with developing and communicating the vision, mission, strategy and structure to ensure the company’s survival and**  **sustained success.** |

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| **Role of the Board**  • Oversee management of the assets  • Establish or approve the  corporation’s strategy  • Review management’s actions  • Hire and fire the principal operating  officers (managers**)**  **Membership of the Board**  • Comprise both inside and outside directors  • Trend towards including outsiders  • Many boards comprise inside directors  – Chairman  – Chief executive officer (CEO)  – Directors of key operating division and/or functional units |

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| **Responsibilities**  • No legal standard  • Specific requirements vary  • A major consensus |

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| **Responsibilities**  Chairman:  • Ensures board performs its functions Chief Executive Officer :  • Concentrates on strategy, planning, external relations, overall management of the organisation  • Tasks vary and may include:  – Mission, objectives, strategies and key activities of the organisation  – Balancing the needs of the business  – Making effective decisions |

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| **Role in Strategic**  **Management**  Three basic tasks:  • To monitor  • To evaluate and influence  • To initiate and determine |

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| **Functions of Board**  • To keep abreast of development both inside and outside the Corporation  • To examine management proposals, decisions and actions  • To delineate the Corporation’s mission and to specify alternatives |

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| **Accountability**  At the heart of the corporate governance debate is the concern over the lack of accountability of boards of directors to shareholders, and more recently, in the view of stakeholder theory, to society in general. |

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| **Corporate Scandals 2002**  • **WorldCom:** Allegations – treated over GBP 3.8bn revenue costs as capital expenditure. Loans of GBP 2.5bn misreported.  • **Enron:** Allegations – Hid US$8.5bn debt in financial statements and reports  • **Qwest:** Allegations – Boosted profit by US$1bn by undestating costs and exaggerating revenue for 3 years  • **Global Crossing:** Allegations –Exaggerating revenue thru use of telecoms swaps |

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| **Duties ...**  Directors determine whether or not a company survives and thrives. The extent to which the board liberates or constrains the energies and talents of a company is determined by the competence of the directors, and how effectively they work together as a team.  ***Peter Morgan, Director General of the Institute of Directors*** |

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| **These functions tend to have:**  • a reflective orientation;  • an external focus;  • a long-term time horizon;  • a holistic view to decision taking.  **Therefore, your report to the Board level must display these qualities** |

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| **The Implementation Process**  • Implementation is the activities required to put the strategy into practice  • Implementation involves change in  – the structure of the organisation  – its systems and resources  – the skills and attitudes of people  • The approach can be comprehensive or incremental |

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| **Basic Functional Structure**  **Advantages**  • **Chief Executive in touch with all operations**  • **Reduces/simplifies control mechanisms**  • **Clear definition of responsibilities**  • **Specialists at senior and middle management level** |

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| **Basic Functional Structure**  **Disadvantages**  • **Senior managers overburdened with routine matters**  • **Senior managers neglect strategic issues**  • **Difficult to cope with diversity**  • **Coordination between functions difficult** |

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| **Pros & Cons**  • easier to monitor performance  • easier to divest  • HQ can concentrate on strategy  • difficult to allocate functions  – duplication - marketing manager in each div  • tend to be expensive  • good for growth situations |

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| **Holding Company Structure**  Advantages:  • **Low central overheads**  • **Offsetting of individual business losses**  • **Availability of cheaper finance for individual businesses**  • **Spreading of risk for holding company**  • **Ease of divestment for holding company**  disadvantage:  • **Risk of divestment by holding company for individual business**  • **Unavailability of skills at group level to assist individual businesses**  • **Lack of synergy** |