Governance Stems From Good Role Models

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CORPORATE GOVERNANCE   LEADERSHIP   ETHICS

Singapore - Companies in Asia have to ensure that their leaders are ready to set a good example when it comes to corporate governance, as they are the ones who set the ethical tone of the organisation.

"Good governance starts at the top but has to be consistent throughout the entire organisation," Professor Chang Sea Jin said. "If the leader can do something strange, then the people below him will do exactly the same thing, so transparency and ethics are important."

Chang, who is the executive director of National University of Singapore's (NUS) Business School's newly-launched Centre of Governance, Institutions and Organisations (CGIO), added leaders need to be transparent and held responsible for their actions.

Speaking at the launch of the centre, he said companies have to start with the premise that good governance leads to good performance. "Taking shortcuts or cutting corners are just short-term solutions which can lead to long-term problems."

However, while the Anglo-Saxon model for corporate governance is better developed than Asia's, organisations based in this region cannot "copy and paste" blindly. Instead, they need to "find what fits and is good for them", rather than forcing the same policies onto their companies, Chang said.

Chang added that the lack of a strong governance structure can severely affect the organisation’s future.

Bacelius Ruru, former chairman of the Indonesian Stock Exchange and current chairman of industrial estate developer PT Jababeka, agreed as good governance can impact stakeholders, consumers and the economy. "If more and more companies do this right, you will see the benefits beginning to snowball."

Professor Bernard Yeung, dean of the NUS Business School, said organisations that have better governance will be in a stronger position to serve consumers and investors, while assuring economic democracy and good resource allocations.

Ruru suggested one of the best ways for companies to implement better governance practices is to go public on stock exchanges. That will force them to be accountable to its people and the financial market.

"Governance is not a snapshot, but a motion picture," Ruru said. "There is a lot to be done, but in the end, you will have a happy ending."

The CGIO is aimed at assisting companies, ranging from family businesses, state-linked companies, business groups, in Asia with "thought leadership issues that are pertinent to building sustainable Asian economies" and best corporate governance practices.