Why CEOs need good governance

CEOs are the key to a successful business – they set the standard that they and everyone else should follow to ensure company longevity and the ability to maintain a competitive edge. But for CEOs to operate a successful business, good company culture is essential.

However, you can’t have good company culture without having good governance. The symbiotic relationship between governance and culture within the business means that if a standard of good governance is set then this will trickle down to how the rest of the company runs, resulting in a good culture.

All the corporation-induced headaches CEOs struggle with stem from poor governance. To ensure minimum headaches and issues and a well-run company, it is vital to initiate good governance or face a daily battle with unhappy staff, suppliers and investors and ultimately, poor culture.

What exactly is governance?

Governance is everything to do with how a business is run. It is the blueprint of all the rules, written and unwritten, and all the processes, systems and frameworks that make the business work.

It outlines how all the processes work, what decisions are made and when, where and by whom. It covers how the board is run and what key decisions they make. It establishes the risk level of the business and includes information on how staff are protected from any threat of legal action.

Ultimately, governance is every part of the business – from finance and risk and compliance management to health and safety, strategy and law. It provides the key guidance and maps for ensuring the business stays on track, is efficient, and can achieve its goals.

What happens with bad governance?

Bad governance drastically reduces the life of a business and stops it from being a nice place to work. CEOs and leadership teams feel like they're constantly firefighting with endless board meetings, employee demands, colleague disagreements, supplier requests, investor questions, and a lingering threat of litigation.

When a business has bad governance, people quit – especially the good ones. The culture becomes toxic, and people don't want to work for the company because of the atmosphere. There is a lack of authority and accountability, no direction, and no incentive to work hard. Staff become disengaged with their role as managers lack responsibility and make poor decisions.

Investors lose faith in the business, no longer viewing the leadership as competent or believing the business will last long-term.

With staff turnover high, the company struggles to find good people to replace those who leave. This has a knock-on effect on remaining employees who are given extra work due to the lack of staff, at a time when engagement levels are low – often there is burnout or mental health issues caused by the workload and toxic environment. Work becomes a thankless task which staff either stop doing or it leads to staff becoming stressed from working in a poorly supported place.

What happens with good governance?

Businesses with good governance are like well-oiled machines – they operate efficiently, and every cog or employee knows their role and how they make a difference in the success of the company.

Staff can work at their best because they know the boundaries of their role and feel supported and empowered to make decisions and be accountable for their actions. The culture is supportive and productive, enabling strong decisions to be made.

The turnover of staff is lower as people genuinely enjoy their work. As a result of good governance, investors are happy to let you get on, and employees are happy and work hard.

By incorporating good governance into every decision, whether expanding overseas or securing a loan or taking on new staff, businesses ensure everything is done well. Staff are on board with long-term company goals, and everyone is pulling in the same direction. Everyone goes beyond their job description and collaborates on bigger projects.

Despite often working harder than in jobs within a company with bad governance, there is reduced burnout and mental health issues. This is because people feel supported and trusted, making them feel happy to fulfil targets. As people enjoy working for the company, staff are often highly qualified with excellent experience as good employees stay.

Investors use governance to judge a business. If the leadership is strong and capable, investors will want to invest in it for the long term and view it as a business with longevity.

Importantly for CEOs, they can delegate – as staff are motivated, accountable and understand their role fully, they are capable of making decisions on their own. This is not only good for business but good for CEOs as it creates more flexibility for them, as they don’t have to sit in on all decisions being made anymore.

Ultimately, with good governance, you have happy people who work at their best – employees, suppliers, and investors alike – all supported by having the right processes and frameworks in place.

Once the initial investment has been made, CEOs will benefit from having governance at the heart of business by ensuring sustainability and a brighter future for the company and its culture.

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