



# THE BOARDROOM AND THE BIG IDEAS

**‘Corporate Governance:  
Your Vehicle to Success’**

*Please pass on this training memo to anyone who will benefit.*

October 21, 2020

# The Boardroom and The Big Ideas

## What is a Board of Directors & Why do you Need it?

A Board of Directors is an elected group of individuals that represent shareholders in corporate governance and strategic matters. Every public company is legally required to install a board of directors who are both internal and external to the organization; nonprofit organizations and many private companies – while not required to – also name a board of directors. Boards vary in sizes based on the business, some as large as 40 persons. The ideal size to start is 5-7 Directors.

**RECRUIT DIRECTORS WHO CAN GOVERN THE COMPANY YOU ASPIRE TO GROW INTO RATHER THAN THE SMALL BUSINESS YOU MIGHT BE NOW.**

### Roles & Functions of a Board

#### 3 Key Roles

1. **Advisory** - advises management regarding the strategic and operational direction of the company.
2. **Oversight** - monitors management's performance.
3. **Support** - providing mentorship to CEOs, helping with the development of the executive team, and supporting the CEO in the preparation of management succession plans.

#### Functions:

- Creating dividend policies;
- Creating options policies;
- Hiring and firing of senior of executives (especially the CEO);
- Establishing compensation for executives;
- Supporting executives and their teams;
- Maintaining company resources;
- Setting general company goals;
- Making sure that the company is equipped with the tools it needs to be managed well;
- Support networking opportunities.

### What Makes A Great Board

- Diversity in directors - Age, Gender, Knowledge and experience, Geographical spread, Various Competencies;
- Establish clear job definitions for directors and define the role the board will play in strategy, risk management, budget, etc.;
- Seek consensus on all major decisions, not majority voting;
- Assess issues from the perspective of the stakeholders and what is right for the company;
- Keep your dialogue with board members consistent, open, and truthful.
- Regular meetings, at least 1 to 4 times a year. Pre-meeting preparation is essential; early material distribution, prior review of information and early arrival for efficient discussions of the real issues;
- Create sub-committees and engage outside experts to address specific issues. This allows smaller groups to meet more frequently to tackle particular matters of regulation, compensation, recruiting, lobbying, etc., and report back results to the CEO and board-at-large.

## How to Appoint a Board for Your Business

If registering business complete the following forms and submit to The Companies Office of Jamaica:

- For Companies with Shareholders: Form 1A & Form BRF
- For Businesses without Shareholders: Form BRF

If appointing or changing Board Members, complete Form 23 and submit to The Companies Office of Jamaica

Forms available online:

<https://www.orcjamaica.com/Forms.aspx>



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**Greta Bogues, Interim CEO, PSOJ  
Chair, PSOJ Corporate Governance Committee**

## **“Corporate Governance: Your Vehicle to Success”**

*“If management is about running your business.....then governance is about seeing that it is run properly.” -Tricker 1984*

As SMEs grow their business the importance of having in place good corporate governance practices becomes more significant as to survive and grow all business, small, medium or large, need to be properly governed. Challenges faced by SMEs change dramatically as they grow in size and as they experience changes in their organisational, management and ownership structure.

However, *“regardless of a business’s size, there is overwhelming evidence that effective corporate governance is an essential element for achieving enhanced growth and long terms sustainability”*. (IFC 2019)

### **What is corporate governance?**

It can be defined *“as the structures and processes by which organisations are directed, controlled and held to account”*. – Sir Adrian Cadbury 1992 (Cadbury Report).

This involves the relationship and interaction between the three key decision makers of the business: Shareholders, Board of Directors, and Management.

**Shareholders** – own assets and provide capital.

**Board of Directors** - set strategic direction, supervise the performance of management and report to shareholders on stewardship.

**Management** -uses the assets and capital to provide a positive return and reports to the board on its performance.

**Stakeholders** – another important partner which must always be considered in the decision-making process– and this grouping includes employees, customers existing and potential, regulators, civil society, communities, environmental considerations etc.



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**The pillars of corporate governance are built on having in place:**

- **Transparency** – *Ensuring timely and accurate disclosure of all material information.*
- **Accountability** – *Accepting responsibility for decisions and actions – holding management accountable to the board.*
- **Fairness** – *Treating all shareholders including minorities, equitably.*
- **Integrity** – *Dealing with issues with honesty, objectivity and high standards of probity and propriety in stewardship of investors’ funds.*

**How does implementing good corporate governance practices help your business?**

1. Provides better access to finance and capital - appear more attractive and less risky.
2. Required for listing on the JSE Junior market, receiving grant funds e.g. DBJ.
3. Provides for prudent internal controls to help enhance risk management.
4. Supports the documentation of policies, structures and processes which help to reduce over-reliance on a few or “one” key person.
5. Assist with putting in place well-structured boards that will provide critical stewardship and strategic direction for a growth oriented organisations.

**Business may have different types of boards:**

- **Advisory Board** – *They provide ongoing advice to management and is usually found in the early stages of development of a business.*
- **Governing Board** – *The board of directors acts on behalf of shareholders and have a fiduciary responsibility and duty of care as required under the Companies Act. This is for companies registered under the Companies Act.*



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### BOARD OF DIRECTORS

#### What do they do?

- Provide additional experience – thought leadership;
- Provide oversight – governance and internal controls; management;
- Guides strategy;
- Support network opportunities – open doors; and
- Guide succession planning for the leadership of the business.

#### What to look for when trying to identify a director (*Identify business competency gap required for board*):

- The individual understands business.
- Have the available time to add value.
- Provide guidance and support.
- Can open doors.
- Will ask the difficult questions.
- Has diverse experience.
- Trust & confidence.

#### Some key behavioural traits to consider when looking for a director:

- Curious and agile mind
- Entrepreneurial and innovative “spirit”
- Courageous
- Impeccable character
- Wisdom
- Maturity and perspective

#### Where to find a director:

- Business associations e.g. PSOJ, JCC, JMEA etc.
- A trusted friend with the ability to fill the competency gap required and some of the behavioural traits identified.
- PSOJ/JSE website of governance trained potential directors.



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The aim should always be to have diversity on your board as this brings together different strategic thoughts. Diversity includes:

- Age
- Gender
- Knowledge and Experience
- Geographical Spread
- Various Competencies

The board’s role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls. Businesses should seek to have an engaging board of directors that can add value to the growth and direction of the business. The board should therefore operate with a culture of open dissident and trust.

As businesses go through various stages of development along the continuum of size and legal type, they will face various challenges and opportunities. What corporate governance will ultimately do is strengthen the long- term sustainability of the business.

The key is to start the corporate governance journey early by documenting and putting in place systems to keep the business going. Good governance is a long journey and the sooner the business start adopting good practices, the more benefits they are able to reap along the way.

Corporate governance is really about **how you conduct and develop your business** and ultimately **how you make your profits**.



# RESOURCES

## **Greta Bogues**

- Interim CEO, The Private Sector Organization of Jamaica (PSOJ)
- Chair, PSOJ Corporate Governance Committee

## **What is a Board of Directors?**

- <https://corporatefinanceinstitute.com/resources/careers/jobs/board-of-directors/>

## **What Makes Great Boards Great**

- <https://hbr.org/2002/09/what-makes-great-boards-great>

## **The Role and Duties of a Corporate Board of Directors**

- <https://www.thebalance.com/corporate-board-of-directors-3960038>

## **10 Tips for Forming a Board of Directors**

- <https://www.entrepreneur.com/article/223413>

## **8 steps to building a strong board of directors**

- <https://venturebeat.com/2017/07/02/8-steps-to-building-a-strong-board-of-directors/>

## **Everything You Need to Know About Building the Best Board of Directors for Your Company**

- <https://www.inc.com/omar-romman/everything-you-need-to-know-about-building-best-board-of-directors-for-your-company.html>