

Towards Pervasive GRC

Strategic Management in Corporate Governance

Dr. Abdulaziz Al-Terki

*Head of Operational Risk
Burgan Bank - Kuwait*

Strategic Management in Corporate Governance

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“Corporate governance is different from management. Management runs the enterprise. The board or governing body ensures that it is being run well and in the right direction.”

"If management is about running the business, governance is about seeing that it is run properly."

Robert Ian Tricker

“... Employees and other stakeholders play an important role in contributing to the long-term success and performance of the corporation, while governments establish the overall institutional and legal framework for corporate governance”

“... Governance also provides the structure through which the objectives of the organization are set, and the means of attaining those objectives and of monitoring performance are required”

OECD Principles on Corporate Governance

Strategic Management in Corporate Governance

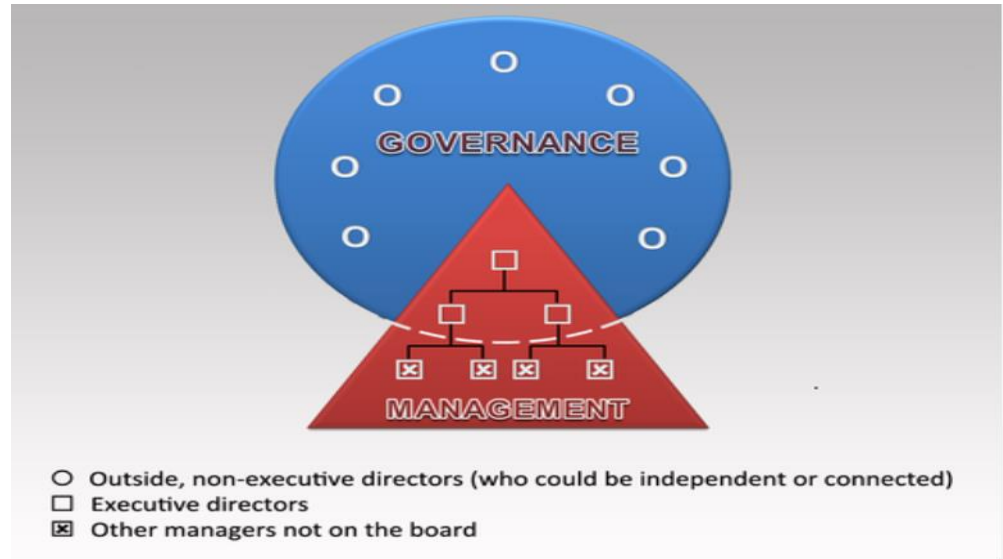
Two insights, developed by Tricker, are frequently referenced and used in corporate governance analysis



A unitary board, with both executive and outside directors, is responsible for both the overall performance of the enterprise and its conformance with strategies, policies and codes. In a two tier board the roles are separated

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Management can be depicted as a hierarchy: the triangle in the diagram below. The board of directors or other governing body is superimposed on management: the circle in the diagram. Its members do not form a hierarchy. All have equal rights and duties.



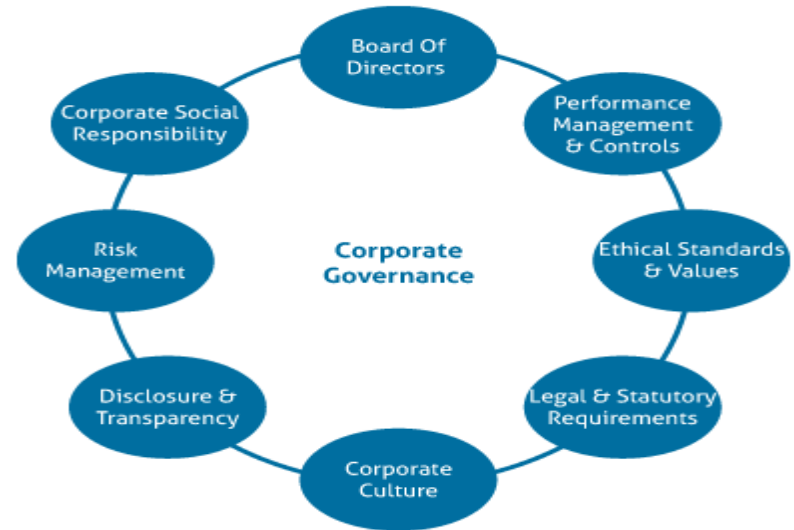
A unitary board has both outside, non-executive directors (shown as O in the diagram) and executive directors (shown as □ in the diagram), who must wear two hats – as directors on the board and top executives in the management hierarchy. The diagram emphasizes the different power structures of boards composed entirely of executive directors, those with a minority of outside, non-executive directors, those with a majority of outside, non-executive directors, and supervisory boards composed entirely of outside directors.

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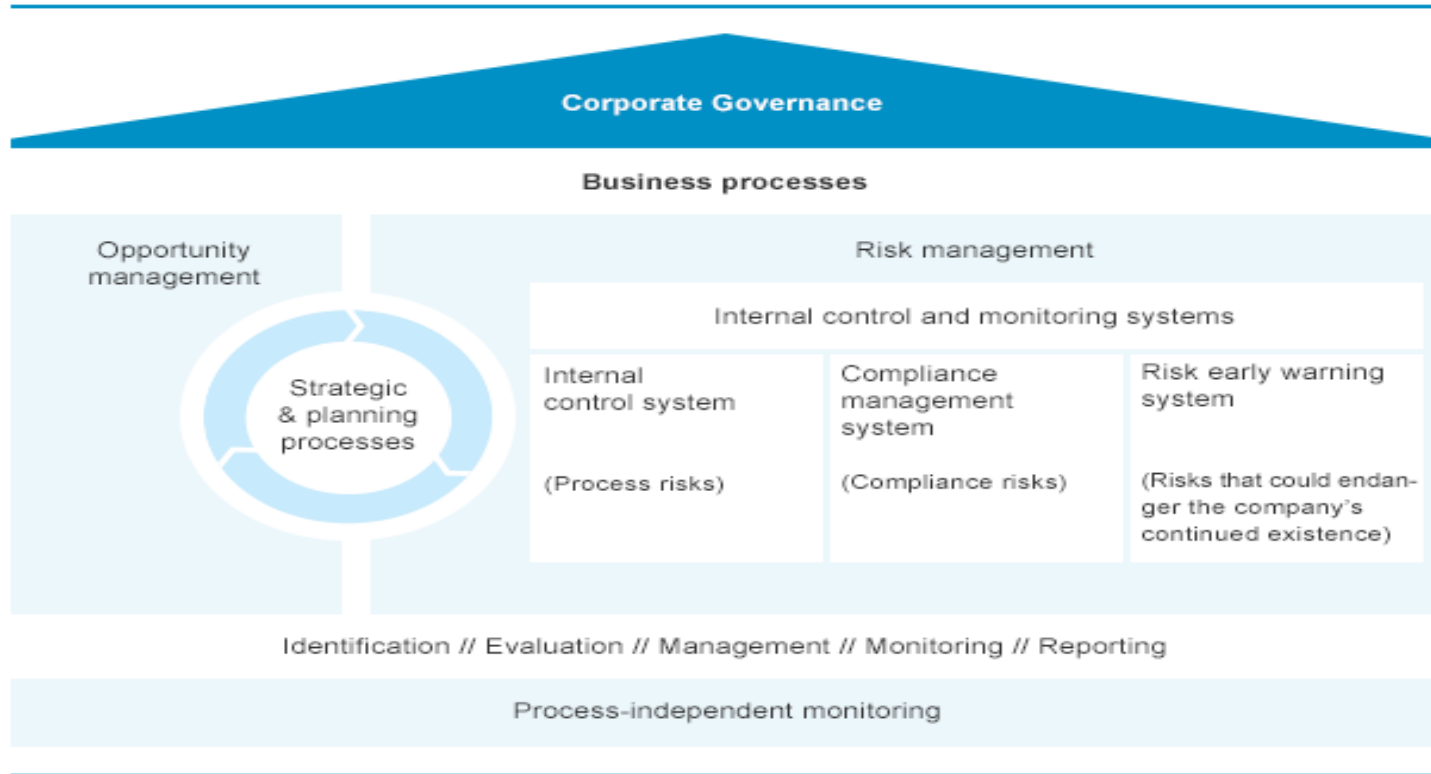


- Strong Corporate Governance promotes effective Risk Management and strong Risk Management is the key to sound compliance
- CG focuses on creating long-term value for shareholders
- Is there any relation between GRC and Strategic Management Process?

- Corporate Governance is about balancing profitability with sustainability
- Align Governance with long term Business Strategy
- Communication is a key to successful Strategic Management



Strategic Management in Corporate Governance



Strategic Management in Corporate Governance

Corporate Governance is a system in which companies are directed and controlled. Good corporate governance and transparency are fundamental elements to achieve an organization's vision and objectives.

Corporate Governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stakeholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations.

Strategic Management is goals-oriented management in which the mission and planned achievements of an organization are clearly set out and all management processes are designed and monitored toward reaching the organization's overall goals.

Strategic Management is the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives

Strategic Management is a set of managerial decisions and actions that determines the long-run performance of an organization

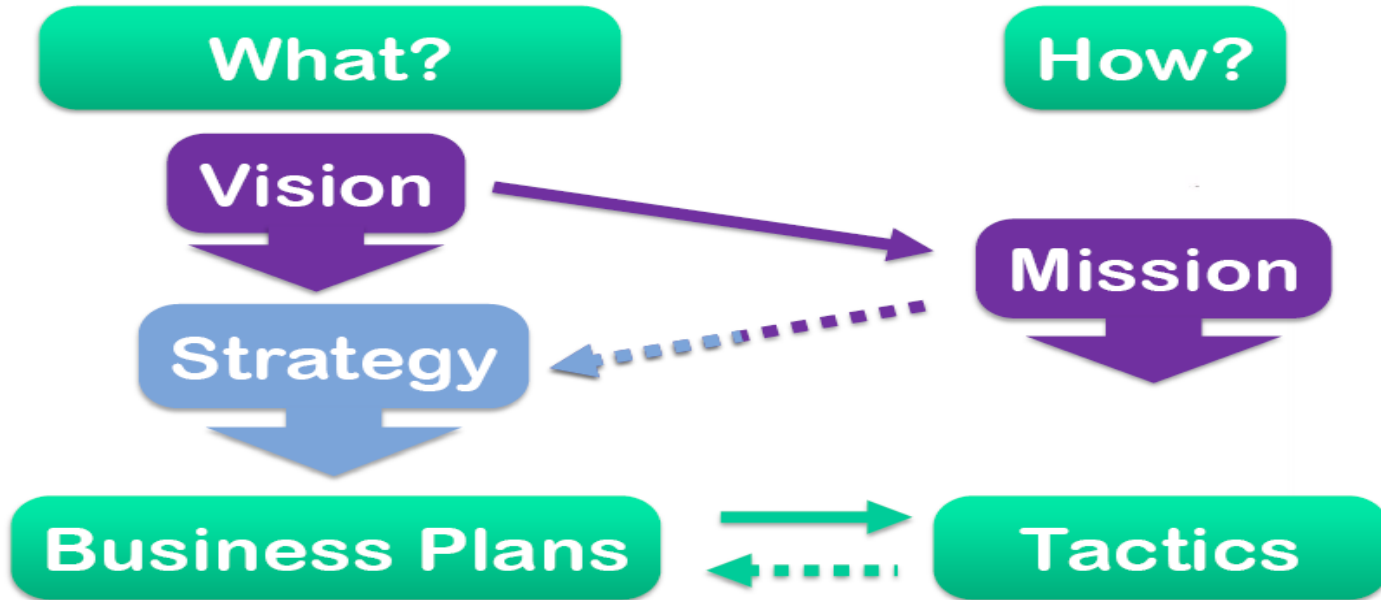
There are endless definitions of strategy, but essentially strategy is about knowing:

Where are we now?

Where do we want to go?

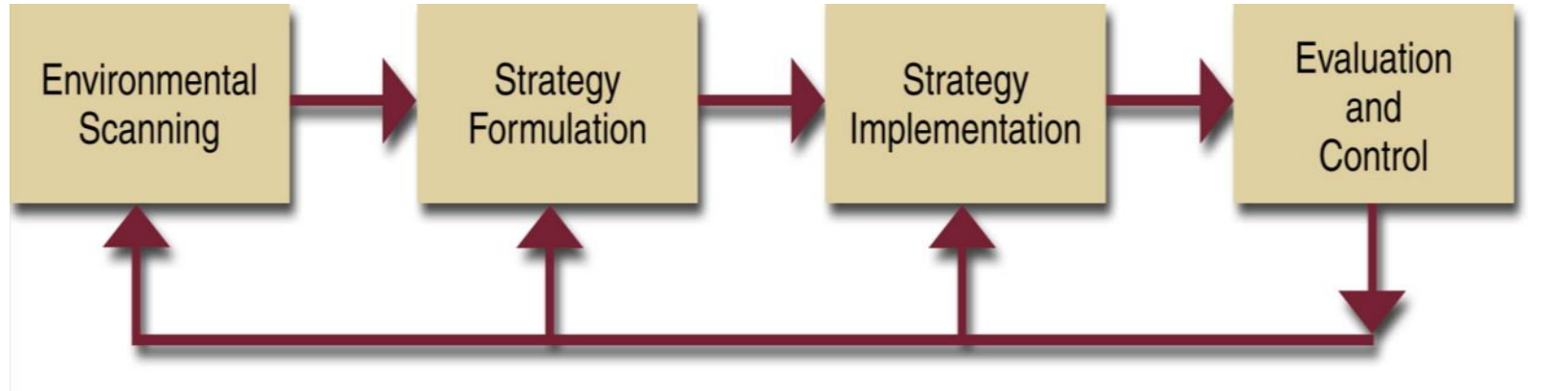
How are we going to get there?

The Strategic Cascade



Strategic Management process is composed of:

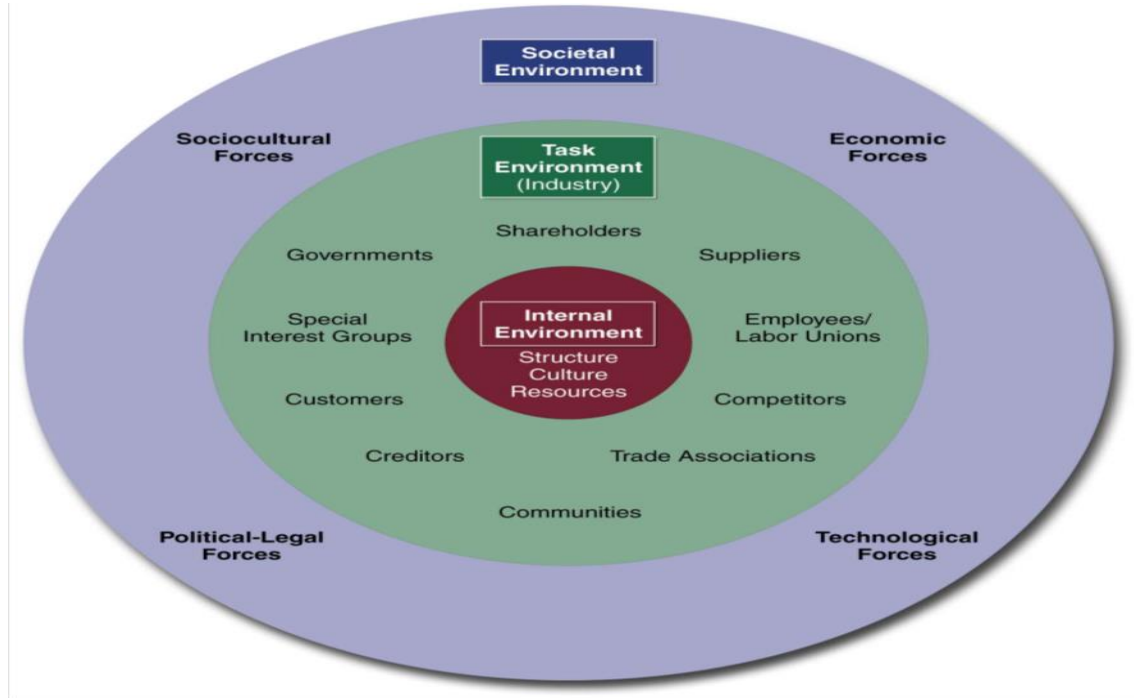
- Environmental Scanning
- Strategic Formulation
- Strategic Implementation
- Evaluation and Control



Strategic Management in Corporate Governance

Strategic Management Stages

Environmental Scanning



Strategic Management Stages



Strategy Formulation:

includes developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue

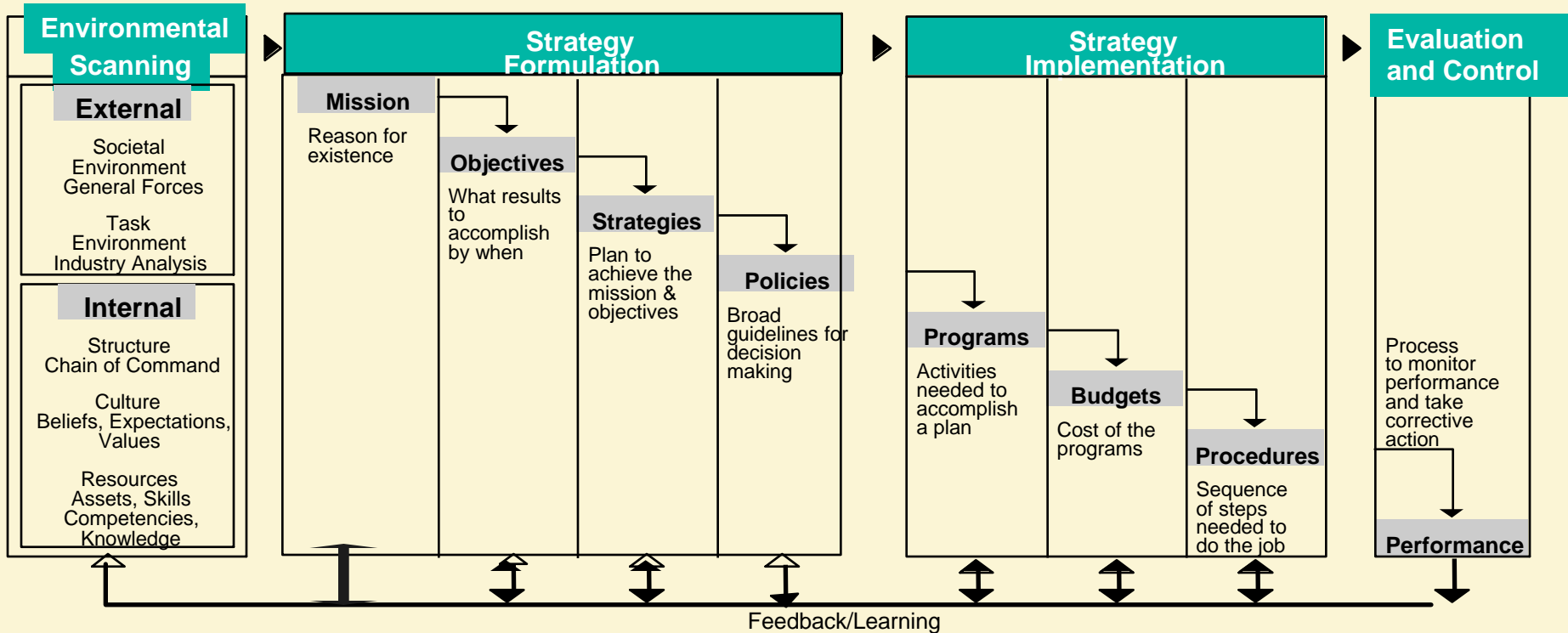
Strategy Implementation:

requires a firm to establish annual objectives, devise policies, motivate employees, and allocate resources so that formulated strategies can be executed. often called the action stage

Strategy Evaluation:

reviewing external and internal factors that are the bases for current strategies, measuring performance, and taking corrective actions

Strategic Management in Corporate Governance



Corporate Strategy

deals with corporation's overall direction and its management of its businesses

Business Strategy

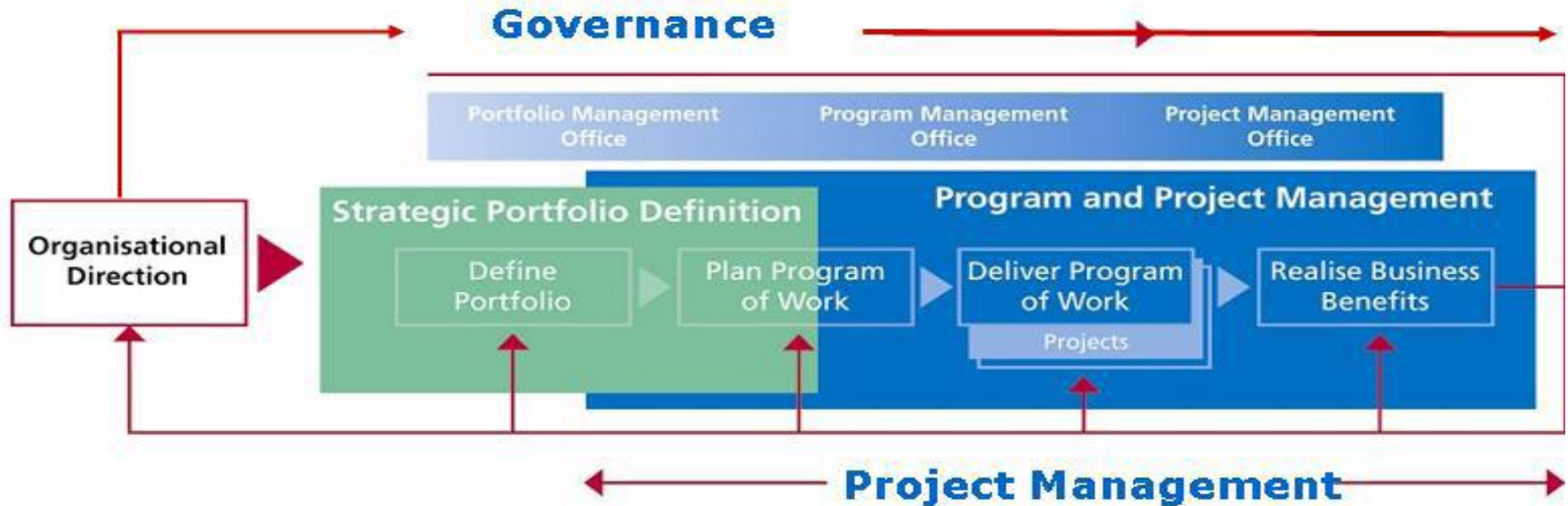
emphasizes on improving the competitive position of a firm's strategic business (refer to as: Competitive Strategies)

Functional Strategy

focuses on optimizing resource productivity

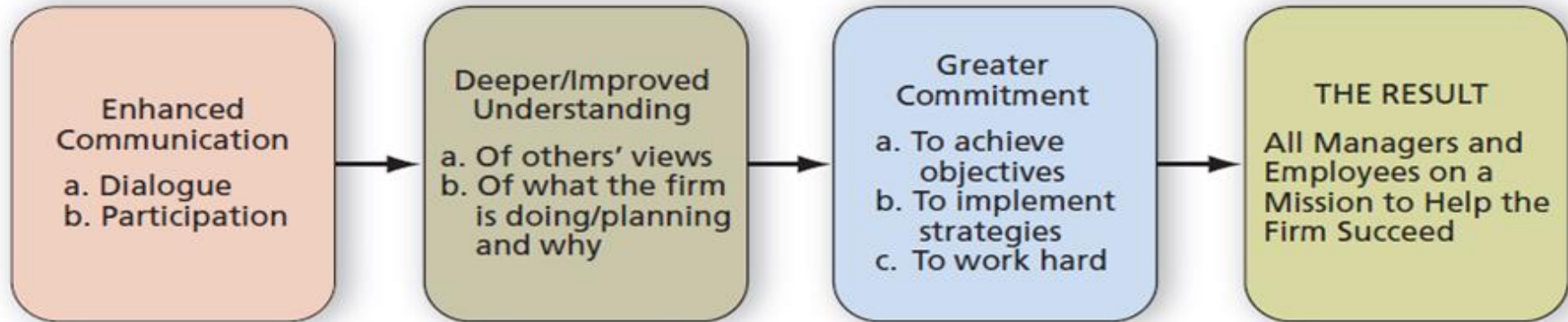


Strategy Execution Framework

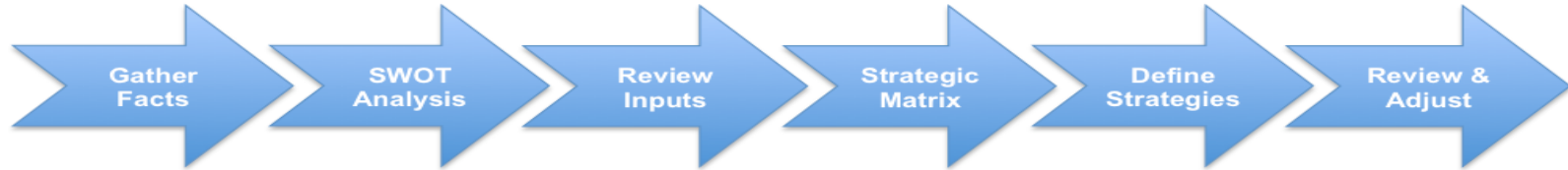


Strategic Management Benefits:

1. Clearer sense of long term vision (strategic direction) for the firm
2. Sharper focus on what is strategically important (Priority)
3. Improved understanding of a rapidly changing environment



Strategic Plan Process



Gather Inputs

- From all Stakeholders
- Customer analysis
- Competitor analysis
- Industry analysis
- Environmental
- Company performance
- Company strategies

SWOT Analysis

- External Analysis
 - Opportunities
 - Threats
- Internal Analysis
 - Strengths
 - Weaknesses
- Strategic Questions
- Strategic Issues

Review Inputs

- All Stakeholders
- Review Inputs
- Review SWOT Analysis
- Define 3-4 key statements

Strategic Matrix

- All Stakeholders
- Define Strategies to address SWOT combinations:
 - Opportunities vs Strengths
 - Opportunities vs Weaknesses
 - Threats vs Strengths
 - Threats vs Weaknesses

Define Strategies

- Objectives
- Key Strategies
- Short and Long Term Goals
- Operational Plans

Final Reviews

- All Stakeholders
- Review Strategies
- Review Goals
- Review Plans
- Adjust as necessary

Strategic Management in Corporate Governance



For 2011, “Best Corporate Governance Awards” by country were given to:

1. Royal Bank of Canada (Canada)
2. Vestas Wind Systems A/S (Denmark)
3. BSF AG (Germany)
4. Empresas ICA (Mexico)
5. Cisco Systems (United States)

These awards are determined by analyzing a number of corporate governance issues:

1. Board accountability/financial disclosure
2. Executive compensation
3. Shareholder rights
4. Ownership base
5. Takeover provisions
6. Corporate behavior
7. Overall responsibility exhibited by firm

Linking Strategic Management with Corporate Governance will:

- Allow for identification, prioritization, and exploitation of opportunities.
- Provide an objective view of management problems.
- Represent a framework for improved coordination and control of activities.
- Minimize the effects of adverse conditions and changes.
- Allow major decisions to better support established objectives.
- Allow more effective allocation of time and resources to identified opportunities.
- Allow fewer resources and less time to be devoted to correcting erroneous or ad hoc decisions.
- Incorporate a focus on internal and external stakeholders
- Ensure good governance by structuring authority, balancing responsibility and providing accountability to stakeholders at all levels
- Create a framework for internal communication among personnel

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An aerial night view of the Dubai skyline, featuring a prominent, illuminated skyscraper (the Burj Khalifa) on the right side. The city lights are reflected in the water, and a marina with many boats is visible in the foreground. The sky is dark with some clouds, and the overall scene is lit up with city lights.

Thank You