

Corporate Governance

XASMB Small and Medium-Sized Business



Corporate Governance



Set of standards and rules that define the relationships between the executive management of a company and its statutory bodies and shareholders.



Involves defining the structure through which a company's goals are established, the means for achieving them, and the method for measuring their success.

Division according to the subject of interest

Shareholder approach

- It sees the company as a place where investors invest their money and expect a certain return for it.

Approach of interest groups

- It does not see shareholders as the sole group whose interests the company should satisfy but emphasizes all stakeholders, such as employees, creditors, customers, the local community, or the state.
- The company's goal should be to fulfill the interests of all these individuals.

Models of corporate governance

Single level model

- Large dispersion of company shares among a number of shareholders. This severely limits their ability to participate in corporate governance.
- Apart from the general meeting, there is only one governing body, namely the board of directors.
 - Management and supervisory functions
 - Composed of the company's executive directors and experts invited from outside the company.
 - Controls important decisions of the company's management and seeks to promote the interests of the owners.
 - Appoints and removes the company's chief executive officer.
- Decision-making power is concentrated in the hands of the CEO.
 - With other executive directors, he or she forms a smaller body within the board of directors called the executive committee, and this committee essentially runs the company.
 - The board is headed by a chairman, which in the past has often been the CEO himself.
 - Recently, however, there has been an increasing tendency to appoint an external board member to this position.

Two-level model

- In addition to the General Assembly, two administrative bodies.
- Responsibilities for the management and administration of the company are divided between them.
- The board of directors may consist of executive members only or a combination of executive and non-executive members and is responsible for the operational activities of the company.
- It prepares variants of strategic plans and, after approval by the Supervisory Board, ensures their implementation.
- The Supervisory Board is usually made up of shareholders, independent members (scientists, professors, etc.) and often employee representatives.
- It has the task of defending the interests of the owners, approving strategic concepts, controlling the company's management and electing and dismissing members of the board of directors and the company's CEO.
- The Supervisory Board is usually several times larger than the Board of Directors.



Areas of interest

Protection of shareholders' rights

Role of governance bodies

Role of top management

Role of the market and the role of the state

Analysis and comparison of corporate governance systems in different countries

Role of interest groups

Corporate social responsibility

Measurement of business performance



Protection of
shareholders'
rights

Transparency

Voting at the General Assembly

Protection of minority shareholders

Ethics and accountability of management

Risk control and governance

Development of policies and standards



Role of governance bodies

Definition of roles and responsibilities

Independence

Diversity

Transparency

Ensuring compliance

Leadership



Role of top management

Appointment and dismissal

Performance review

Salary structure

Ensuring compliance and ethical standards

Commitment to social responsibility

Stability and continuity

Role of the market and the role of the state

Role of the market

- Investor and shareholder confidence
- Accountability to customers
- Relations with interest groups
- Risk mitigation
- Sustainable growth

Role of the state

- Legal compliance
- Relations with the State
- Accountability to the State
- Oversight and regulation



Analysis and
comparison of
corporate
governance
systems in
different
countries

International expansion

Adaptation

Risk analysis

Learning from best practices



Role of interest groups

Equality of interests

Involvement of interest groups

Protection of shareholders' interests

Corporate social responsibility

Transparency and accountability




CSR

Protection of stakeholder rights

Transparency and reporting

Social responsibility

Shareholders and investors



Measurement of
business
performance

Defining objectives and strategies

Ensuring transparency

Holding management accountable

Performance monitoring and reporting

Evaluation tools

Current challenges and trends

- Increased focus on ESG factors (environmental, social, and governance)
- Rising shareholder activism
- Digital transformation
- Greater emphasis on transparency and accountability
- Globalization
- Changes in the way of work
- Increased oversight and regulation

Role Play:

Board Meeting Simulation



A member of management in your company is suspected of corruption and unethical behaviour.



You have discovered that a member of your company's management has been accused of corruption and unethical behaviour, which could cause major reputational damage to the company. Your task is to choose a course of action to deal with this problem.

Company directors demand an increase in their salaries and bonuses



The company's directors have submitted a proposal to increase their salaries and bonuses, arguing that such payouts are necessary to retain talented executives at the company. Your task is to consider and decide on the directors' proposal.

Risk and crisis management

- An accident has occurred at a production facility. You can continue limited production, but there is a risk of increased scrap and workplace safety hazards. Another alternative is to stop production altogether, but this will lead to greater losses. How do you decide?
- At the same time, the accident caused a spill of hazardous substances into a nearby river. No one knows about it yet except a few people inside the company. Are you going to contain the situation and risk endangering the environment? Or will you make a public confession and pay a fine? What impact can both options have on the company's reputation?

Summary

- What have you learned today?

Homework

- Prepare a strategy for expansion into a new foreign market. What will you take into account and how will you proceed?
- Deadline: 13.11.2024, 23:59



Thank you for your attention

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