Governance, Strategy and Leadership

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Many organizations strive to improve and maintain a healthy positive relationship with their stakeholders. Corporate governance is a mechanism set forth to enhance relations by reducing agency problems. Effective leadership is at the forefront of strong corporate governance. This paper will seek to create an understanding of corporate governance and the role effective leadership plays in creating and maintaining such a mechanism within the organizational culture. Furthermore, this paper will explore and define global strategy and its relationship with leadership within an organization.

Corporate Governance

The topic of corporate governance is becoming increasingly popular amongst policymakers, investors, and other stakeholders as the corporate world are encountering growth in corporate collapses, fraud cases, and questionable strategic decisions. Corporate governance is a collection of rules, processes, and practices which dictates, direct and control a company (ICSA: The Governance Institute, n.d.). According to Heracleous (2001), corporate governance is an attempt to create standards of governance or code of best practices for top decision-makers, focusing on more transparency of board procedures and practices, enhanced director accountability, oversight functions and improved effectiveness of boards (Ernst & Young LLP, 2017). Corporate governance practice amongst company boards and organization vary widely, making it more difficult to study and draw conclusive comparisons. Some of the variations amongst business regarding corporate governance policies include some organization focusing on independent board leadership, size of boards, board diversity, staggered verse annual election process, and level of board accountability to shareholders.

Corporate Governance and Leadership

When trying to build a better and more ethical working business world, Ernst and Young LLP (2017), points out that effective corporate governance is a crucial element. Although corporate governance differs amongst the inner working of organizations, these code of best practices impacts all aspects of a company ranging from communication to strategic decision making to its leadership. A key recommendation of corporate governance best practices is the importance of separating the chair of an organization board from the CEO positions. According to Heracleous (2001), this separation allows for a more independent board, increase transparency, a clear division of responsibility at the helm of the organization. Having a balance of power between the CEO and chair of the board creates a check and balance ensuring no individual has unlimited and unchecked decision-making power (Price, 2017; Heracleous, 2001; Cadbury, 1992).

Research demonstrations there is a healthy relationship between effective leadership and successful corporate governance, but this link is sometimes dismissed or ignored (ZimCode Secretariat, 2016; Osiyemi, 2016). The connection between leadership and corporate management is not at the forefront of conversations because the adoption of governance best practice is usually the result of a crisis (ZimCode Secretariat, 2016). When an organization is experiencing a crisis related to trust, transparency, and leadership, it is not necessarily committed to corporate governance best practices, but the implementing is out of necessity. Therefore if the leadership is not dedicated to the changes, the implementation will lack effectiveness.

"Leadership and corporate governance are at their best when they are in a symbiotic relationship; they have to depend on each other to achieve optimum benefits" (ZimCode Secretariat, 2016, pp.7). Effective leadership provides the motivation and inspiration to create and implement effective corporate governance. Effective corporate governance is manifested in the organizational culture which encourages the behaviors needed to incorporate corporate governance best practices throughout the entire organization.

Organizational Culture and Leadership

Organizational culture, as defined by Gareth Jones (2013), are the shared norms, behaviors and values within an organization that contributes to the unique psychological and social environment of a company. Organizational culture is made up of the organization's experiences, expectations, goals, and philosophy. This unique culture is expressed as the inner workings of the organization as reflected by the written and unwritten rules, standard operating procedures, interactions amongst members, and the shared attitudes and customs. These cultural values in an organization, guides and influences the actions, behaviors, and the amount of freedom allotted in decision making, personal expression and idea innovation. Organizational culture depicts many norms within an organization such as the way business is carried out, the treatment of employees, customers, and the external vaster community. Organizational culture also determines the influence of power, and the flow of information through the hierarchy of the company. Productivity, performance, product quality, safety, customer service, care, and commitment of employee has direct correlations with the organization's culture according to Jones (2013). The primary source of organizational culture according to Jones (2013), is the characteristics of the people including the CEO, the board of directors, and top managers. An organization hires people who already poses morals, ethics, standards, and attrition that match that of the company.

The benefits of good corporate governance through effective leadership is the ability to maintain the vital interest, mission and vision of the organization while engaging stakeholders

(ZimCode Secretariat, 2016). Furthermore, research shows when an organization is perceived to have good corporate governance; investors are willing to pay an 11 percent markup for investing in that organization (Heracleous, 2001). Boulton, Libert, and Samek (2000), points out the value of good governance practice of an organization results in higher price-to-book ratios with investors willing to pay higher premiums. It is not just investors who are holding companies to incredibly high standards according to the Nielsen Company (2015). Customers strive to be responsible contributes to the world and are keeping the corporation to similar ideals. Customers are doing their homework by researching the business and manufacturing practices of organizations, checking labels and paying attention to brand specific public opinion on social media and in the news (The Nielsen Company, 2015). Customers are also putting their money where their social concern is by supporting companies with high corporate governance and high corporate responsibility. According to the Nielsen Company (2015), 66% of global customers were willing to pay a higher price for products from organizations that demonstrate corporate social good.

Global Strategy

Global Strategy is defined as the plans that a company or organization develops to pursue expansion into the worldwide market through targeted growth in increase sales and or services in other parts of the world (Leontiades, 1984). There are many global companies in the world today; a global company is reflective of an organization that is present and has investments in many countries. The company uses its identifiable brand across every market to provide a comprehensive product or service. When a company decide to go global, its worldwide strategy is created and guided by from its leadership (Hamel & Prahalad, 1985). For example, Mary Kay Inc. is a global company that was formed 53 years ago, since its inception it has expanded its flagship to 37 different countries globally. The global vision of Mary Kay, Inc., came from the organization's founder Mary Kathyln Ash. Mary Kay Ash as she is known, created a company that recognized and celebrated her sales force. Mary Kay's vision was that everyone woman would have all the opportunities they ever wanted, and the company was a vehicle to give women a chance (Nemy, 2001). That desire to provide all women with the opportunity to support their family was a part of the founder's global strategy.

Global Strategy and Leadership

According to Hsieh and Yik (2005), leadership is the starting point of global organizational strategy. Leadership is an essential component of global strategy because in most cases the leadership is the one generating the breakthroughs in performance at the company. An essential aspect of leadership is motivating other to perform. Successful organizational leadership is not limited to just the CEO but, the top leader is responsible for motivating and driving 3 to 5 percent of employees to also deliver breakthrough performance (Hsieh & Yik, 2005). Effective leaders at the helm of a company can motivate employees and catapult the organization forward with the creation of new initiatives, the launch of new products, increase organizational performance and operations including lowering cost and entering into new markets international, multinational and globally (Hsieh & Yik, 2005). A leader may be useful in launching the global strategy of an organization but may not possess the skills to run that global company. Hsieh and Yik states, "Company expanding internationally, for example, could find that its current leaders lacked the cultural sensitivity to operate in unfamiliar geographies" (2005, pp.7).

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