D.N.R.COLLEGE, (AUTONOMOUS): BHIMAVARAM
DEPARTMENT OF MANAGEMENT STUDIES

VUCA MANAGEMENT
III SEMESTER

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UNIT V: Issues inCorporate Governance – Strategic Leadership – Developing core competencies.

CORPORATE GOVERNANCE

Corporate Governance is the interaction between various participants (Shareholders, Board of Directors and Company's Management) in shaping corporations' performance and the way it is proceeding towards.

It is the technique by which companies are directed and managed.

In narrow sense corporate governance deals with maximizing the shareholders wealth.

In broader perspective, it considers the welfare of the all stakeholders and the society.

Need for Corporate Governance

- Better access to External Finance
- Lower costs of capital – Interest rates on loans
- Improved Company performance- sustainability
- Higher firm valuation and share performance
- Reduced risk of corporate crisis and scandals

Corporate Governance – PARTIES

1. Share - holders: those that own the company
2. Directors: guardians of the company's assets for the shareholder
3. Manager: who use the company's assets.

Issues in Corporate Governance

1. **Remuneration and reward of directors:**
   Directors being paid excessive bonuses and salaries have been identified as significant corporate abuses for a large number of years.
   It is, however, unavoidable that the corporate governance codes have been targeted these significant issues.

2. **Boards responsibility for risk management and internal control**
   If the board does not arrange the regular meetings in order to consider the organizational activities systematically show that the board is not meeting their responsibilities.

It results in the poor system that may unable to report and measure the risks associated with business.

3. **Reliability of financial reporting and external auditors**
   Financial reporting and auditing issue are seen more critical to corporate governance by the investors because of their main consideration in ensuring management accountability.
   It is the reason that they have been must debated and the focus of serious litigation.

4. **Duties of directors**
   The corporate governance reports have aimed to build on the director's duties as defined in statutory and case law duties of directors
   These include the fiduciary duties to act in the best interests of the company, use their powers for a purpose, avoid conflicts of interest and exercise a duty of care.

5. **Shareholders rights and responsibilities**
   Shareholders role and rights is subject of particular importance.
   They should be informed about all that information that are material to them because this information may influence their amount of investment.
   They should also be given the right to vote on policies affecting the governance of organization.

6. **Separation of the roles of CEO and chairperson**
   It is now increasingly being realized that the practice of combining the role of chair person with that of the CEO as is done in countries like the US and INDIA leads to conflicts on decision making and too much concentration of power in one person resulting in unsavoury consequences.

7. **Corporate social responsibility and business ethics**
   The lack of mutual decision and sense of responsibility for businesses and stakeholders has unavoidably turned out the business ethics and social responsibility a significant part of corporate governance debate.

STRATEGIC LEADERSHIP

Strategic Leadership is the ability of influencing others to voluntarily make decisions that enhance the prospects for the organization's long-term success while maintaining long-term financial stability. Different leadership approaches impact the vision and direction of growth and the potential success of an organization. To successfully deal with change, all executives need the skills and tools for both strategy formulation and implementation. Managing change and ambiguity requires strategic leaders who not only provide a sense of direction, but who can also build ownership and alignment within their workgroups to implementchange.

1.Distribute responsibility: Strategic leaders gain their skill through practice, and practice requires a fair amount of autonomy. Top leaders should push power downward, across the organization, empowering people at all levels to make decisions. Distribution of responsibility gives potential strategic leaders the opportunity to see what happens when they take risks. It also increases the collective intelligence, adaptability, and resilience of the organization over time, by harnessing the wisdom of those outside the traditional decision- makinghierarchy.

2.Be honest and open about information: The management structure traditionally adopted by large organizations evolved from the military, and was specifically designed to limit the flow of information. In this model, information truly equals power. The trouble is, when information is released to specific individuals only on a need-to-know basis, people have to make decisions in the dark. They do not know what factors are significant to the strategy of the enterprise; they have to guess. And it can be hard to guess right when you are not encouraged to understand the bigger picture or to question information that comes your way. Moreover, when people lack information, it undermines their confidence in challenging a leader or proposing an idea that differs from that of theirleader.

3.Create multiple paths for raising and testing ideas: Developing and presenting ideas is a key skill for strategic leaders. Even more important is the ability to connect their ideas to the way the enterprise creates value. By setting up ways for people to bring their innovative thinking to the surface, you can help them learn to make the most of their owncreativity.
This approach clearly differs from that of traditional cultures, in which the common channel for new ideas is limited to an individual’s direct manager. The manager may not appreciate the value in the idea, may block it from going forward and stifle the innovator’s enthusiasm. Of course, it can also be counterproductive to allow people to raise ideas indiscriminately without paying much attention to their development. So many ideas, in so many repetitive forms, might then come to the surface that it would be nearly impossible to sort through them. The best opportunities could be lost in the clutter.

4.Make it safe to fail: You must enshrine acceptance of failureand willingness to admit failureearlyin the practices and processes of the company, including the appraisal and promotion processes. For example, return-on-investment calculations need to assess results in a way that reflects the agreed-upon objectives, which may have been deliberately designed to include risk. Strategic leaders cannot learn only from efforts that succeed; they need to recognize the types of failures that turn into successes. They also need to learn how to manage the tensions associated with uncertainty, and how to recover from failure to try new ventures again.

5.Provide access to other strategists: The first step is to find them. Strategic leaders may not be fully aware themselves that they are distinctive. But others on their team, and their bosses, tend to recognize their unique talents. They may use phrases like “she just gets it,” “he always knows the right questionto ask,” or “she never lets us get away with thinking and operating in silos” to describe them. A good way to learn about candidates is to ask, “Who are the people who really seem to understand what the organization needs — and how to help it get there?” These may be people who aren’t traditionally popular; their predisposition to question, challenge, and disrupt the status quo can unsettle people, particularly people at the same level.

6.Develop opportunities for experience-based learning: The vast majority of professional leadership development is informative as opposed to experiential. Classroom-based training is, after all, typically easier and less expensive to implement; it’s evidence of short-term thinking, rather than long-term investment in the leadership pipeline. Although traditional leadership training can develop good managerial skills, strategists need experience to live up to theirpotential.

7.Hire for transformation: Hiring decisions should be based on careful considerations of capabilities and experiences, and should aim for diversity to overcome the natural tendency of managers to select people much likethemselves. Test how applicants react to specific, real-life situations; do substantive research into how they performed in previous organizations; and conduct interviews that delve deeper than usual into their psyche and abilities, to test their empathy, their skill in reframing problems, and their agility in considering big-picture questions as well as analytical data.

8.Bring your whole self to work: Strategic leaders understand that to tackle the most demanding situations and problems, they need to draw on everything they have learned in their lives. They want to tap into their full set of capabilities, interests, experiences, and passions to come up with innovative solutions. And they don't want to waste their time in situations (or with organizations) that doesn't align with theirvalues.

9.Find time to reflect: Strategic leaders are skilled in what organizational theorists Chris Argyris and Donald Schön call "double-loop learning." Single-loop learning involves thinking in depth about a situation and the problems inherent in it. Double-loop learning involves studying your own thinking about the situation — the biases and assumptions you have, and the "undiscussables" that are too difficult toraise.

10.Recognize leadership development as an ongoing practice: Strategists has the humility and intelligence to realize that their learning and development is never done, however experienced they may be. They admit that they are vulnerable and don't have all the answers. This characteristic has the added benefit of allowing other people to be the expert in some circumstances. In that way, strategic leaders make it easy for others to share ideas by encouraging new ways of thinking and explicitly asking for advice.

DEVELOPING CORE COMPETENCIES:

A **core competency**is a concept in management theory introduced by C. K. Prahalad and GaryHamel. It can be defined as "a harmonized combination of multiple resources and skills that distinguish a firm in themarketplace".

Core competencies fulfill three criteria:

1. Provides potential access to a wide variety ofmarkets.
2. Should make a significant contribution to the perceived customer benefits of the endproduct.
3. Difficult to imitate bycompetitors.

For example, a company's core competencies may include precision mechanics, fine optics, and micro- electronics. These help it build cameras, but may also be useful in making other products that require these competencies.

Core Competencies in Business

A business can choose to be operationally excellent in a number of different ways. Below are common core competencies found in business:

1. **Greatest Quality Products:** This core competency means the company's products are most durable, long-lasting, and most reliable. The company will likely have invested in the strongest quality control measures, technically proficient workers, and high-quality raw materials.
2. **Most Innovative Technology:** This core competency means the company is an industry leader in its sector. The company will likely have invested heavy amounts of capital into research & development, holds many patents, and hires experts in respective fields.
3. **Best Customer Service:** This core competency means customers have the greatest experience during (and after) their purchase. The company will likely have invested in training for staff, large numbers of customer service representatives, and processes to manage exceptions or issues as they arise.
4. **Largest Buying Power:** This core competency leverages a company's economy of scale. This company will likely have invested in mergers or acquisitions and have built up strong relationships with vendors to gain favorable pricing or service.
5. **Strongest Company Culture:** This core competency promotes the internal atmosphere of the business. The company aims to attract the best talent by investing heavily in employee recognition, development, or collaborative, fun events.
6. **Fastest Production or Delivery:** This core competency means the company is able to make or ship items the fastest. The company will likely have invested in connected software systems as well as production processes and distribution relationships.
7. **Lowest Cost Provider:** This core competency means the company charges the lowest price among comparable goods. The company will likely have invested in the most efficient processes the reduce labour or material input.
8. **Highest Degree of Flexibility:** This core competency allows the company to quickly pivot in response to business opportunities or challenges. The company will likely have invested in cross-training across employees or nimble software solutions.

Model Questions from UNIT -V

I. Short Notes

1. Define Corporate Governance
2. Strategic Leadership
3. Core Competencies

II. Essays

1. What are the issues in Corporate Governance?
2. Discuss in detail about developing Core Competencies.
3. Explain Strategic Leadership detail.