Dutch Caribbean Securities Exchange

CREATING PROSPERITY BY CONNECTING INVESTMENT OPPORTUNITIES TO INVESTORS

INVESTORS' CORNER

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The Financial Upside for Strong Corporate Governance Part 1

"Trust starts with trustworthy leadership. It must be built into the corporate culture."
Barbara Brooks Kimmel

Enron, Lehman Brothers, Compaq, Worldcom, Arthur Anderson, Barings Bank? What do all these companies have in common? Can you fathom a guess? Yes, these were all once very successful companies that in the end failed spectacularly! And the primary reason for their failure can be attributed to one fundamental underlying reason – very poor corporate governance structures and practices. Don't agree? Hmm. I am not surprised as there are many schools of thought out there with different assessments. But allow me your attention for just a bit, so I can unravel the truth behind my conclusion.

We can pick apart the circumstances of each of these companies' downfall, but the more you dig at the facts, the more one will realize how the lack of adequate corporate governance practices laid at the core of their demises.

What is good corporate governance anyway and why is it important for all to know about? Plus, if I am not a business owner, but a potential investor, why should this even matter to me?

Corporate governance is the rules, practices, and procedures that drive the management of a company by balancing the interest of the company's shareholders, management, customers, suppliers, government and the community to ensure fewer ethical or legal problems. It is pretty much about ensuring a culture in the company that focuses on creating better management and a more ethical structure.

Whether you are a business owner or an investor, being aware of the importance of strong corporate governance for a company and knowing the international best practices that are at the root of good governance is critical. For a business owner, it means that these are practices that can encourage a corporate culture of integrity and growth while as an investor, these are practices that you are to check for in the companies that have listed stocks or bonds that you wish to invest in.

In the absence of good corporate governance, the work environment and its resulting culture tend to foster unfavorable and fraudulent activities that proper governance practices would have been able to detect before it blossoms into public disgraces that damages the reputational risk of the company from which it is next to impossible at times from which to recover.

Ok, ok. I get it, corporate governance is good to have but my company is too small to make it work, anyway. Wrong!! Now I must admit that there are some stringent rules out there that not even the largest of companies can adopt without feeling the impact financially. With that said, however, there are several globally recognized best practices that can be applied at different levels and to varying extent to get your company on the way to a very strong policy environment and culture. Remember for your company to be considered for listing on a securities exchange, a strong corporate governance policy must be in place.

Join us for the next publication where we will provide a list of these practices that you can look out for when making your next investment or which you can employ for your company whether it is a small business or a larger entity to boost your corporate governance.

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