

Chapter 2

Authentic Governance Model

It has become dramatically clear that the foundation of corporate integrity is personal integrity.

—Sam DiPiazza, Former CEO of PricewaterhouseCoopers

The word governance has been derived from the Greek verb κυβερνάω which means *to steer* and was used for the first time in a metaphorical sense by Plato. In this book governance will be defined in holistic and authentic terms, namely *the systematic process of continuous, gradual, and routine improvement, steering, and learning that lead to sustainable high performance and ethical excellence*. We make a distinction between authentic personal governance and authentic corporate governance. *Authentic personal governance entails the systematic process of continuous, gradual, and routine personal improvement, steering, and learning that lead to sustainable high personal performance and ethical personal excellence*. Personal conduct is part of authentic personal governance, the ability to discern right from wrong and the commitment to do what is right, good, and proper. *Authentic corporate governance entails the systematic process of continuous, gradual, and routine corporate improvement, steering, and learning that lead to sustainable high corporate performance and ethical corporate excellence*.

So, authentic governance is a continuous voyage of discovery, involving continuous, gradual, and routine improvement, steering, and learning. It is about winning through good authentic governance and a journey towards a happier and more successful life for individuals and ethical corporate excellence. Authentic governance differs from traditional corporate governance concepts (e.g., Monks & Minow, 2012; Kim, Nofsinger, & Mohr, 2009; Tricker, 2012; Larcker & Tayan, 2011), which focus mainly on bureaucratic regulations, procedures, and policies and which insufficiently consider the importance of authenticity, holistic approach, and alignment with human capital, needed to achieve enduring high corporate performance and ethical corporate excellence. When these traditional bookkeeping concepts are being used, the results are cosmetic and sometimes even have an adverse effect.

Sustainable corporate governance will be achieved only if the personnel change inwardly and personal integrity has become a way of life. The aim here is maximum commitment, devotion, personal integrity, and self-responsibility on the part of all involved as well as the encouragement of continuous learning and improvement.

Corporate governance should not only be based on formal regulations, procedures, and exhaustive guidelines. As demonstrated by Enron and others, ethics programs provide no protection from potentially catastrophic ethical failures. Sustainable corporate governance starts with personal integrity. It must be an informal self-learning process and a way of life based on alignment with yourself and alignment with your organization. This ethical thinking should be promoted and communicated within the whole organization. In this way ethical behavior will become a routine in the whole organization, and leaders and employees will gain more understanding about their self-responsibility with regard to ethical behavior and personal change. They will understand that it is their responsibility to act ethically, on duty as well as off duty. Authentic governance is a more sustainable, comprehensive, and holistic approach to ethics and social responsibility. This integrated governance system will create a paradigm shift in the organization and will continually impact the employee's transformational process. It will work as a catalyst to accelerate the transformation of the personnel into committed and ethical executives and employees and will create a stable basis for a real learning organization.

This chapter emphasizes the introduction of an organic, holistic, and authentic governance model, which provides an excellent framework and road map to develop, implement, and cultivate personal and corporate governance in a sustainable way. This new model is derived from Rampersad (2003, 2006, 2009) and consists of the following four phases (see Fig. 2.1), which are the building blocks of sustainable corporate governance:

1. Authentic Personal Governance:

- a. **Personal Ambition:** This phase involves a soul-searching process based on thought, introspection, and self-reflection, supported by a breathing and silence exercise. Question which you can ask yourself are as follows: Who am I? What do I stand for? What makes me happy? What do I live for? Why do I want to lead? And what's the purpose of my leadership? If the honest answers on the last four questions are power, prestige, and money, you may be at risk for your company. The result of this phase is the formulation of your personal mission, vision, and values. On the basis of insights acquired through this process, you develop self-awareness and self-regulation, which are the foundation of trustworthiness, integrity, and openness to learn.
- b. **Personal Balanced Scorecard (PBS):** Personal ambition has no value unless you take action to make it a reality. Therefore, the emphasis in this stage is developing an integrated and well-balanced action plan based on your personal ambition to realize your life objectives. It's about translating your personal ambition into action. Personal governance without continuous improvement of yourself based on your PBS is merely cosmetic and will not

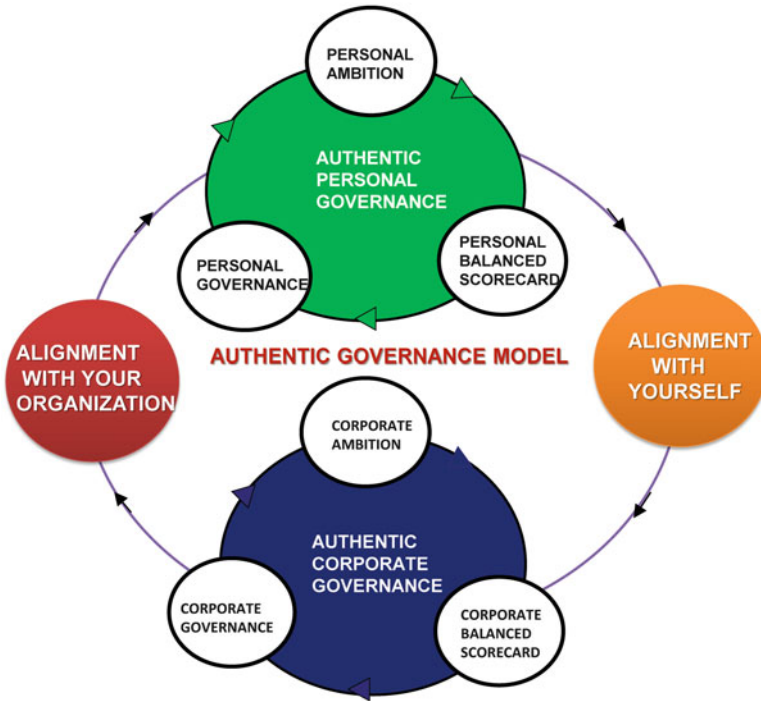


Fig. 2.1 Authentic governance model (© Hubert Rampersad)

lead to your sustainable and ethical growth. Your PBS entails your personal critical success factors that are related to your personal ambition and your corresponding objectives, performance measures, targets, and improvement actions (Rampersad, 2003). It is divided into the four perspectives: internal, external, knowledge and learning, and financial perspectives. Your PBS translates your personal ambition into manageable and measurable personal objectives, milestones, and improvement actions in a holistic and balanced way. Through your PBS, you can govern yourself effectively and become more disciplined, more effective, more responsible for yourself, and more ethical.

- c. **Personal Governance:** Personal ambition and personal balanced scorecard have no value unless you implement them to make it a reality. Therefore, the next step is to implement, maintain, and cultivate your ambition and PBS to govern yourself effectively. This entails personal governance, the systematic process of continuous, gradual, and routine personal improvement, steering, and learning. It focuses on your private life and business life. To guide you in this process, we have introduced a unique learning cycle called the Plan-Deploy-Act-Challenge cycle (PDAC cycle), which should be followed continuously (Rampersad, 2003, 2006, 2009). To live in accordance with your

personal ambition and related PBS through its implementation using the PDAC cycle results in a journey towards self-awareness, integrity, self-esteem, and happiness. Your PBS needs constant updating to reflect the new challenges you take, the lessons you have learned, and the growth of yourself. Therefore, it's needed to repeat the PDAC cycle over and over again.

2. **Alignment with Yourself:** Aligning your personal ambition with your behavior and your way of acting is needed to develop personal integrity. You need to commit yourself to live and act according to your personal ambition and to keep promises that you make to yourself. Personal governance built on the person's true character is sustainable and strong. You should reflect your true self and must adhere to a moral and behavioral code set down by your personal ambition. This means that who you really are, what you care about, and your passions should come out in your personal ambition, and you should act and behave accordingly (you should be yourself) to build trust. Building trust starts with being true and authentic to yourself. When people find harmony between their personal ambition and their behavior/actions, they will not come into conflict with their conscience (Rampersad, 2009). This process will help you to become in harmony with yourself, which is the foundation of integrity, honesty, trustworthiness, credibility, transparency, and charisma.

These two stages in the authentic governance model focus on personal leadership development by cultivating your inner compass.

3. **Authentic Corporate Governance:**

- a. **Corporate Ambition:** This phase involves defining and formulating the shared corporate ambition. It entails the soul, core intention, and the guiding principles of the organization and encompasses the corporate mission, vision, and core values.
- b. **Corporate Balanced Scorecard (CBS):** The emphasis in this stage is developing an integrated and well-balanced action plan based on your corporate ambition to realize the corporate objectives. It offers a means to maintain balance between financial and nonfinancial measures and to connect strategic and operational standards. The CBS entails the related corporate critical success factors, objectives, performance measures, targets, and improvement actions, divided into four perspectives: financial, external, internal, and knowledge and learning. The CBS is needed to improve the business and governance processes continuously based on the corporate ambition in order to add value to customers and satisfy them.
- c. **Corporate Governance:** The next step is to implement, maintain, and cultivate the corporate ambition and CBS in order to govern your organization effectively, to deliver peak performance, and to create competitive advantage. This entails corporate governance: the systematic process of continuous, gradual, and routine corporate improvement, steering, and learning. To guide you in this process, we have introduced the Plan-Deploy-Act-Cultivate cycle (PDAC cycle), which should be followed continuously. This stage focuses

also on the implementation of formal corporate regulations, procedures, and guidelines (Hussain, 2007, 2009, 2011). To operate in accordance with the corporate ambition and related CBS, through its implementation using the PDAC cycle, results in a journey towards sustainable business success.

4. **Alignment with Your Organization:** The emphasis in this final stage is aligning personal ambition with corporate ambition and creating uniformity of personal and organizational values. It's about aligning personal governance with corporate governance and getting the optimal fit and balance between these two activities in order to enhance labor productivity, to create a climate of trust, and to stimulate engagement, commitment, integrity, and passion in the organization. This is needed because staff members don't work with devotion or expend energy on something they do not believe in or agree with. If there is an effective match between their interests and those of the organization or if their values and the corporate's values align, they will be engaged and will work with greater commitment and dedication towards realizing the corporate objectives (Rampersad, 2006). Identification with the corporate ambition is the most important motive for them to dedicate themselves actively to the corporate objectives and to maximize their potential. Aligning personal ambition with the corporate ambition has an impact on the organizational bonding of the employees. It energizes them and gives them the proud feeling that they count, that they are appreciated as human beings, and that they make a useful and valuable contribution to the organization. Employees are stimulated in this way to commit, act ethically, and focus on those activities that create value for clients. This will create a strong foundation of peace, personal integrity, and stability upon which creativity and growth can flourish, and life within the organization will become a more harmonious experience.

The effective combination of all these four phases creates a stable basis for a high-performance and ethical organization. As we can see from Fig. 2.1, the authentic governance model gives us insight into both the way authentic governance can be developed effectively and the coherence between its different aspects. After the last phase is completed, the cycle is again followed in order to fine-tune the elements with its surroundings on a continuous basis. By doing this, you will constantly improve your ethical performance and continuously satisfy yourself and others on an ongoing basis. The organization will also constantly improve its ethical performance and continuously add value to its clients.

An illustration of the importance of this authentic governance model: Of the 140 businesses recognized by the Ethisphere Institute as the 2013 World's most ethical companies, Aflac and Starbucks have received this honor every year between 2007 and 2013. They have been judged to have not only exemplary ethical standards and policies but also consistently high ethical practices. Their corporate governance codes are not empty words, but represent active coordinates in maintaining an ethical business culture, based on effective ethical leadership, personal integrity, and the alignment of personal governance with corporate governance.

In the following chapters, each of the phases in the authentic governance model will be discussed in depth.

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Aligning Personal Governance with Corporate
Governance

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