

2 THE CORPORATE GOVERNANCE FRAMEWORK

2 The Corporate Governance Framework

Corporate Governance is concerned with developing the appropriate structures and processes for directing and managing a company. However, the same Corporate Governance framework may not always be appropriate for all companies. For example, the stage of growth of a company, its strategic focus or geographical spread may influence the type of structures and processes a company needs to put in place. A company in the early stages of growth will require very different structures from those of a Public Listed Company (Plc) which is required by the Stock Exchange to comply with the Combined Code.

As a Director or Managing Director/ Chief Executive, it is important to have a clear view of the appropriate Corporate Governance framework required to support the business strategy.

To support the framework, each Director and the Managing Director/ Chief Executive needs to gain an understanding of the 'Building Blocks of Corporate Governance'. By this we mean **the structures and processes that should be put in place as a company develops**. For example:

- When should a Chairperson be appointed?
- What is the role of a Non Executive Director?
- When should a company consider putting Board Committee(s) in place?

A typical Corporate Governance framework and its basic building blocks are shown in Figure 1. This figure shows how the basic building blocks may develop over the lifetime of a company.

The newly formed company typically will have two Directors (the legal minimum), one of whom will be the Managing Director/ Chief Executive. The other will usually be the Company Secretary. However, as the company evolves, a Management Team may be developed followed by more formalised Board structures. A brief description of each of the roles is provided in Figure 1.

