Harry Korine

Preventing Corporate Governance Failure

HAUPT VERLAG

Harry Korine teaches corporate governance at the London Business School and the Hochschule St. Gallen and strategy at INSEAD. He holds B.A. and B.S. degrees from Stanford University, an M.B.A. from UCLA, and a Ph.D. from INSEAD. He has held assistant Professorships on the faculties of the London Business School and the Pennsylvania State University, been an adjunct professor at INSEAD, served on the boards of several companies and worked as an associate at JP Morgan. His publications include "Entrepreneurs and Democracy: A Political Theory of Corporate Governance" (Cambridge University Press, 2008), "When You Shouldn't Go Global", (Harvard Business Review, 2008), "Strong Managers, Strong Owners" (Cambridge University Press, 2014), and "Succession for Change" (Palgrave Macmillan, 2017).

1st edition: 2020

Bibliographic information published by the *Deutsche Nationalbibliothek:*

The *Deutsche Nationalbibliothek* lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available at: http://dnb.dnb.de

ISBN 978-3-258-08150-2

Typesetting: Die Werkstatt Medien-Produktion GmbH, D-Göttingen

Printed in Austria

www.haupt.ch

Foreword by the Editor of this Series

Professor Martin Hilb

Over the last thirty years, corporate governance has evolved from a tangential topic primarily of legal concern to a central question for business leaders, investment managers and policy makers. As a result of this rise in importance, the field has become more specialized, with research and advisory practice branching out into numerous sub-issues: executive succession, board composition, and shareholder structure, to name just a few of the more prominent areas of expertise. In this context, it is rare for a work to go back to basics, as "Preventing Corporate Governance Failure" does, and remind us of what corporate governance is really about.

Fundamentally, as Harry Korine writes, corporate governance is concerned with power and accountability, spelling out limits to power and describing how accountability can be ensured so that the corporation can stay healthy. Despite thirty years of increasing attention to corporate governance, however, the incidence of corporate governance failure does not seem to have declined. On the contrary, every year seems to bring us new, more egregious cases. One of the reasons may be that, in the field's effort to specialize, we have lost sight of the essentials. As Harry points out, at its root, every corporate governance failure is traceable to unchecked power and inadequate accountability. I concur. Corporate governance is a cost incurred to ensure the viability of the corporation; as they become ever more sophisticated in their application of corporate governance frameworks, decision makers need to keep the basic purpose in mind.

What I particularly appreciate about "Preventing Corporate Governance Failure" is the dynamic perspective. Not only does the book provide decision makers with stage by stage analyses of how corporate governance failure comes about, it also suggests how stakeholders can intervene before it is too late. Corporate governance failure does not happen from one day to the next; the warning signs are there to see for some time, if one knows where to look, and Harry clearly articulates what to look for and, just as importantly, what to do about it. Individuals with significant involvement in the governance of a company, board members, of course, but also large shareholders and senior executives will find this guidance highly useful.

As the epilogue stresses, taking a dynamic perspective on corporate governance implies that corporate governance work is never finished. Just as business conditions change and strategy adapts, so does corporate governance have to change with the context. As I see it, this is a very valuable lesson for practitioners at all levels and for any size of company. Going through the mechanics of corporate governance – establishing a succession plan, setting up a functioning board, and building shareholder agreement – is a time consuming exercise and may lead to governance fatigue. And yet, if corporate governance is to be dynamic and corporate governance failure is to be prevented, stakeholders cannot rest easy. Executives, board members, and shareholders share responsibility for maintaining the health of the company. "Preventing Corporate Governance Failure" offers a concise blueprint for doing so.

St. Gallen/Switzerland, September 2019
Martin Hilb
Chairman of the Board Foundation (www.icfcg.org) and its Swiss Board School at the IMP of the University of St. Gallen

Table of Contents