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## THE BUSINESS OF GOVERNANCE: WHY GOVERNANCE MATTERS IN ORGANIZATIONS

**"Power tends to corrupt, and absolute power corrupts absolutely." — Lord Acton**

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Governance is often talked about in large institutions and government, but it is just as important in smaller entities, non-profits, startups, and professional associations. Good governance isn't about control for control's sake. It's about creating a system that enables clarity, accountability, and alignment with purpose. This article will explore what governance really means, why it matters, how it can be misused, and how to ensure that governance supports rather than stifles a thriving organization.

### What is Governance and Why Does It Matter?

Governance refers to the frameworks, practices, and relationships by which organizations are directed and controlled. It includes the processes for decision-making, establishing accountability, and setting ethical standards. In other words, governance is not just about rules and procedures, it is about values, behavior, and structure.

Good governance creates transparency and trust. It ensures that roles and responsibilities are clearly defined, that decisions are made based on merit and mission, and that all stakeholders have a voice. When governance works well, it promotes efficiency, safeguards resources, and reinforces the credibility of the organization.

The OECD's Principles of Corporate Governance emphasize that "effective governance frameworks should promote transparent and efficient markets, be consistent with the rule of law, and clearly articulate the division of responsibilities among different supervisory, regulatory, and enforcement authorities." These

principles highlight the importance of clarity and fairness as cornerstones of sustainable governance.

Governance can make or break an organization. Poor governance leads to confusion, mismanagement, and reputational risk. Strong governance, on the other hand, can be a source of competitive advantage. As Warren Buffett once said, "In looking for people to hire, look for three qualities: integrity, intelligence, and energy. And if they don't have the first, the other two will kill you."

### Can Governance Be Used Maliciously?

Unfortunately, yes. Governance can be weaponized. Bad actors can use policies, committees, or voting rights not to enable good decisions but to obstruct, delay, or consolidate power. Sometimes, governance becomes a tool for exclusion, self-preservation, or sabotage under the guise of due process.

Examples include "stacking" boards with loyalists, burying key information in excessive procedures, manipulating bylaws to block reforms, or creating confusion so that accountability becomes diffused. These tactics are particularly harmful in organizations that pride themselves on inclusion, fairness, and purpose.

The Harvard Law School Forum on Corporate Governance warns that "unchecked governance complexity can obscure lines of accountability and ultimately undermine board effectiveness." In short, too many rules or unclear processes can make it easier for misaligned actors to evade scrutiny.

Healthy governance is not about bureaucracy; it is about stewardship. The spirit of governance must always serve the mission of the organization, not ego or personal agendas.

## How to Ensure Governance Is Supporting Rather Than Hindering

The most effective governance systems are built on three principles:

1. **Clarity:** Roles, responsibilities, and decision-making processes must be clearly defined and widely understood.
2. **Transparency:** Decisions and processes should be documented and open to review.
3. **Adaptability:** Governance should evolve with the organization. What works for a 500-person startup will not work for a 10-person enterprise.

The International Finance Corporation (IFC) stresses that “governance must be responsive to organizational growth stages, sector risks, and external challenges.” Governance frameworks should be structured, but also agile enough to evolve.

We could also add that board education is critical. Too many directors and committee members view governance as a formality or a burden, rather than a living framework to guide actions. I sometimes fall guilty to this trap. Ongoing training, open dialogue, and access to governance resources can help embed a healthy governance culture.

## Recommendation for Building Strong Governance

Organizations should begin with a governance audit. This includes reviewing:

- The clarity of roles (e.g., board vs. management)
- The relevance and accessibility of bylaws
- The structure and composition of the board
- How conflicts of interest are managed

- Whether decision-making is inclusive and timely

According to CPA Canada, “a strong board is a strategic asset. Well-governed organizations are more resilient, more accountable, and better positioned to deliver on their mission.” Strong governance protects reputations, empowers leadership, and creates a foundation for trust.

From there, a governance policy manual should be created or updated to reflect current needs and aligned values. It should not be a bureaucratic binder collecting dust but a working document referred to regularly.

Strong governance protects reputations, empowers leadership, and creates a foundation for trust. Like meditation, it is not a quick fix but a discipline. The organizations that invest in governance are often the ones that stand the test of time.

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