

KAREN FOLEY: The Online Business Exchange was a two-day live event presented by the Business School at The Open University. During the event, there was live chat and forum discussions. The live chat is now closed, but we hope you enjoy the video that follows.

[MUSIC PLAYING]

Hello, and welcome back to the Online Business Exchange. Well, we've been having a very eventful morning so far. Thank you so much for all of those of you who have participated so far in the discussions. I appreciate that many of you are coming and going throughout the day at times that suit you best.

You will be watching this live in real-time if it's around half past 10:00, or you may be watching it on catch up. We're getting these videos ready so that you can catch up on them later in the day as we develop this online business exchange, which has four key themes.

We're talking a lot about finance this morning, but we're going to go on to talk about sales and then marketing and also supply chain management over this whole 48-hour discussion.

The idea, for those of you who just joined, about this business exchange is that we're tackling these four key themes with colleagues from the Business School to provide fresh insight into new developments and how these areas relate to a digital economy.

We're doing this through the live chat that you can engage with if you are selecting the Watch and Engage option from the website. Now, I appreciate that many people are still watching in the Watch Only, which is absolutely fine. And we hope that you get a lot from these live sessions by doing so.

But if you would like to use the Watch and Engage, you'll be able to interact with our voting tools, and you can also see what other people are talking about as well as posing your own questions. And to do that, if you don't have an Open University computer username, you can get a free visitor account.

See the Frequently Asked Questions section on the website about how to get one, fill in your email address, et cetera, then come in through the Watch and Engage and use that email address and your password that you can set up for yourself. It will hopefully provide a much

more rich experience of the event.

But there are other ways you can also connect. And they're having discussions on Yammer. Now, if you've registered, you'll be invited to our Closed Network. So that's everybody who is participating in this exchange. And the Yammer discussions are really a place to explore the key themes and also have a coffee shop to network and to generate ideas.

Now, we've had quite a lot of discussion and there and a couple of things I'd like to mention. Kathlyn is interested to see how the referendum will impact online business or whether the internet is above national events, which is a very topical and key point, bearing in mind the recent current political situation in the United Kingdom.

Thierry in Latvia says that the main focus is the business and management consultant for SMEs. And Thierry is involved in developing project with strong components of competitive advantage. Again, one of the key aspects that we'll be discussing in today's session.

So thanks for all those comments on Yammer. Also you can use Twitter. If there are any things, we'll be picking those up and bringing those to sessions. The hashtag is OU_exchange.

So we've got a widget of where everyone is in the world. And we're going to show you that. So this is something that you can vote for if you are looking at the Watch and Engage option. We're mostly in the UK and Other in the EU as well. And hello, Africa and Middle East. So really nice to see a global range of visitors to this event. That's wonderful because, of course, so many of these aspects will affect you all very differently, depending on your context, depending on which business you're involved with and where you're situated. So do let us know how these things are impacting on you.

So I'd like to join back to the studio, Devendra Kodwani. Now, you've been having some discussion backstage with participants in the chat, and there have been some very interesting issues raised. And this short session now is about corporate governance. Tell us, what have you been talking about?

**DEVENDRA
KODWANI:**

Well, the participants on the chat have raised some significant issues of what we will call core corporate governance issues. That is, how do big corporations, limited companies, get to governed and then how are they managed in the interest of all the stakeholders?

So a couple of observations that came up from the chat-- you mentioned Kathlyn [INAUDIBLE]. She put a question about a lack of transparency, regard for the employees, how

they work within the organisation, respect for them, share [INAUDIBLE] of the profit objective, then customers interest being compromised.

And so how do we make sure that the companies deliver what they are supposed to deliver for the society, including shareholders and other stakeholders is a very important issue, what we'll call corporate governance debate. So that's one of the things coming up.

There is issue of ethics coming up in the conversation-- how ethical the businesses are being run. And I think ethics and corporate governance debate sort of borders. They are different, because there are legalities involved and legal regulation involved, which is about corporate governance-- fiduciary duty of the Board of Directors to perform in the interest of widest stakeholder groups that they are engaging with in the business and social world.

But I think it's a slightly different issue, which is much more about the choices that we make to pursue our objectives, which is more to do with the personal value system and social value system. So those are two things that have come up already in the discussion.

KAREN FOLEY: Interesting. You mentioned this sort of definition of corporate governance, which is really all about the internal processes of senior management and reporting to disclose to the Board of Directors the interests, I guess, of the stakeholders in the company. And it's an interesting fact that I think a lot of this comes to light when there is failure, when there are problems. So to what extent is this sort of failure or success important when you're considering the issue of corporate governance?

DEVENDRA KODWANI: I think failures or scandals bring these things to light, but actually they should be part of the regular business practise, that you have corporate governance mechanism internally and sometimes external checks on the conduct of the business.

So scandals, such as we had reporting scandal recently within the UK a couple of years ago, the earnings that were forecast by Tesco, for example, were not what actually happened and then they had to go back on their forecast estimate, saying that they were not appropriate.

You had before that scandals like Enron, when the energy giant in the US failed. We had problems with the Lehman Brothers during the financial crisis. They had taken too much risk in terms of lending and investment decisions.

So those are corporate failures of one kind, and then there could be ethical issues arising from

it. For example, not reporting the expected earnings, what you are expecting to earn in four months' time, three months' time.

We had, within the banking sector a few years ago, what was known as London Interbank Borrowing Rate-- LIBOR-- scandal where companies were sharing information about the interest rates. Before that, we had an airline industry. Virgin Airlines and British Airlines were sharing information about the pricing.

All these things are bordering on issues of good corporate behaviour, good corporate governance, and ethical decision making at the highest level in the companies.

So a corporate governance mechanism is supposed to provide a set of internal mechanisms within the Board Constitution and the processes and reporting, which hopefully would put a check and balance on that kind of behaviour which is not in the interest of stakeholders within the business community, which is the shareholders, investors, lenders, consumers, employees, society at large.

So corporate governance is trying to make businesses accountable in a way to the society. So it's a wide spectrum of issues that it tries to cover.

KAREN FOLEY: OK, excellent. I should also mention that we are joined in the chat as well supporting this because, of course, we're having a live chat as well as these live discussions. And Lotfi Boulkeroua is engaging with that. So he is there to ask any questions too and it's generating some of the debate. And if some of those points come up that are relevant to this discussion, I'll be breaching them with you, Dev.

I wanted to look at this whole area, I guess, of the past and the future. And corporate governance had its historical roots in the past with the Dutch East India companies, a long, long time ago. So how is that set up and how has that then influenced, I guess, the way that we're dealing with things now? And then what are the implications for the future?

DEVENDRA KODWANI: Karen, as you rightly say, the problem of corporate governance is originated when the company form was created. So what happens when company form is created, the business is run by a company, which is not directly the owners. Business is run by the managers. We call them Board of Directors, executives, and so on.

So when you separate the owner from the manager, the problem arises of how do you make sure that manager performs in the interest of the owner. But as businesses have evolved with

society, the stakeholders within the business have gone beyond and increased in terms of customers, employees, not just the owners.

So while it has historical roots going back-- even the first company was Dutch East India Company and British East India Company, 1600-- even that time, in 17th century, there were problems of corporate governance. People were being accused of mismanaging the affairs of the investors funds through those companies. And it has really stayed with us, but we have improved our ways of managing these problems.

In the UK, actually the UK has been leading on it. In 1990s, we had first such committee, Cadbury Committee, which tried to look at the role of Chief Executive and Chairman. And then it has kept evolving in terms of expectations that society has from the corporate sector. And over the 25 years, it has evolved into what is called corporate governance code, which is essentially a set of provisions which all the limited companies listed within the UK are expected to comply with.

And these are informed by few principles. The principles are that you should be open and transparent about what is the actual situation of the business. So reporting becomes very important, and disclosure of information becomes very important. That you have checks and balances within the Board of Directors.

So you would expect some independent voice on the board, and therefore the court requires that you appoint certain number of non-executive directors who can scrutinise the strategic decisions, challenge the decisions and assumptions that the executives are making. Then there are mechanisms such as strong internal control mechanisms, risk management practises, audit of the way companies run the business.

So those are some key principles which inform the code. But the code is practised differently. UK has a particular approach to it, which is also practised in many OECD countries in Europe and other places.

So the UK approach is that here is a best practise about how you should be governing the business, and if you don't comply with that, explain why you don't want to comply. So it gives the discretion to management to adopt a best practise. If they want to deviate from it, they are free to do that, but they then need to explain.

KAREN FOLEY: Right.

**DEVENDRA
KODWANI:**

OK? And then other approach is what is exemplified by the US approach. So they have passed an act. So it's a legal requirement for companies to do certain things such as independent directors should be appointed, reporting should be of particular standards, and so on.

So between these two mechanisms of implementing corporate governance, which is the UK type, which is called principles-based approach-- we call it-- and the rules-based approach, which is the US version of it. So there is a spectrum of compliance, which is legally required compliance, which is in principle required.

So these are the two main approaches we use for improving the corporate governance.

KAREN FOLEY:

OK. Excellent. Well, thank you very much for that. We're going to continue this conversation in the chat box. So Lotfi and Devendra, thank you very much for participating in the session, both Devendra on the couch and Lotfi in the chat room. We're going to continue that before our next session, which is going to begin at 11:00.

We asked you what areas you're most interested in. As you know, there are four key themes to the online business exchange. And let's see what everyone has to say about that.

So finance we have 17%, digital supply chain management 22%, marketing 39%. Excellent. We have a session coming up very soon that will be of interest. And selling 22%. So that's a very interesting spread of areas.

Don't forget, you can put anything in the chat box. You can engage with Twitter. The hashtag is OU_exchange. So you can let us know what you're thinking, what areas you're involved with, if you've got any questions, thoughts, et cetera. And we'll feed those into the discussion also. You can also come into the Watch and Engage option, if you aren't already, just back through the website and get an Open University visitor account to be able to do so.

We'll be back at 11:00 but, in the meantime, please do enjoy the live chat or engage with those conversations on Yammer that you have been invited to if you've registered or on Twitter. We'll see you very soon at 11:00.

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