

## **Governance and Sustainability**

[Name of Student]

[Submitted to]

[Date of Submission]

[Name of University]

## Table of Contents

Introduction.....	3
Discussion.....	3
1. Consider the role of board and board diversity in corporate governance.....	4
Impact of Good Governance on Corporate Sustainability of Firms.....	5
Increase in Productivity.....	5
Increase Clients and Resources .....	6
Building a Creative Environment.....	6
Better Utilisation of Talent Pool.....	7
Affirmative Brand Image.....	7
2. Critically considers the relationship between board diversity and accountability and company performance.....	8
Relationship between Accounting and Corporate Sustainability.....	8
Role of Accounting and Finance to achieve Public and Social Policy Objectives .....	9
Conclusion .....	10

## ***Introduction***

One of the most crucial personalities of a company is the board of directors and managers that impact positively or negatively on the company's procedures and strategies. For this purpose, some academics and scholars suggest that companies must assure diversity in boardrooms and employees because it will give a competitive advantage to the organisation. Diversity in terms of gender, race, religion, background, and abilities make recent businesses more operative and faster that may control all challenges facing the companies (Joecks, Pull and Vetter 2013: 61). Therefore, this essay mainly investigates corporate governance and sustainability from the perspective of integration and association with the extent of managerial performance, its influence on accounting, and the implication of gender diversity on the board of directors. Also, the essay critically examines the role of the board of directors and managers in corporate governance and sustainability.

## ***Discussion***

In most of the countries, it has been observed that organisations make reforms in governance and sustainability strategies that may nurture gender diversity in the boardrooms. Similarly, good governance and corporate sustainability are complete dependent on the performance and efforts of managers and directors for certain goals of the company. Similarly, developing cultural, societal, and political outlooks of corporate board association are partly driving attention in the demographic diversity of commercial directors (Carter et al. 2010: 396). Thus, contemporary businesses include small and large companies have been looking for diversified employees as they rely on the fact that this attitude will provide the competitive advantage of the company in terms of viable growth and good governance. In addition, the

substantial relationship between Accountability and Sustainable Development is instituted after the critical analysis of existing material. The twenty-first-century organisations are extremely focused on corporate social responsibility in order to illustrate a positive brand image in the market.

### ***1. Consider the role of board and board diversity in corporate governance***

The most important purpose of diversity in the boardrooms is to promote a widespread spectrum of demographic characteristics and behaviours among employees and managers. In the same way, gender diversity is a typical and significant effort to encourage heterogeneity between policy makers and decision makers regarding the integration of females in boardrooms (Ijas 2012: 3). There are different companies in the modern world that have been critiqued for the minimum ratio of women directors in their board rooms. Researchers and other concerned entities observe these organisations as the cause of social discrimination and restrained business approach. Flynn and Wallace (2015) discuss the phenomenon of ethnic and gender diversity of corporate boards includes at least two substantial and consistent propositions. The first theory embraces that those proficient females and indigenous subgroups with the human capital, information, external networks, and other features of importance to the firm deserve prospects to serve on commercial boards and in top management. The second opinion recommends that ethnic and gender diversity of managers' results in improved governance which leads the business towards profit maximisation. Furthermore, authorities across the world are observing private and public corporations, as well as government agencies, to ensure large extent of accountability for measuring, managing and recording their collective business impacts.

### *Impact of Good Governance on Corporate Sustainability of Firms*

It is a fact that governance retains corporate sustainability strategy for long term. It assures the approach remains operative, and the process of accountability must be ensured. Since executive board establishes and executes firm's strategy and policies, it is also liable for directing and managing firm as laid out in the terms of reference in board rooms. For instance, Nike is one of the prominent corporations in the world that has large stakes in the global consumer market. The company claims that the board of directors is accountable for fundamentals of sustainability strategy and they must submit their execution plans on regular basis. The purpose of this strategy is to ensure transparency and sustainability in both financial executions and other business procedures (Epstein, Buhovac and Yuthas 2010: 353). Moreover, the research further describes the impact of good governance on Nike corporate growth. The company asserts that the workforce of Nike includes male and female staff equally that work efficiently for the betterment of the company. Therefore, it is found that diversity in the boardrooms of Nike gives more benefits as compared to traditional strategies. There are several other benefits of the existence of diversity on the board of directors that will lead firm towards good governance and sustainable progress. Some of them are as follows;

#### *Increase in Productivity*

The foremost aim of all organisations is to enhance their productivity regarding profit and prolong sustainability, therefore, diversity in the firms brings an escalation in productivity and economic returns. Also, organisations often provide new services to clients due to varying demand of customers and this demand will only be addressed by creative ideas and procedures given by the diversified workforce. Workplace diversity increases employee self-confidence and causes employees to work more professionally and effectively. In addition, leadership diversity

in organisations allows managers to adapt new skills and methods for achieving consensus within their teams.

#### *Increase Clients and Resources*

By hiring directors with diverse characteristics, firms may penetrate in competitive market and resources like new suppliers and business clients. For example, the director having profitable business experience can advantage firmly with respect to regular interaction with specific investors. Also, managers having political affiliations in public or private sector companies may help corporations to build an effective relationship with officials or get government procurement contracts. These foundations may perhaps be able to explicate a demand for some other demographic characters such as gender, age, or ethnicity.

#### *Building a Creative Environment*

One of the key benefits of a diverse board of directors in the organisation is the huge opportunities of creativity and innovation. Employees from miscellaneous credentials and life practices are possible to control difficult challenges efficiently. The conceptual research study of Østergaard, Timmermans and Kristinsson (2011: 500) describe the considerable importance of gender diversity in companies. There are some multifaceted circumstances facing by the directors that would be managed by the contribution of the varied workforce in decision making and policy making process. For example, experienced employees comprehend organisational arrangement and processes merely rather than fresh employees. Accordingly, these employees can share their ideas and recommendations for the decision-making process.

Also, the combination of fresh and experienced, men and women, and creative and hardworking employees immediately understand customer behaviour, market nature, and supplier demands. They can also take firms out from challenging situations by utilising problem-solving skills. World leading multinational corporation International Business Machines (IBM)

strictly ensures gender diversity in its board of director as well as in other subdivisions.

According to latest IBM (2017) business policy, the company recognises the idiosyncratic skills and value that every member brings to the workplace. Besides, the organisation considers that creativity and inventiveness come from searching, and encouraging diversity in each aspect. So, IBM principally assures the integration of diverse groups in its workforce.

#### *Better Utilization of Talent Pool*

Modern capitalists expect more from managers in terms of pursuing aims and objectives. The resource dependence theory describes that companies are unable to find appropriate employees that will efficiently achieve growth targets and competitive benefits due to the exploitation of male and female talent pool. For instance, Wittenberg-Cox (2010) indicates that females are often more trained and competent than males because a large number of graduate degrees are presented to females. Similarly, there are some personalities that incorporate creative and innovative abilities but they need some guidance and stimulus from owners and managements. Once managers motivate these individuals they will take organisation towards success.

#### *Affirmative Brand Image*

Another positive implication of assorted board rooms is the depiction of a positive soft image of business in front of contenders as well as customers. Some indications establish that job chasers are typically select organisations that have diverse workers and managers because these businesses avoid discrimination with employees. Additionally, prospective employees want to know that whether executives facilitate their team independently irrespective of ethnicity or gender and race. These corporations also entice new creative people to join them and retain their current employees for prolong association with the company by supporting their efforts, creative

ideas and executions. In the long run, these attitudes build a positive brand image in the competitive business market (Bear, Rahman and Post 2010: 207).

## ***2. Critically considers the relationship between board diversity and accountability and company performance***

Realistically, if firms want to choose the arrangement of their boards in order to amplify firm's importance, they should have at least a qualitative understanding about the alteration of demographic diversity (Bear, Rahman and Post 2010: 207). On the flipside, one of the most crucial personalities of a company is the board of directors and managers that impact positively or negatively on the company's procedures and strategies. It all depends on the performance and efforts of managers and directors for certain goals of the company.

In other words, firms that adopt sustainability and good governance experience significant increases in transactions, expenditures, and viability while in the long term they will see a decline in intangible factors like customer satisfaction and brand value (Marinova, Plantenga and Remery 2010). On the contrary, administration diversity may also bring some challenges. Although, executive board rooms are essentially subject to difficulty as it makes entities together, having diverse board rooms may perhaps increase confrontation among associates, mainly when innovative managers with different credentials are compared with the present members.

### *Relationship between Accounting and Corporate Sustainability*

Yakhou (2012: 112) appraises the relationship of accounting and society within the framework of corporate sustainability. Generally, corporate sustainability can be measured as a comprehensive method, incorporating financial, environmental, economic, and social facets that

can help companies attain a more holistic extent of accountability. Some of the major features of administrative accounting and corporate sustainability are boundary settings, assessing the performance of employees and technologies, identifying possible threats and challenges, and budget planning. If these processes disrupt because of internal and external factors, then the firm sustainability would be affected negatively.

On the other hand, profitable organisations use corporate disclosure to reveal their accountability to different shareholders like suppliers, investors, society and government. These disclosures are established on the voluntary basis of firm directors in most developing economic contexts. Consequently, board performance is significantly impacting on sustainability and governance since companies often hire employees with indigenous characteristics. It has been observed in today's world that firms integrate corporate social responsibility strategies in their core business approaches. For instance, Microsoft and Facebook strongly focus on CSR activities. The reason for performing these actions is to serve society and its people. According to the annual report of Microsoft (2016), the company ensures corporate responsibility by working for the advancement of technology but at the same time, Microsoft preserves human rights and the planet. Hence, it is established that corporate social responsibility is directly linked with accountability of board of directors.

#### *Role of Accounting and Finance to achieve Public and Social Policy Objectives*

The social policy ideas are implemented to different areas of strategy, generally within a governmental or political arrangement such as welfare state. The core aim of the social and public strategy is to develop human welfare and to accomplish fundamental necessities of people like education, housing, health and economic safety (Borzaga and Bodini 2014: 411).

Conversely, Collins, Roper and Lawrence (2010: 471) deliberate the utilisation of accounting and finance in pursuing social policy aims. The accountants often work for effective supply chain standards, transparency, sustainable tax returns, continuous engagement process, and assembling credible evidence for the business. Accountants have the ability to evaluate the efficiency of systems and benefit other professionals where needed. Thus, it is found that accountants and finance managers can provide sustainability to the firm (Adrain 2015).

### ***Conclusion***

The essay argues the incorporation of governance and sustainability in the modern firms. Also, the paper discusses multidimensional areas of administrative growth and progress. Primarily, it is noted that gender, race, ethnic diversity contributes a vital role in pursuing sustainability and governance objectives. The more differentiated workforce in the company, the more company will flourish in the competitive business environment. From earlier and present studies, it is developed that director rooms with diversity execute efficiently instead of executives having homogeneity. Eventually, it is recognised that the efficacy of accountant and finance director is decisive to chase social policy objectives. Finally, it is recommended for small and large business firms to ensure diversity in the workforce so that employees can share their innovative ideas. Secondly, companies should emphasize on corporate social responsibility because it portrays a positive brand image in the market. Moreover, firms must conduct their operations in favour of the society as well as the customers and employees.

## References

- Adrain, A., 2015. Eight ways accountants can contribute to sustainability. Retrieved from <<https://www.icas.com/ca-today-news/eight-ways-accountants-can-contribute-to-sustainability>>
- Bear, S., Rahman, N. and Post, C., 2010. The impact of board diversity and gender composition on corporate social responsibility and firm reputation. *Journal of Business Ethics*, 97(2), pp.207-212.
- Carter, D.A., D'Souza, F., Simkins, B.J. and Simpson, W.G., 2010. The gender and ethnic diversity of US boards and board committees and firm financial performance. *Corporate Governance: An International Review*, 18(5), pp.396-405
- Epstein, M.J., Buhovac, A.R. and Yuthas, K., 2010. Why Nike kicks butt in sustainability. *Organizational Dynamics*, 39(4), pp.353-356
- Flynn, M., and Wallace, M., 2015. Corporate governance and sustainability: Who's connecting the dots? Retrieved from <<https://www.greenbiz.com/article/corporate-governance-and-sustainability-whos-connecting-dots>>
- IBM, 2017. Diversity and inclusion: Diversity of People. Diversity of thought. A smarter way to innovate every day. Retrieved from <[http://www-03.ibm.com/employment/us/diverse/downloads/ibm\\_diversity\\_brochure.pdf](http://www-03.ibm.com/employment/us/diverse/downloads/ibm_diversity_brochure.pdf)>
- ICSA, 2016. What is corporate governance, the governance institute? Retrieved from <<https://www.icsa.org.uk/about-us/policy/what-is-corporate-governance>>
- Ijas, J., 2012. The Impact of Board Gender Diversity on Corporate Responsibility Performance in the FTSE 100, pp. 3-10. Retrieved from <<http://www.lccge.bbk.ac.uk/publications-and-resources/postgraduate-research/docs/FTSE-100.pdf>>

- Joecks, J., Pull, K. and Vetter, K., 2013. Gender diversity in the boardroom and firm performance: What exactly constitutes a “critical mass?”. *Journal of business ethics*, 118(1), pp.61-72.
- Marinova, J.H., Plantenga, J. and Remery, C.L.H.S., 2010. Gender diversity and firm performance: Evidence from Dutch and Danish boardrooms. Discussion Paper Series/Tjalling C. *Koopmans Research Institute*, 10(03)
- Microsoft, 2016. Corporate Social Responsibility. Retrieved from <<https://www.microsoft.com/en-us/about/corporate-responsibility>>
- Østergaard, C.R., Timmermans, B. and Kristinsson, K., 2011. Does a different view create something new? The effect of employee diversity on innovation. *Research Policy*, 40(3), pp.500-509
- Trireksani, T. and Djajadikerta, H.G., 2016. Corporate Governance and Environmental Disclosure in the Indonesian Mining Industry. *Australasian Accounting Business & Finance Journal*, 10(1), p.18.
- Wittenberg-Cox, A., 2010. How women mean business: A step by step guide to profiting from gender balanced business. John Wiley & Sons.
- Yakhou, M., 2012. Accounting for Sustainability. *Journal of Business and Accounting*, 5(1), p.112