



## A practical guide: Businesses' unexpected Iceberg: Company Governance

If you have any questions or would like to book a FREE initial consultation,

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# Viewpoint HR

## **Your practical guide to building a resilient business foundation**

**Entrepreneurship is exciting**, challenging, with attention constantly centred on finances, market share, reward, growth, success – so some of the boring stuff is neglected, always part of the ever-growing “To Do” list – until this mountain of a list bites back. Strategy development and business plans touch lightly on governance, yet it is a fundamental driver of company success, retained value and profitability.

**The strategic importance of good governance.** Good governance is the pillar upon which a successful business is built. It is not optional – it is a strategic imperative that demands care, attention and quality time, potentially up to 30% of management effort. A nine-year study by MSCI found that companies with effective governance consistently outperformed those without it. <https://www.msci.com/research-and-insights/blog-post/corporate-governance-market-matters> - more reliable earning metrics, lower earnings volatility and were more profitable. Strong governance also makes businesses more attractive to investors.

**Governance is more than a legal obligation.** Governance is not mere administration. It provides clarity in strategic leadership, decision-making and risk management, enabling SMEs to scale confidently. Investors scrutinise governance as much as growth potential during investment rounds.

Neglecting governance can lead to financial penalties, legal action and even imprisonment. Add lasting reputational damage to the mix, and the cost of neglecting governance becomes painfully clear. High-profile corporate failures like the Post Office Horizon scandal, Carillion, BHS, Sports Direct, Patisserie Valerie and P&O Ferries illustrate the devastating consequences of governance lapses.

**Common governance and financial issues for SMEs.** SMEs often operate with limited resources and small teams, making financial and governance tasks challenging. Common issues we hear from our clients include: difficulty in attracting board individuals for oversight; maintaining a healthy and accurate cash flow; producing timely and accurate financial reports; managing risks effectively; creating clear policies and procedures; and fostering transparency with all stakeholders. But by adopting governance practices **early**, SMEs can build a strong foundation for sustainable growth.

**Strengthening your governance framework.** Whether you're just starting your governance journey or reviewing existing protocols, this practical checklist can help strengthen your business foundation:

## Governance Checklist

<b>Governance Structure:</b>	<ul style="list-style-type: none"> <li>✓ Define clear roles and responsibilities for directors, managers and all employees.</li> <li>✓ Establish a board or advisory group (even informal) for strategic oversight and challenge to management decisions.</li> <li>✓ Document decisions and outcome accountability.</li> </ul>
<b>Financial Management:</b>	<ul style="list-style-type: none"> <li>✓ Ensure compliance with tax and financial regulations.</li> <li>✓ Maintain accurate, accessible and timely financial and operations records.</li> <li>✓ Implement internal controls, regular reviews and reliable budget and forecasting practices.</li> </ul>
<b>Legal and Regulatory Compliance:</b>	<ul style="list-style-type: none"> <li>✓ Stay updated on relevant laws and industry regulations.</li> <li>✓ Maintain proper documentation for contracts, licences and regulatory filings.</li> <li>✓ Conduct periodic compliance audits or reviews.</li> </ul>
<b>Risk Management:</b>	<ul style="list-style-type: none"> <li>✓ Identify key operational, financial and reputational risks.</li> <li>✓ Develop a risk register to include financial, operational and reputation risks together with mitigation strategies.</li> <li>✓ Create contingency plans for critical business disruptions.</li> </ul>
<b>Ethics:</b>	<ul style="list-style-type: none"> <li>✓ Establish a code of conduct and ethical guidelines, including anti-fraud measures and conflict-of-interest protocols.</li> <li>✓ Integrate environmental, social, and governance (ESG) factors into the business strategy.</li> <li>✓ Promote diversity, inclusion and responsible business practices.</li> </ul>
<b>Stakeholder Engagement:</b>	<ul style="list-style-type: none"> <li>✓ Communicate regularly with employees, customers, suppliers and investors.</li> <li>✓ Share performance updates and strategic goals transparently.</li> <li>✓ Encourage feedback and respond to concerns.</li> </ul>
<b>Policies and Procedures:</b>	<ul style="list-style-type: none"> <li>✓ Develop written policies for HR, procurement, data protection and operations.</li> <li>✓ Review and update policies annually.</li> <li>✓ Train managers and employees on key procedures and compliance requirements.</li> </ul>
<b>Performance Monitoring:</b>	<ul style="list-style-type: none"> <li>✓ Set measurable KPIs and track progress.</li> <li>✓ Review performance regularly and adjust strategy as needed.</li> <li>✓ Celebrate successes and learn from setbacks.</li> </ul>

## Useful governance and risk resources

Institute of Directors: Good Governance for SMEs:

<https://www.iod.com/resources/governance/good-governance-for-smes-why-bother/>

Board Appointments UK: <https://boardappointments.co.uk/profiles/>

UK Government Plan for SMEs:

<https://assets.publishing.service.gov.uk/media/688b1f6f1affbf4bedb7b11d/our-plan-for-small-and-medium-sized-businesses.pdf>

HMT Orange Book: Risk Management

Guidance: [https://assets.publishing.service.gov.uk/media/6453acadc33b460012f5e6b8/HMT\\_Orange\\_Book\\_May\\_2023.pdf](https://assets.publishing.service.gov.uk/media/6453acadc33b460012f5e6b8/HMT_Orange_Book_May_2023.pdf)

**Final thought.** Good governance isn't about ticking boxes - it's about building a resilient, trustworthy and scalable business through strong leadership. Whether you're preparing for funding, managing growth, or simply aiming to sleep better at night, investing in governance is investing in your future.

If you would like to discuss your company governance needs, please contact us at [info@viewpointhr.co.uk](mailto:info@viewpointhr.co.uk)