Corporate Governance Mechanisms during COVID-19

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***Abstract**: This study centered on the literature on corporate governance (CG) mechanisms; during the COVID-19 pandemic. The revolution needed in corporate board is quite unique in this unusual time in the business world, this has become necessary in order to overcome the global challenge posed by the pandemic. This paper discusses the new corporate challenges the organizations have to face such as virtual board meeting, board effectiveness, audit committee among others in a very dynamic way from the orthodoxy method. The need of the period is for corporate business world to have effective board mechanisms to overcome the health and financial challenges associated with the pandemic. It is fundamentally importance that the board reinvent themselves and prioritize to understand the present vulnerabilities for the business to survive during this Pandemic.*

Keywords: Corporate Governance and Covid 19

Introduction.

COVID-19 is not only a global pandemic and public health crisis; it has also impacted negatively on the global economy and the financial markets. It has significantly reduced the income stream for many individuals, companies, and countries; a rise in unemployment, and disruptions in the transportation system arrangements and service.

The accountability, transparency, fairness, integrity, and responsibility of firms on legal, social, and economic grounds are very crucial for the wellbeing of every institution, and this can only be anchored by good corporate governance (Gupta, 2010). According to Kumar and Rao (2021), Corporate governance aids in attaining organizational objectives, mitigate risk, and guarantee compliance to rules and regulations. It assists in instituting official communication among the stakeholders of the firm and thereby indicates the efficiency and effectiveness of the firm's management. Thus, corporate governance remains a dominant and front burner in enhancing stakeholder's confidence in the economic development of any institution or nation. However, the tragic collapses and scandals of some giant firms highlights the critical need to focus on the anchors of sound corporate governance both in developed and developing countries. The bankruptcy of these giants inarguably stemmed weak governance mechanisms in place. Consequently, many shareholders lost their confidence in the affected firms and major players globally (Wats and Zimmerman, 1990; Fodio, Ibikunle and Oba, 2013).

Regrettably, Covid 19 Pandemic has thrown a major challenge to corporate governance all over the globe. According to Kaur, Malik and Sharma (2021) this pandemic has been a game changer in the way and manner the society interact, think, transact and work. Hence, this has impacted so much in the corporate world and thus upset the challenges the board is currently facing to manage the economic, financial crisis and sustainability. The revolution and innovation required in the boards administration is unprecedented in its intensity to overcome the changing challenges in the global economy.

This study is thus geared at unfolding the difficulties created by Covid 19 in the last two years on corporate governance. The choice of the study is owned to the fact that, in the business environment and in the recent years pandemic of this nature has never happened. As such, there are gaps in the literature with regards to corporate governance during pandemic.

One of the major key ingredients of sound corporate governance is ensuring continuity of business or institution. Thus, objective of this study therefore is to ascertain the extent to which Covid 19 has affected governance mechanisms towards businesses sustainability.

One of the critical issues to the board of corporations is the stewardship function they perform to various stakeholders, particularly this function during this pandemic cannot be overemphasized in order to guarantee sustainability. Generally speaking, board of institutions are expected to think outside the box with the new normal of Covid 19. Hence, the focus of this publication is on corporate governance mechanism during covid 19. Thus, few corporate governance mechanisms would critically be examined.

Board Meeting

Board meeting is a formal meeting of directors of the company called to debate certain issues and problems and to make far reaching decisions. The meetings are held at definite times, at definite places (Company Registration a Digital India Initiative, 2013).

The board meeting's principal role is to make the vital decisions about strategic corporate matters that affect the overall sustainability and continuity of an organization. Board meetings normally monitor key performance indicators related to different operative and administrative areas of the company. They also approve and track global budgets and they are able to make decisions about the selection and disengagement of key executives (Accounting Dictionary undated).

Board meetings is very fundamental to the survival of any company, the legal framework of any sound corporate governance placed so much emphasis on this, with regards to frequency of meeting, notice of meeting, minutes of meeting, place of meeting, attendance of meeting, quorum among other issues. As important as board meetings is, the pandemic has redefined and uncovered the limitations of legal frameworks of some institutions that do not provide for virtual board and shareholder meetings, and which indeed pose a serious challenge to corporate governance. Virtual meetings have provided an avenue to enhance corporate governance and transparency by increasing more shareholders' involvement in a manner that proxies cannot, and by increasing communication among shareholders, management, and directors. Indeed, virtual meetings have been of tremendous advantage for companies in lowering operating costs, risk of travelling and reduced carbon footprint of companies (Eknath, Londero and Simonyan, 2021).

Board Effectiveness

The fundamental role of the board is to provide strategic direction, guidance and oversight of decisions made within the business. Directors of companies must provide the appropriate skills to address a company's business needs at every giving time (Financier Worldwide.com, 2021). This role became more obvious during Covid -19 pandemic. According to Noreuil, Cross, Hoffman, Simala, Chen, Kucera &, Brown (2020), Covid-19 has created exceptional and a very deep challenges, for the board of directors, which is solely responsible with overseeing the health of the corporation and its business prospects, thus, navigating the COVID-19 crisis requires careful consideration of a range of issues under these unprecedented circumstances.

Generally speaking, the appropriate practical mindset for Boards during this crisis should be how to direct the organization in a way that works for all of the stakeholders. In some extreme cases, radical action may be necessary to protect shareholders regardless of the effect on other actors, for instance in the case of staff pay cut, rationalization, restructuring among other actions that are required to guarantee the survival of the business. Fundamentally, the need to sustain the loyalty and motivation of employees, suppliers, customers and local communities will be a crucial consideration for the Board if both the short- and long-term prospects of the enterprise are to be maintained (Barker, 2020).

The actions and decisions taken today by companies and their directors in response to COVID-19 will definitely affect their reputation and sustainability. Hence, organizations must understand and communicate their value propositions to their stakeholders, complementary earnings with tenacity, and the same time look inward on how the business has, or can have, a social impact and create and preserve value for wider stakeholder (International Federation of Accountants, Undated)

Thus, emerging corporate governance environment is now a new normal that is characterized by progressively complex set of pressures and demands from various stakeholder groups, enlarged expectations of engagement with societal and environmental factors, coupled with uncertainty about the future. These issues are complicating board decision making and thought-provoking the traditional models of governance that have guided boards until now, (Financier Worldwide.com, 2021). It behooves on the board of institutions to consider forming a committee to effectively monitor and assess the effect of the pandemic on its operations and health of their staff at regular interval. This is imperative because of challenges posed by the pandemic, as such, the oversighting function of the board is key ingredient that would determines the survival or otherwise of the business. The board's role is now greater during the COVID-19 crisis and therefore calls for reflection by corporate directors, who must cautiously ponder how to handle both the current risks within the organization as well as the collateral risks that could arise, while identifying areas for future improvements, (Langlois, 2020).

In the light of the above, the board must pay more attention to some specific key issues:

For instance, communication between the company management on business risks and the workplace, health and safety issues posed by COVID-19 should be on front burner frequently. Boards and management should review legal and regulatory framework concerning COVID-19, review the company's risk-mitigation policies and procedures and fine-tune such procedures as required to conform to developing regulatory circumstances, most importantly, if a particular regulatory order relates to activities that are fundamental to the company's operations and meet frequently to discuss the foregoing. Boards should be clear in their instructions to management as to the board's expectations with respect to management's responsibility to report to the board concerning COVID-19 matters (Kaur, e'tal 2021; Noreuil, e'tal 2020). Improving existing reporting and information systems that are used to provide oversight by the board. This will provide a platform that would ensure that the board is able to obtain appropriate and reliable information in a timely manner to monitor COVID-19 issues and their potential risks to and effects on the company. Boards need to be more vigilant in understanding the "facts on the ground" on the pandemic's evolving impact, both in the broader social, economic, and political environment as well in the perspective of the business precisely. This would help them to respond effectively to changing circumstances and material business risks they need to be more equipped with all relevant information ever than before. Management can assist through regular updates and reporting to the board on new developments. Board should track reports on the effects of the pandemic in other jurisdictions and share knowledge from the own experience and the experiences of others (Mac Dougall, Ritchie & Vallay, 2020).

Audit Committees

The audit committees are the key component of effective corporate governance; however, COVID-19 is triggering a strategic and paradigm shift in their core functions, with additional role on their schedules than ever before. But at their core, audit committees' performance a key role in building and upholding a culture and environment that supports the integrity and provision of decision useful information about an organization to its shareholders and other stakeholders. Transparency is of amplified importance during this time of uncertainty. Audit committees at this crucial time need to be more cognizant and involved and receive actionable and timely information from management so they can successfully perform their oversight functions in the face of this global pandemic (International Federation of Accountants & Institute of Internal Auditors, 2020).

The audit committees have to do more in the face of this current global pandemic and the associated new risks and uncertainties, this has become imperative in order for the sustainability of the businesses. Thus, it is very crucial for the audit committees to remain focus on the organizational culture and their duty in preventing frauds and errors. It may have become more obvious for some corporations to have notice a reduction of whistle blower, compliance and ethics and other related matters in the current new normal where some employees are working remotely from home and practicing physical distancing. As corporations confront the deep operational, financial, and labor force distraction brought on by the COVID-19 pandemic, businesses are not as usual. Particularly audit committees are expected to have a lot of additional oversight responsibilities, beyond the critical oversight of financial reporting in this new normal environment. The audit committees will hence need to continue to focus on their other fundamental responsibilities in areas like risk management oversight, oversight of internal and external audit, and ethics, whistleblower and compliance, performance reporting and monitoring of significant projects (Loop, DeNicola & Parker, 2020).

Conclusion.

Corporate governance mechanisms serve as the tools for the application of proper and operative leadership by the governing body of an organization or institution with the intention of attaining organization goals and objectives, ethical philosophy, sound business performance, effective control and legitimacy, compliance with regulatory bodies and professional standards. Hence, as clearly seen from the study effective corporate governance mechanisms creates sustainable platform that guarantee the continuous survival for businesses.

The study has unraveled the challenge being posed by the current COVID 19 pandemic, and the associated effect on the sustainability of corporate institutions. Moreso, the overall health and financial implication on the corporate existence of businesses globally, in terms of liquidity, profitability, solvency and other associated risks.

The current corporate governance structure has gaps that need to be plugged in order to be able to handle any future crisis better. Therefore, it is important that these gaps should be addressed in term of the regulatory compliance, legislative changes, and evolving risks and at the same time placing more emphasis on the stewardship functions of the board. Thus, future study should focus their attentions on this literature gaps.

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