

---

PART 1

# Situational Dimension

*Keep it situational*

As a result of the many corporate scandals that have taken place around the world, best-practice corporate governance guidelines have been developed in most countries. Internationally, the biggest influence on these guidelines has come from the Institute of Directors (IoD) in London, through the advice they provide to other nations. Many countries that do not actually contract with the IoD for advice, nonetheless incorporate aspects of the IoD thinking in their best-practice guidelines.

This is a positive development, although the following issues should be noted:

1. the Anglo-American model of governance is being promoted as the global standard
2. soft law does not necessarily address the soft dimensions of a firm (in other words, laying down a new soft law does not replace the need for integrity in board relationships and processes)
3. and best-practice guidelines are typically designed for large, publicly listed firms.

In adopting corporate governance guidelines developed elsewhere, companies should be aware of the fact that best-practice guidelines for:

|                  |   |                        |
|------------------|---|------------------------|
| Listed companies | ≠ | non-listed companies   |
| Large companies  | ≠ | small companies        |
| Public companies | ≠ | family-owned companies |
| Bank governance  | ≠ | hospital governance    |
| US companies     | ≠ | British companies      |

Hence I base my approach on the principle "Keep it situational."

Besides the board members themselves, the fit between the external and internal contexts is the most important determinant of a firm's success (see Fig. 1-1).