

## A solid foundation

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**For the last three months, this column has focused on news-related topics that needed to be discussed, which is why I deferred the discussion of my duty of care. Back in June, my column covered 'The virtuous cycle'. The cycle is an intuitive and powerful idea. I hope all of you see value in creating and strengthening virtuous cycles. In this article, I would like to explore the foundation for a virtuous cycle.**

Governance is a broad term and people interpret it in different ways. For our purposes, governance is a blend of procedures, programs, controls and culture that help a company operate in an ethical manner and best position it for long-term success.

When the term is applied to countries, governance is a blend of the laws, regulations, infrastructure and societal cohesion that help the citizens, and especially the members of government, to conduct activities in an ethical manner and best position the country for long-term success.

Simply put, governance is profoundly important in getting the virtuous cycle started and in keeping it effective.

Good governance, at both the company and country levels, requires honesty and transparency.

Honesty and transparency are fuel for the virtuous cycle.

With transparency, employees of a company and citizens in a country can more easily see people living their duty of care, while seeing fewer people acting in an inconsistent, selfish or destructive manner.

There are other benefits from good governance. Any large organization, whether a company or a country, will inevitably have a number of bad things happen.



No matter how strong the governance is, people are imperfect and bad events can occur. When good governance exists, people give the company or the country the benefit of the doubt.

It is also far easier to recover from something bad when good governance is in place.

The quality of governance can be measured. Getting a good metric for governance requires much more than 'ticking the box'; governance reveals itself through behavior and behavior needs to be assessed.

In an upcoming column, I will explore how to measure governance and some trends that may surprise you.

In the US, Starbucks had an unfortunate incident where two African Americans were treated inappropriately.

Overall, Starbucks is well run and has a great reputation with its customers.

The combination of the great reputation and proactive engagement by the CEO helped slow the negativity, while turning this incident into a 'teaching moment' that helped generate something positive.

Without the foundation of good governance, Starbucks might have remained on the defensive as the press searched for other issues, civil rights groups made demands and a series of negative articles continued to appear in the media.

**“ Governance reveals itself through behavior and behavior needs to be assessed ”**

Let me make a request: ask yourselves, what you are doing to fulfill your duty of care?

Look to virtuous cycles that you can strengthen and reinforce. Look to create new virtuous cycles. Help companies and countries improve governance.

Expect companies to demonstrate good governance and support those companies through your investment decisions and your loyalty as a customer.

Include governance in your electoral decisions; a candidate's track record on governance issues can and should be more important than his/her stated positions on various partisan issues.

As we do that, we use the power of our numbers. We will be relevant. A community of trust will be strengthened, and we will have impact. ☺