



## Setting the standard for good governance

BS 13500 will be launched in 2013 as the first British Standard for governance and its principles provide a benchmark for all organizations

### Challenge

In an age when all organizations face intense scrutiny from the media, public, government and others, poor governance can have disastrous consequences and an organization may never recover from the reputational damage it suffers. Poor governance also hinders productivity and efficiency. But how can organizations demonstrate good governance?

### Solution

Michael Faber, Institute of Operational Risk Executive Committee Member, says: "All organizations need rules and a defined sense of direction and purpose. It's just as important for small businesses to have a governance framework. Indeed, having a sound governance framework can help them to grow significantly."

Governance simply means how an organization is directed and controlled at the highest level. "Good governance grants more control to managers and owners," he adds. "Employees also have a clear idea of their role, while those outside

the organization have a better informed view of how it operates."

Having been involved in developing the risk management standard BS 31100, Faber is also chair of the BS 13500 committee. "Initial research proved the need for an independent, national governance standard for all types of enterprise, but in particular, smaller firms. It can be used at international level, too."

"Stakeholders from many different spheres of interest – including industry, institutions, professional bodies and associations, research bodies and regulators – brought their experience to bear to help create a standard that forms an excellent benchmark for governance. This is consensus standards-making at work."

Faber adds: "BS 13500 was designed for easy and effective integration. It wasn't developed to compete with existing schemes and codes, but to provide key principles for organizational governance that can be used as a benchmark. One of the areas it promotes is continual review.

By benchmarking against BS 13500, organizations will be able to keep improving and measure their development."

The standard focuses on effective structures, relationships and accountability, as well as guidance on how organizations can illustrate good governance. BS 13500 will also support related risk-management standards such as BS 11000-1 (*collaborative business relationships*), BS ISO 31000 (*risk management*) and BS 25999 (*business continuity*).

### Outcome

As well as helping organizations to mitigate the risk of poor governance, Faber believes BS 13500 will become a powerful baseline with which they can implement and measure effective governance. "BS 13500 will allow organizations to show their commitment to quality, which will inspire confidence externally. BS 13500 will help to raise the bar in terms of how organizations are governed, which will improve sustainability and provide benefits for the business and other stakeholders."

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