



# **Monitoring and Measuring the Impact of Governance Codes**


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# Questions

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- **How effective has our codification effort been?**
  - **Have we spent our time and our money to good effect?**
  - **Are we having an impact?**

# Questions

- **What are the indicators**

# Potential indicators

- Use of the code by stock exchange as a listing requirement
- Securities Exchange Commission use (comply or explain)
- Use in:
  - Governance index
  - Company ratings
  - Country ratings
- Endorsements:
  - Association of directors
  - Association of corporate governanc
  - International organizations



# More potential indicators

- Use by companies/References in company policies
- Number of companies complying with code recommendations improves
- Degree of compliance with the code improves
- Governance risk rating of country decreases
- Share prices rise/investor interest increases
- Changes in regulation/legislation. Voluntary features of code become mandatory

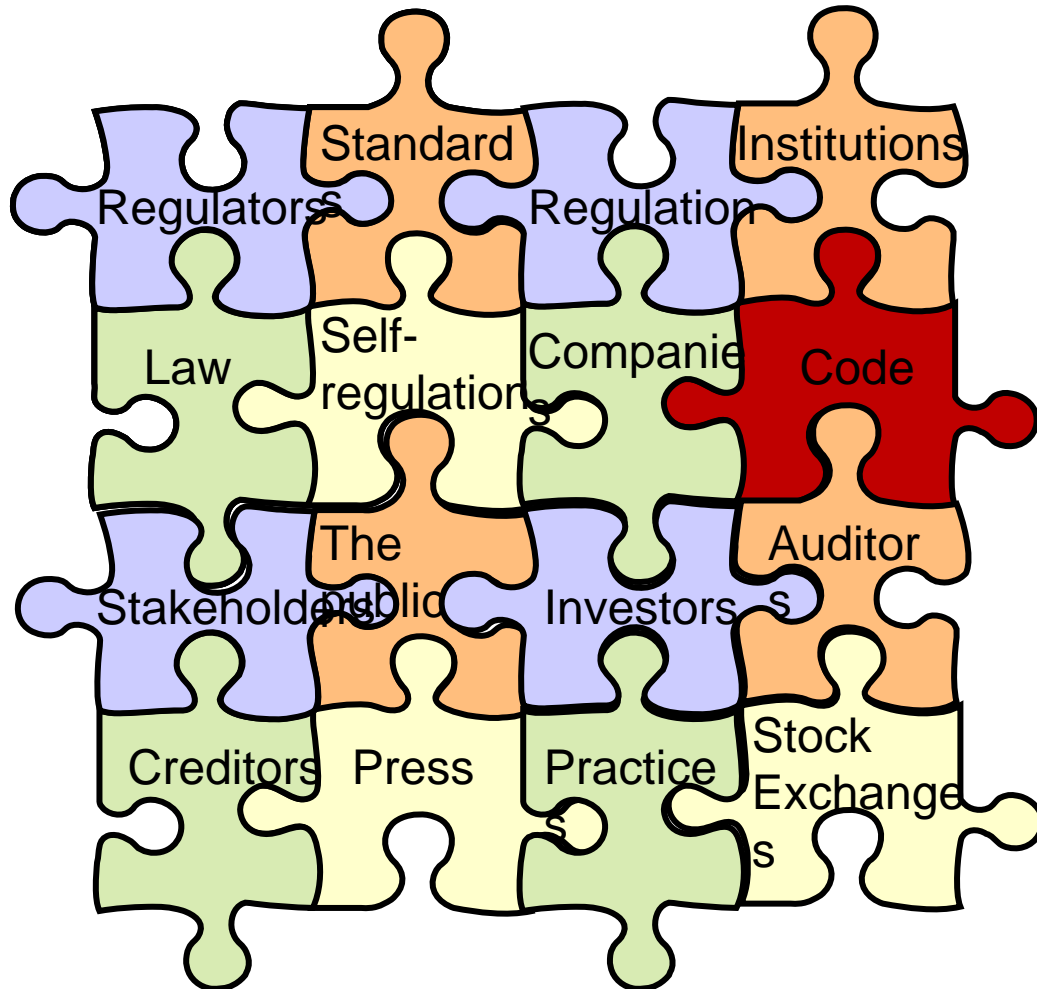
# On no! Even more potential indicators!

- Press mentions/number of articles written about code
- Number of paper copies disseminated
- Number of web links/Google search /downloads of our code
- Number of road shows conducted to market the code
- Discussion effect/spawning of further codes
- Results of survey of clarity/applicability of code

# Hold on!

WAIT! Let's hold on for a moment. That's a lot of indicators, and some of them look a bit ODD to me.

# The governance indicator puzzle



# Indicator problems

- Control
- Meaningless indicators
- Focusing on the measurable (not the important)
- Intangible values are difficult to measure
- Difficulty in establishing relative importance
- Outcomes are often difficult to measure and interpret



so, which indicators are best?

# Who does the monitoring?

## What?

### Who?

Code drafting committee

Dissemination and code quality indicators

### Why?

As a project management tool

### When?

Early: During drafting and launch phase

Stock exchange or securities commission

Impact/usage /compliance indicators

Impact measurement tool to develop adaptive responses

Later: Post launch in implementation phase

# Summary

- For our drafting groups: code quality indicators and dissemination indicators
- For enforcers: impact and compliance indicators