

## Corporate governance – the Emperor’s new clothes?

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It is impossible to avoid the corporate governance issues that have enveloped RTE. Every media outlet and home in the country are discussing the detail and implications for our public service broadcaster. This story follows many previous corporate governance controversies. The failures of corporate governance continues to grow despite numerous committees, reports, codes of practice and training<sup>1</sup>.

Healthcare is not immune from this contagion. The Emily case has raised serious safeguarding issues within the HSE despite numerous regulators, commissions and reports following previous reports<sup>2</sup>. In the UK, the GMC are currently being criticised for apparent unethical investments and lack of transparency<sup>3</sup>. Whilst I researched for this opinion piece it was hard not to be irritated by the numerous drug company pop ups that distracted me as I perused a prestigious medical journal for corporate governance papers.

So I find myself asking the question – has the concept and practice of corporate and clinical governance failed? As the boy in the Hans Christian Anderson’s fable did, is it time to speak out and declare that the Emperor is naked?

To try and answer this question, one has to look back to the ancient philosophers. Although the word governance has its roots in many places, the Greek derivation dates back to Plato in his ‘*Ship of State*’ parable, where he used the term ‘*kubernan*’ and determined that the most appropriate person to steer a vessel (the state), is the person who understands navigation<sup>4</sup>. Plato also refers to the wide variety of competing interests that desire to steer society. So, the word governance has its roots in the concept of steering rather than controlling. As an area of study, corporate governance is much younger commencing in 1932 with the publication of the seminal paper by Berle and Means ‘*The Modern Corporation And Private Property*’<sup>5</sup>, although the intellectual roots of these ideas predated this publication.

In healthcare, Clinical governance emerged as a spin off from corporate governance. First described, [although originally flagged by the World Health Organisation in 1983 (Penny, 2000)] in ‘*A first class service: quality in the new NHS*’<sup>6</sup> it has been mooted as a mechanism to ‘fix’ healthcare’s “wicked problem”<sup>7</sup>. The original document makes only one reference to corporate governance ‘*These arrangements should build on and strengthen the existing systems of professional self-regulation and the principles of corporate governance*’ (6 p.57). Since then there have been many publications yet the concept remains ill-defined and poorly implemented<sup>8</sup>. This has created a Cartesian dualism in healthcare organisations which, given the recurrent nature of healthcare problems does not seem to be serving us or our patients well and there have been calls to address this discordance through multilayered, integrated governance<sup>9,10</sup>. Bennington in 2010 suggested that further theoretical work and research into corporate and healthcare governance were necessary, and that the focus of both needed to expand to take into account the complexity of the sector<sup>11</sup>.

There are many different corporate governance theories each with its strengths and weaknesses (including Agency theory, Stewardship theory, Resource dependency theory, Stakeholder theory, Political theory and Institutional theory)<sup>13</sup> but little from a clinical governance point of view<sup>14</sup>. It may be that a combination of different theories may provide a more comprehensive framework for effective corporate and clinical governance.

Perhaps we need to tackle complexity with complexity, as Ashby stated in his Law of Requisite Variety '*only variety can destroy variety*' (14 p.207). Maybe it is time to reflect on Plato's parable and take a more complexity informed approach to governance and seek to navigate rather than control. Control is an illusion created by bureaucrats who take comfort from organograms and codes of practice which ultimately fail. Most industries and organisations including healthcare organisations are complex adaptive systems; multidimensional, with many stakeholders that interact, influence and adapt with unpredictable outcomes<sup>15</sup>. The context and operational reality of any organisation is complex and messy and requires a new way of thinking to navigate this complexity. Complexity theory can offer a novel approach to understanding corporate and clinical governance by recognizing that any system of governance system needs to flex and respond to this reality. Until we embrace complexity, we will remain stuck in a downward spiral of decreasing standards and recurrent corporate and healthcare scandals. Einstein is often quoted as saying that the definition of insanity is doing the same thing over and over and expecting different results. Perhaps a complexity informed view of governance can help us break out of this pattern of behaviour and help steer us towards more effective mechanisms of corporate and clinical governance. If we do, perhaps we might actually be able to get the emperor some new clothes and move from rhetoric to reality.

#### **Declarations of Conflict of Interest:**

None declared.

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