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USING THE CORPORATE GOVERNANCE FRAMEWORK® IN TIMES OF GREAT UNCERTAINTY

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Whilst most corporations across the world have had to make drastic changes to their business operations as a result of the Covid19 pandemic, many business leaders believe that the disruptions caused by the pandemic have inadvertently introduced more advantages than disadvantages. However, are the odds actually stacked against the organisation?

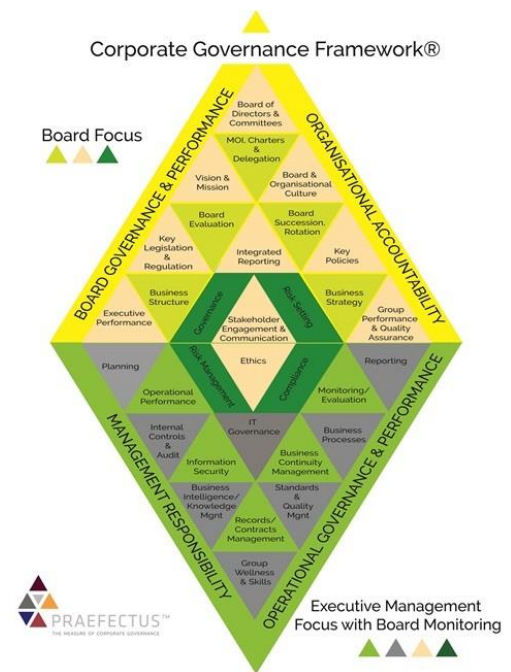
Besides the obvious health risks and workplace social distancing requirements, research conducted by McKinsey & Company in February 2021 (*The Future Of Work After COVID-19*) estimate that more than 100 million employees in the eight countries surveyed will probably switch occupations by 2030. Moreover, that a hybrid remote work-from-home (WFH) model is likely to continue well beyond the pandemic, with 20%-25% of employees in advanced economies working from home 3-5 days a week, and about 10% doing the same in emerging economies. In the same research, new trends suggest that the concentration of jobs in the world's largest cities and in traditional offices, are reversing. With greater numbers of employees choosing to work from home, the geography of work -- including office vacancy rates -- has seen significant changes across major cities since 2020. For instance, San Francisco has seen office vacancies dropping by as much as 91%, Edinburgh 45%, London 32% and Berlin 27%.



With such dramatic changes to the traditional workplace, it is necessary for organisations to consider whether their existing risk management policies and procedures are still appropriate. The new 'unstructured' work environment is likely to introduce new strategic and operational risks onto boardroom agendas. To exacerbate this perturbing situation, the multiple economic pressures may now lead stressed employees to commit fraud or other commercial crime and this is sure to show marked increases across the world in the months ahead. Notwithstanding a 17% reduction amongst South African companies who have experienced economic crime -- as reported in PwC's 2020 Global Economic Crime and Fraud Survey -- South Africa's rate of reported economic crime (currently at 60%) continues to remain significantly higher than the global average of 47%. In these uncertain times, we are reminded of the great Nobel Prize winner -- Marie Currie (1867-1934) -- who said, **"Nothing in life is to be feared, it is only to be**

understood. Now is the time to understand more, so that we may fear less. Given the profound work-life altering changes we are experiencing, accompanied by the critical need to reduce economic crime, now is the time -- more than ever -- for a more scientific and analytical approach to the manner in which we understand, manage, measure and compare the governance practices within and across organisations.

As the world, and indeed South Africa, marks the International Fraud Awareness Week (14-20 November 2021), it is imperative for organisations to adopt a comprehensive Corporate Governance Framework® which provides the board of directors with greater oversight over the strategic and operational functions of the organisation. By clearly depicting the strategic and operational areas within the organisation -- and indeed its supply chain -- where governance, risk and compliance ('GRC') vulnerabilities exist, the board is provided with early warning signs of impending trouble. Boards can no longer afford to play "catch-up". The effective deployment of a Corporate Governance Framework® enables the organisation to *inter alia*; proactively analyse GRC trends; identify areas of business which require further investigation or independent assurance reviews; highlight policies which are outdated or not in place; rapidly determine business processes which are not delivering value; investigate conflicting information or messages; and promote cohesiveness and common purpose amongst the management team itself as well as between the management team and the board. These outcomes can be used by the board and management to not only initiate further action, but also make decisions about the importance and urgency of reallocating resources to mitigate risks on a case-by-case basis.



The advances of the Fourth Industrial Revolution (4IR) have enabled (and compelled) organisations to rapidly deploy smarter technology solutions and review their business processes to optimize their value creation activities. The Corporate Governance Framework® is a useful assessment tool which assists boards and management to sustainably improve the way in which they govern the organisation and complements the organisation's existing business and risk management systems by integrating their critical outputs. In this way the Corporate Governance Framework® strengthens the organisation's combined assurance processes and helps to protect the interests of the organisation.

Notably, PwC's 2020 Global Economic Crime and Fraud Survey reported that South African companies have seen an increase (from 15% in 2016 to 34% in 2020) in instances of senior management perpetrating fraud. The Corporate

Governance Framework® recognises the interdependencies of different areas of the business and as such, assists in identifying possible areas of collusion and override.

Boards of directors inherently have to deal with the changing dynamics of risk which is a fundamental part of their boardroom duties. To borrow some of Marie Currie's sharp thinking of fear; the pandemic may have struck some fear, and even raised concern within the organisation's leadership *vis-à-vis* their unpreparedness in these volatile times. However, this is certainly no time for panic -- nor fear -- especially considering the many challenges we may still face ahead. The board, together with the organisation's executives, will need to become even more agile and embrace the challenge of governing these new unprecedented risks arising from Covid19 and its impact on business. Objective and reliable information about the state of governance within the business will be essential in ensuring that boards and management can tackle this "new norm".

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SOURCE REFERENCES:

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