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## ADVERTORIAL

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### UNLEASHING IT-VALUE IN BUSINESS

#### Advertorial by Oversight Solutions & CGF Research

Since the collapse of giant corporations such as Enron, Parmalat and Worldcom in the last ten years or so, including the subsequent Sarbanes-Oxley legislation in the USA (designed specifically to improve financial reporting), a legacy of Corporate Governance has been left where many companies have created a 'tick-box' approach to Corporate Governance, more especially toward legal compliance.

A whole new industry has grown on the back of traditional auditing, including the manner in which Governance, Risk and Compliance (GRC) has been dealt with as a result of this 'tick-box' approach, and which has become entrenched within many companies. Regrettably, this approach has created an entirely inappropriate culture and understanding of governance. [In our view, good governance has experienced a set-back that will take many years to overcome.]

Admittedly, whilst the climate of many companies desperately needed improvement (and self-regulation had clearly failed in these cases), the 'cost-imposition' imposed by the legislation left many companies with a distorted view of Corporate Governance and a determination to minimise governance costs to only those required to stay within the law.

South Africa has taken its lead from the rest of the Western world, and despite the advantages created by the 'apply or explain' philosophy embedded in the King III principles and practices, many South African companies have adopted the 'Sarbanes-Oxley mentality' of 'comply or else' which does not inspire, nor enthuse most companies.

However, maybe all is not lost. A number of leading companies in Europe and the USA are now beginning to adopt a very different attitude. They are recognising that Boards of Directors are accountable for maximising the value their companies deliver to all stakeholders and that governance processes (evaluation, direction and monitoring) are the mechanisms through which value is identified and grown. They are also aware that with Integrated Reporting and the 'Triple Bottom Line', the definition of value goes way beyond traditional financials.

These companies understand the importance of defining and measuring their key value drivers, placing them within the context of corporate strategy, goals and objectives, and ensuring they are the prime levers of the organisation. This places a huge responsibility on Boards of Directors to establish the appropriate leadership, organisation structures, cultures, ethics, roles, frameworks, processes and relationships. Most of all, it encourages them to challenge the 'status-quo' and ask appropriate questions involving the risk (both opportunity and threat), compliance, security, sustainability, controls (principles, policies, processes, procedures and best practices), maturity and performance issues of all their operations.

Not surprisingly, this demands balancing the competence, experience and knowledge across the whole of the Board to ensure all aspects of the company's business are carefully scrutinised on a regular basis. Most

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importantly, it demands a full understanding of the components of value that are key to the organisation's success.

In King III terms, it means using the advice and guidance expressed through the principles and best practices and 'applying' them to the particular circumstances of the individual company. This is far more difficult than merely complying with the law and is often the major differentiator as to why some companies thrive and prosper, even in turbulent times, and other companies fail.

Information and Technology (I & T) Governance, as a sub-set of Corporate Governance, faces the same challenges. Ticking boxes will not maximise the value. However, many directors -- primarily through their lack of exposure to Information & Technology in their former years -- struggle to govern this crucial area of the business.

When directors don't know what questions to ask and CIO's don't focus on value or measures that matter, is it surprising that I & T objectives are not clearly articulated in line with the business objectives and that value drivers are rarely identified and monitored?

In simple terms what is needed is a comprehensive I & T Governance programme and road map based on a clear understanding and honest assessment of the organisation's capabilities, a detailed analysis of the gap between current and future needs, a well-articulated direction incorporating agreed priorities and clear business benefits and a realistic appraisal of both resources and timeframes.

So, when will the wave of change become a Tsunami?

The answer to this question is when directors openly accept their accountabilities for maximising the value they deliver to all their stakeholders and when they direct ALL their resources (internal and external) to focus exclusively on this goal.

In Information & Technology terms it is when directors ensure that the key I & T objectives (comprising of appropriate governance structures; maximising value; aligning I & T and corporate strategy; balancing innovation and process transformation portfolios; relevant information, knowledge & business intelligence; customer focused service delivery levels; recruitment & retention of key Human Resources; cost saving & revenue management initiatives; sensible controls; balancing risk & reward; monitoring compliance; protection & security of information assets; building sustainability; and measuring performance) are identified, well communicated and become a fundamental part of the fabric of the organisation.

This is not as difficult to achieve as would be first imagined, provided that management -- assisted by external professionals where appropriate -- is encouraged to adopt a business value view regarding the use of I & T in their organisations.

### ENDS

Words: 878

### ***About Oversight Solutions (Pty) Ltd***

OverSight Solutions' approach involves providing directors and Executive Management with the right questions to ask of CIOs and IT management with regard to the maximisation of IT value, and we supply CIOs and IT management with the right answers (expressed in business terms).

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Our objective in OverSight Solutions, is to ensure that directors are confident that stakeholders are receiving the maximum benefit from their investments in Information Technology (IT) and to enable CIOs to be recognised as vital contributors to delivering the objectives and goals of the organisation.

Our approach involves assisting CIOs and IT management in delivering the appropriate structures, processes, projects, and IT services to meet business needs and support line management in understanding and implementing IT in such a way as to maximise business value.

More information regarding Oversight Solutions can be found at [www.oversightsolutions.com](http://www.oversightsolutions.com)

### **About CGF Research Institute (Pty) Ltd**

CGF is a Proudly South African company that specialises in conducting desktop research on Governance, Risk and Compliance (GRC) related topics. The company has developed numerous products that cover GRC reports designed to create a high-level awareness and understanding of issues impacting a CEO through to all employees of the organisation.

Through CGF's strategic partners -- supported by our Corporate Patrons *Rifle-shot Performance Holdings and DQS South Africa* -- our capabilities extend to GRC management consulting, executive placements, executive mentoring, company secretariat and the facilitation of Corporate Governance and Risk Awareness workshops.

More information regarding CGF can be found at [www.cgf.co.za](http://www.cgf.co.za), [www.corporate-governance.co.za](http://www.corporate-governance.co.za) or [www.governanceconnect.mobi](http://www.governanceconnect.mobi)

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