

Johannesburg
23 July 2020

SURVIVING DISRUPTIONS IN BUSINESS CALLS FOR MORE AGILE BOARDS AND A ROBUST GOVERNANCE FRAMEWORK

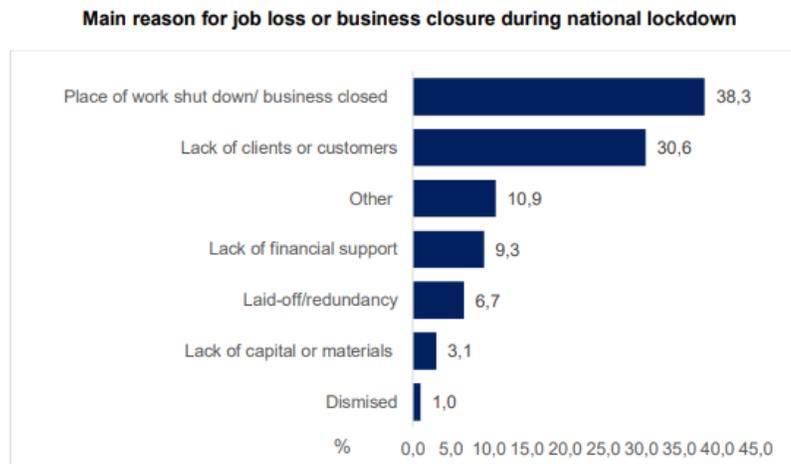
By Terrance M. Booysen and peer reviewed by Jene' Palmer CA(SA) (CGF Lead Independent Consultant)

After a few months of Covid-19 lockdown in South Africa, there is no doubt that somehow all the rules seem to have changed for civil society, and indeed also for the world of business at large. Businesses across the world have had to quickly adapt to their respective Covid-19 regulations with South Africa having become known as a country with some of the strictest Covid-19 regulations in place in an attempt to flatten the Covid-19 curve, and save lives.

Even prior to the Covid-19 pandemic, the ease of doing business in South Africa was already under great pressure. According to the World Bank's annual ratings, South Africa's ranking had deteriorated from 82nd position amongst 190 economies to 84th position in 2019. The Covid-19 saga has clearly made matters far worse for businesses to survive in South Africa, hence requiring greater board agility to weather and beat the socio-economic tsunami we are now facing.

Considering the impact Covid-19 has had upon most businesses, boards of directors have again been reminded of the critical importance of having an appropriate and responsive back-up plan in order to sustain the massive business disruptions caused by unexpected risks. Unsurprisingly, a number of organisations have been caught short and this begs the question regarding the board's full understanding of its own business resilience in such turbulent times.

According to a recent series of surveys conducted by Stats SA (April 2020), nine out of ten (90%) businesses surveyed (2,182 businesses) reported reduced turnover; thirty-six percent (36%) indicated they were retrenching employees in the short term as a measure to cope with Covid-19 and twenty-five percent (25%) indicated they were decreasing their working hours. Approximately one out of ten businesses (10%) indicated that they had ceased business permanently and the industries with the highest percentage of organisations permanently closing their doors include construction (14%); community, social and personal services (12%); and agriculture, hunting, forestry and fishing (12%). Thirty percent (30%) indicated they could survive less than a month without any turnover, whilst 55% of the surveyed organisations indicated that they could survive between 1 and 3 months. Only seven percent (7%) indicated that they could survive for a period longer than three (3) months.



Ref: Stats SA (April 2020)

With the hindsight of a number of recent wide-scale business disruptions caused by either natural or human activated disasters such as 9-11, and given the experiences gained from these past events, most medium and large sized businesses should have been able to not only foresee a risk such as Covid-19, but they should also have been able to rapidly absorb the shock and bounce back in a very short space of time.

The reality is that most South African organisations have not been able to resume a 'business as usual' approach and this has been further complicated by massive government intervention which may indeed be doing more harm than good.

By closing down the sale of various non-essential products or services, or restricting trade in one way or another, it fundamentally unsettles the business supply chain and creates other unintended problems that could cause terrible long-term social and economic damage. In addition to these matters, since Covid-19 does not appear to be going away anytime soon, organisations are realising that their business operating environment will rapidly need to become 'contactless'. In this regard, the challenges of dealing with Covid-19 go well beyond the wearing of face-masks and the routine of measuring people's temperatures. Covid-19 regulations are forcing organisations, amongst other entities, to accommodate increased virtual interactions with their employees, customers and suppliers. This entails re-modelling previously physical 'touch' and 'space' zones to provide for spatial distancing between people, as well as the tracking and monitoring of their daily movements in certain circumstances. Expectedly, this has great bearing upon the entire organisation and the outcomes (impact) will be evident in the organisation's governance framework.

Considering these 'new' business challenges, one may question just how knowledgeable and prepared boards are to deal with the Covid-19 impacts that affect many of their strategic and operational activities. Do boards have the ingenuity and means to understand the primary and secondary risk implications, not least also the impact Covid-19 will have upon the organisation's resilience? A robust governance framework will facilitate a common understanding amongst board members of the governance, risk and compliance (GRC) challenges facing the organisation and will highlight those business areas which require immediate and/or critical attention. Rudimentary governance instruments implemented to act as a substitute for a governance framework will not be useful in assisting the board to prioritise the allocation of scarce resources to achieve their strategic objectives and ultimately ensure organisational sustainability.

It's true, these are most uncertain and unprecedented times we now live in, and more than ever before, boards will increasingly be required to truly understand their businesses and operations if they are to prove their strategic worth.

THE CORPORATE GOVERNANCE FRAMEWORK®
– Questions to consider –

- Drive the clear delineation of roles & responsibilities across the organisation?
- Confirm the implementation of strategic and operational policies which support the organisation's ethics, values & overall sustainability?
- Inform resource allocation decisions?
- Form part of the organisation's combined assurance approach?
- Build your organisational brand & credibility?
- Underpin strategies to attract & retain valuable talent?
- Minimise your D&O insurance requirements?
- Emphasise governance & compliance risks?
- Drive performance management & service delivery?
- Maximise your competitive advantage?
- Simplify integrated reporting?
- Provide a dashboard used by the board & management to improve governance?
- Improve leadership?
- Drive innovation & stimulate creativity?
- Break down silos?



The implementation of a Corporate Governance Framework® will enhance the speed and quality of decision-making by boards by ensuring a more holistic understanding of the interdependencies within the business, including a proper perspective of the organisation's GRC challenges. Covid-19 has certainly changed the rules of business and boards will need to ensure that their organisations can adapt accordingly.

ENDS

Words: 899

For further information contact:

CGF Research Institute (Pty) Ltd
Terrance M. Booysen (CEO)
Tel: +27 (11) 476 8264 / Cell: 082 373 2249
E-mail: tbooyesen@cgf.co.za
Web: www.cgfresearch.co.za

CGF Research Institute (Pty) Ltd
Jene' Palmer (Lead Independent Consultant)
Tel: +27 (11) 476 8264 / Cell: 082 903 6757
E-mail: jpalmer@cgf.co.za
Web: www.cgfresearch.co.za