

### KNOWLEDGE IS POWER: REDUCING THE GOVERNANCE RISKS

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Worldwide, and particularly in South Africa, reports of governance failures occurring in organisations are common. There have been many instances where poor governance has contributed to the collapse of an organisation and most often, many people are negatively affected for the enrichment of a few greedy individuals. Good governance practices, however, are not necessarily a guarantee of success. Nonetheless, governance plays an important role in the eventual success or failure of an organisation. Lack of good governance allows unsound businesses to continue and increases the magnitude of their eventual downfall. To this end, a responsible director would be expected to -- as part of their fiduciary duties -- take reasonable measures to prevent governance failures from occurring within the organisation. Short of doing so is tantamount to reckless behaviour. Yet history continues to repeat itself with poor governance practices becoming increasingly widespread. This suggests that directors may not be doing enough -- or may simply not have the knowledge -- to improve governance within their organisation.

In order to prevent poor governance practices from occurring within an organisation, directors and key employees need the correct resources. Arguably, one of the most important resources of them all is *information*. However, information that is not used to gain knowledge and understanding is really of no use at all. As Albert Einstein said "*information is not knowledge*". Bearing this in mind, perhaps it is more correct to say that *knowledge* is of greater importance. The adage, "*knowledge is power*" implies that the greater our knowledge, the greater our influence. The same can be said in the corporate context - the greater the knowledge of directors and the organisation as a whole, the greater the influence of the organisation.

*"We are drowning in  
information but starved for  
knowledge."*

**Author: John Naisbitt  
(Title: Megatrends - 1982)**

It is of paramount importance that directors of organisations have corporate governance knowledge. This will minimise, amongst other, the risk of organisations suffering substantial harm as a result of governance failures. Due to the fact that many organisations are collapsing as a result of various internal issues and dysfunctional behaviour, it has become increasingly important to assess the skills, experience and knowledge of directors pertaining corporate governance.

It is apt to ask the following question: *Why do so many directors not have corporate governance knowledge or keep themselves informed on governance issues?* This pressing question could be answered in some of the following explanations:

1. The erroneous belief that 'ignorance' on the subject may protect them from legal sanction;
2. The naïve belief that there are more pressing issues to deal with;
3. Their disregard of the importance of governance issues and how this can affect the organisation.

In some instances, organisations simply do not have access to governance information. Locating accurate, relevant and up-to-date corporate governance information can be somewhat challenging for organisations without an in-house governance specialist. However, with the Corporate Governance *Body of Knowledge*® ('BoK'), accessing this information is made easy. CGF Research Institute (Pty) Ltd offers a unique product that is the solution to locating an appropriate corporate governance information resource, namely the BoK. The BoK is the first port of call on Corporate Governance, Risk and Compliance ('GRC') related matters in South Africa, and it is used by many organisations to assist their directors, prescribed officers and other key employees to gain a rapid understanding of the many topics associated with corporate governance.

The BoK is a web-based system consisting of many GRC related resources, including:

- Governance reports;



- Executive summaries;
- Précis;
- White papers;
- Governance articles;
- Government Gazettes; and
- Governance newsletters.

*“Human knowledge and human power meet in one; for where the cause is not known the effect cannot be produced.”*

**Author: Sir Francis Bacon**  
**(Title: Novum Organum - 1620)**

The BoK consists of *eleven years* of GRC related intellectual property to which all subscribers are given unlimited access. In order to locate specific information, an individual is able to conduct online searches across the BoK in order to find specific governance topics. Furthermore, the Governance Reports are arranged in various categories, covering the areas of Ethics, Reporting, Human Capital, IT Governance, Environment, Sustainability, including Crime and Corruption.

On a monthly basis, a new Governance Report is released into the BoK system allowing organisations to keep up-to-date with the latest governance topics concerning the South African, and / or international business landscape. Each Governance Report is condensed into an Executive Summary; giving busy executives an opportunity to keep abreast of the latest issues effecting business, whilst still giving them the opportunity to read a full report on the topic should they require further information. The Governance Reports may also be adapted to PowerPoint presentation format for use in, inter alia, board/executive meetings, strategy sessions, management reports and risk assessments.

The web-based BoK content is compiled by a team of highly trained legal consultants guided by the Chief Executive Officer of CGF who, as the principal, has considerable experience in GRC disciplines. In order to ensure the material integrity and accuracy of the Governance Reports, CGF makes use of externally appointed subject matter experts to assist in the peer reviewing of the monthly reports. These peer reviewers are mostly found amongst the top recognised legal firms and consulting houses in South Africa. The reports are recognised by Proudly South African®, the South African Quality Institute (SAQI), The Fight Against Corruption (T.F.A.C.), the Institute for Risk Management South Africa (IRMSA), the South African Board for People Practices (SABPP), and are supported by the World Without Corruption (WWC).

In the event where corporate governance knowledge is lacking in directors and prescribed officers, it is imperative that they are given access to the appropriate resources, such as the BoK. Likewise, the BoK may assist directors and prescribed officers to keep abreast of corporate governance issues and, in turn, minimise or prevent governance failures from occurring within the organisation. With resources such as the BoK available to organisations, directors and prescribed officers no longer have an excuse not to be well-informed on GRC topics. However, having access to the appropriate resources and making use of the resources are two different concepts. Hence, it would be prudent for organisations to regularly test the knowledge of their directors and their prescribed officers on corporate governance matters. As the proverb goes, “you can lead a horse to water, but you can’t make it drink”.

**ENDS**

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