

# Corporate Governance

Prof Daniel Malan  
Centre for Corporate Governance in Africa  
University of Stellenbosch Business School, South Africa

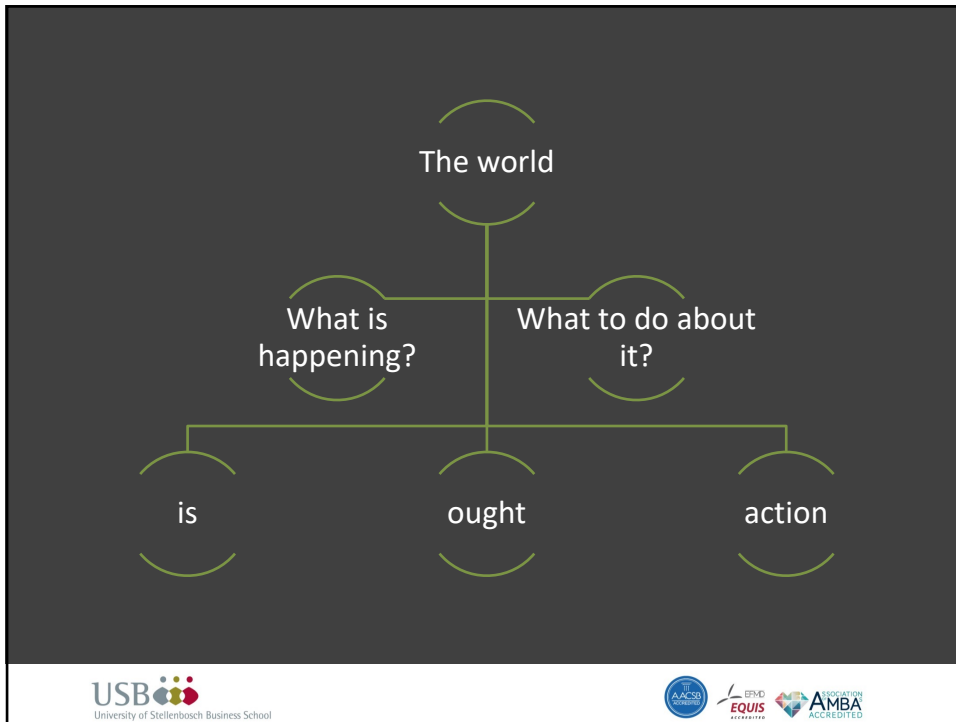
Namibian Association of Medical Aid Funds  
Windhoek  
21 July 2018



## Outline

- Introduction
- Director's dilemma
- Board Learning Framework
- Five major players in national leadership
- Ethics
- Corporate responsibility





## Free Association Exercise

- When I hear the words “corporate governance”, I immediately think of the following: .....

# What is Corporate Governance?

**“Corporate governance is the system by which organisations are directed and controlled....”**

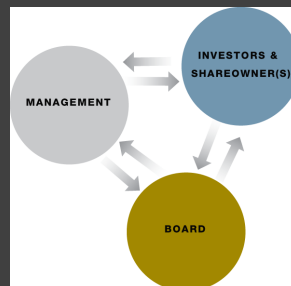
Sir Adrian Cadbury, UK, 1992

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# Competing Tensions

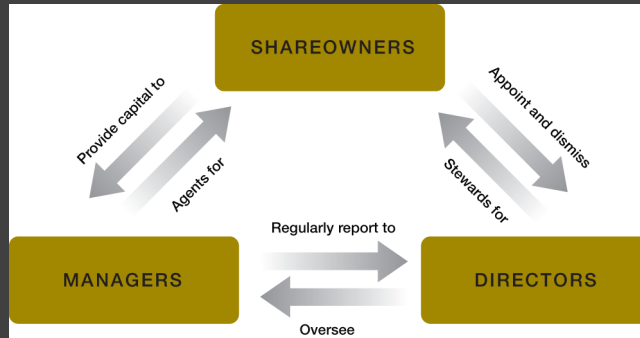
**“If management is about running business, governance is about seeing that it is run properly. All companies need governing as well as managing.”**

Prof. Bob Tricker, 1984



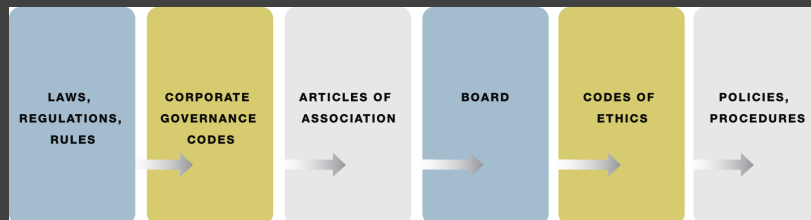
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# Agency And Stewardship



Source: International Finance Corporation

# A Company's Corporate Governance System



Source: International Finance Corporation

# The director's dilemma

Driving the enterprise forward while keeping it under prudent control

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# Corporate Governance

The system by which organizations are directed and controlled

Coping with Uncertainty: Risk / uncertainty, understand human error, hindsight is harmful, technical / adaptive challenges (Howell)

Stop the Rot: Interaction between directors, owners, legislators and regulators – all under much closer public oversight (Garratt)

Purpose: optimized collective value

Theory of business, with specific reference to the four central propositions about the purpose, accountability, control and success of business (Donaldson & Walsh)

## Fourth Industrial Revolution

Long:

<https://www.youtube.com/watch?v=kpW9JcWxKq0>

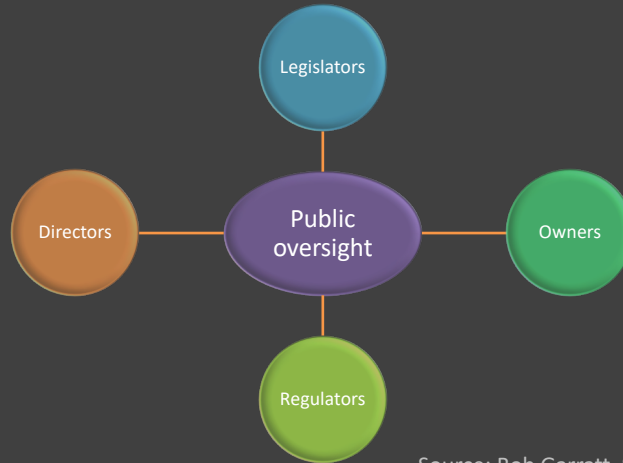
Short:

<https://www.youtube.com/watch?v=SCGV1fNB0eU>

## Bob Garratt

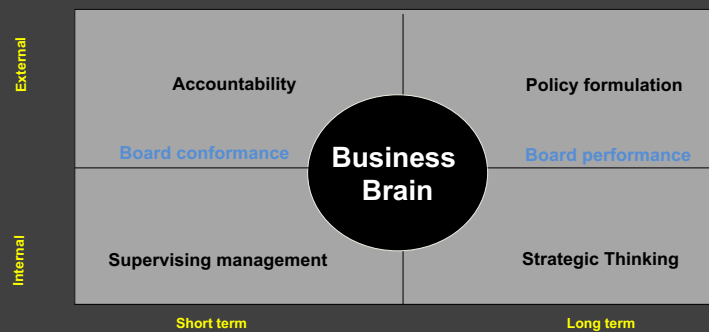
- “There seem to be three major roles in life: parenthood, being a director and being a politician where you’re not expected to have any training whatsoever, nor should there be any induction or any developmental process. It’s left entirely to you, and it is just assumed that somehow, miraculously, you’ll be able to do these things. That’s complete nonsense, and this is where the need for professionalism comes back into the picture.”

## The five major players in national leadership



Source: Bob Garratt, Stop the Rot

## The learning board basic framework



Source: Bob Garratt (Thin on Top)

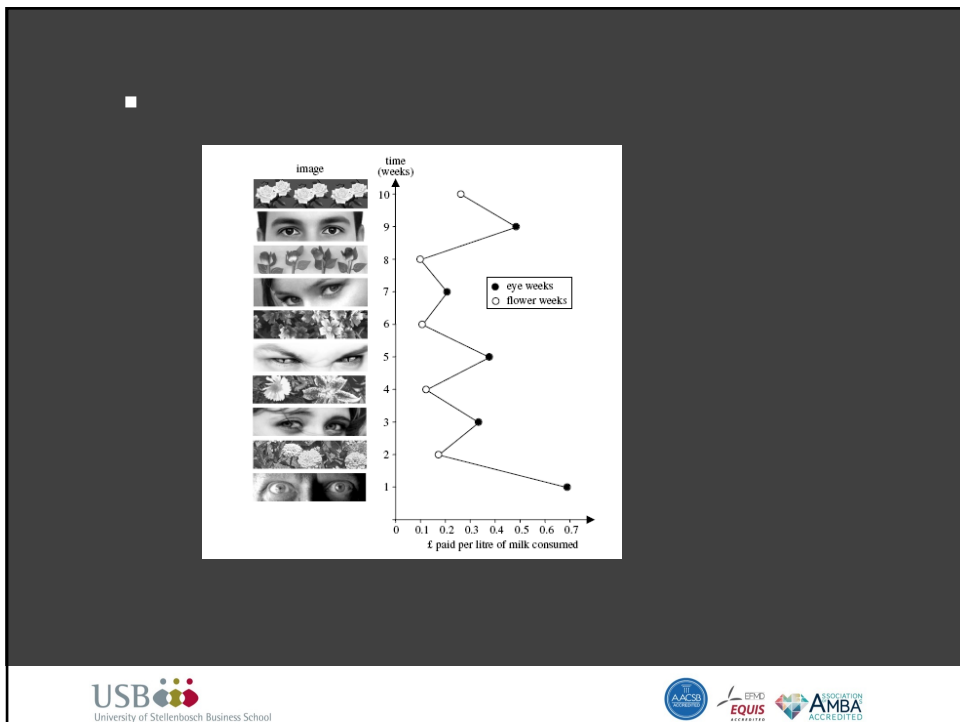
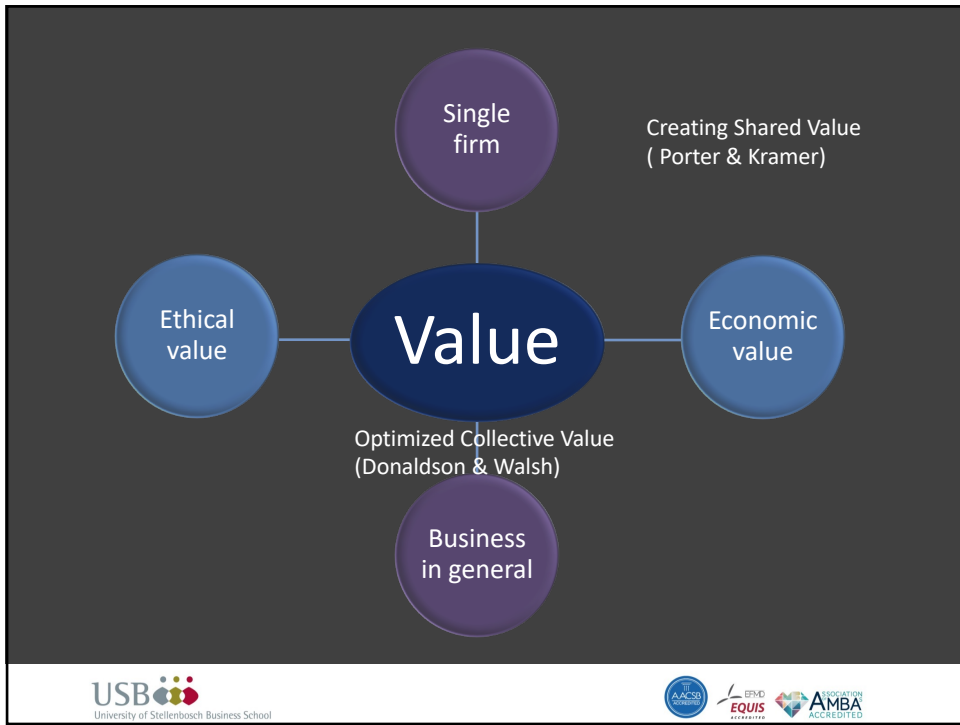
## King IV: Leadership, ethics and corporate citizenship

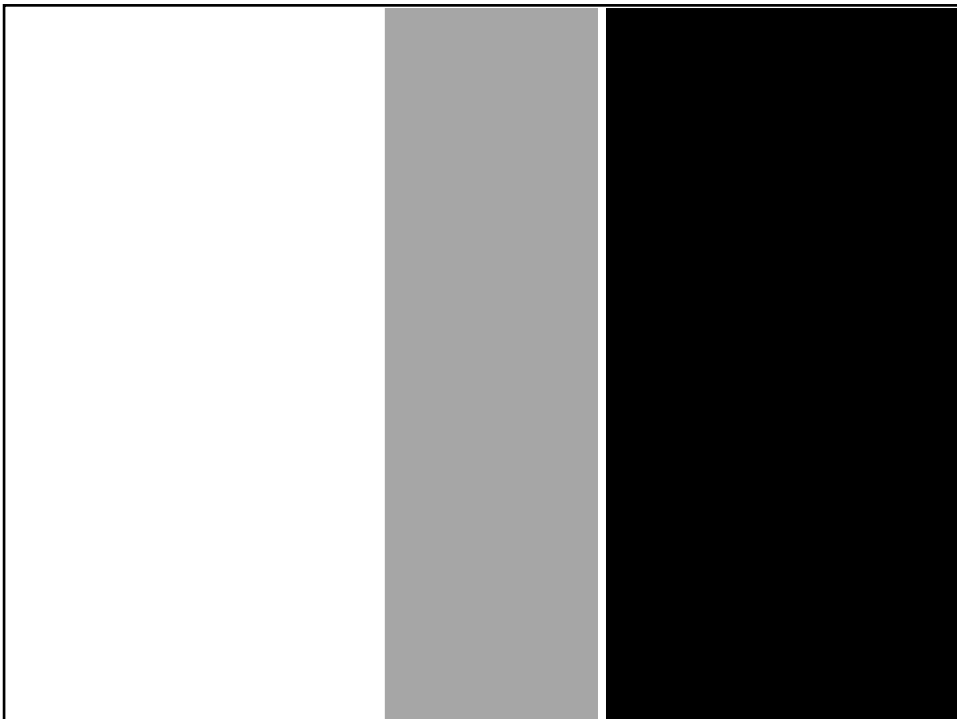
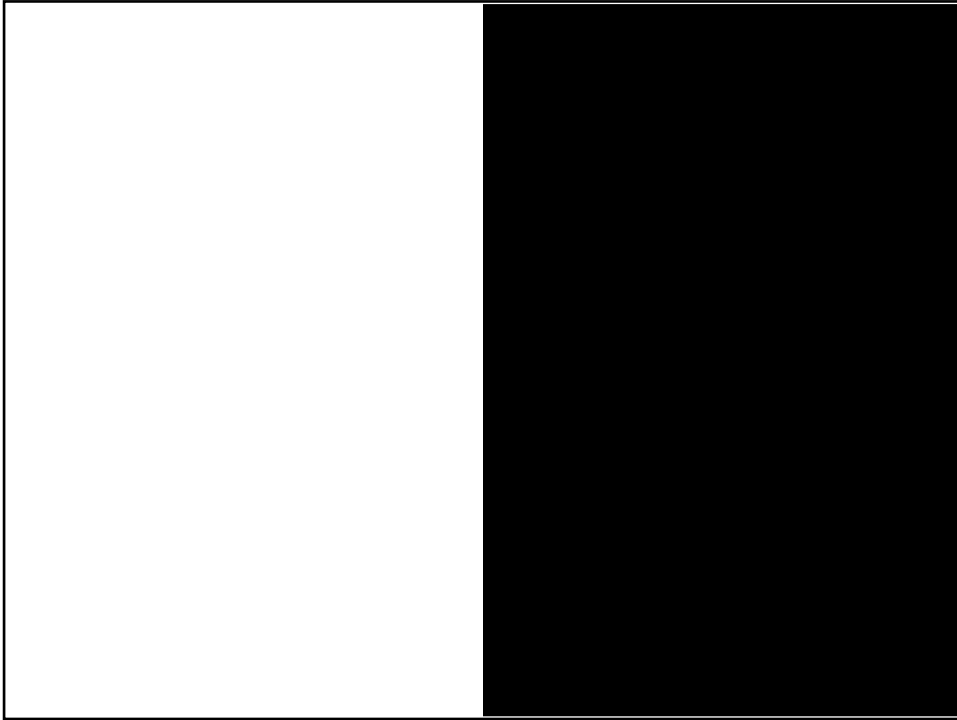
- **Leadership:** the board should lead ethically and effectively
- **Organisational ethics:** the board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture
- **Responsible corporate citizenship:** the board should ensure that the organisation is and is seen to be a responsible corporate citizen

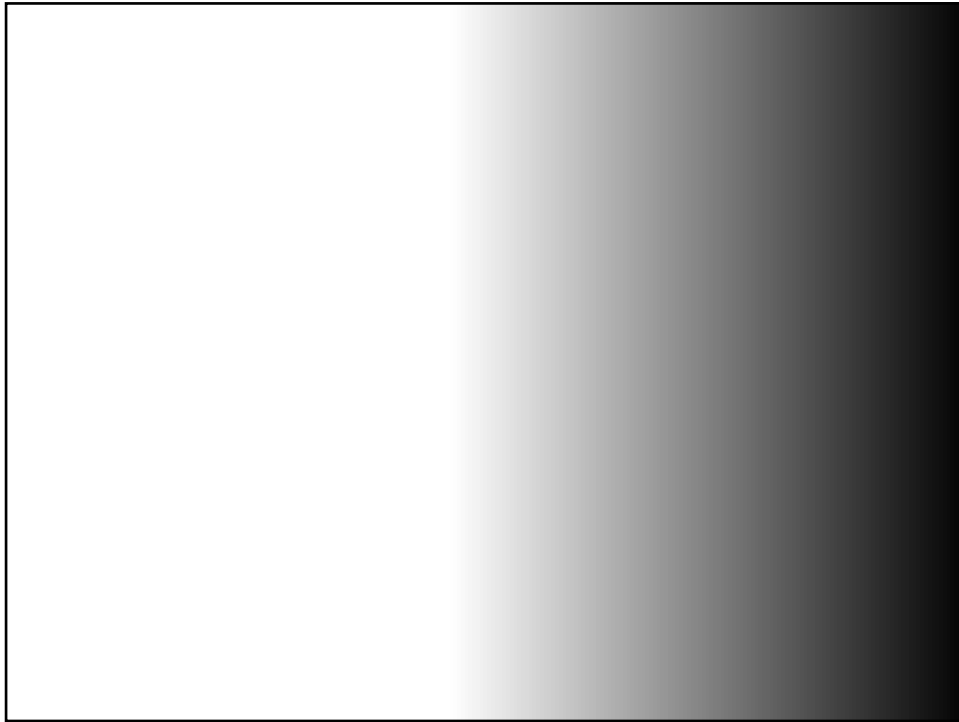
## Purpose

- “Law is to justice, as medicine is to health, as business is to \_\_\_\_\_.”







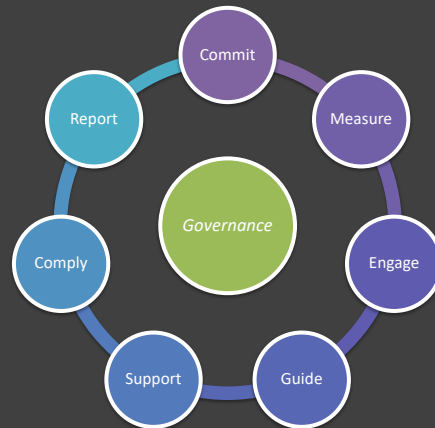


## Levels of business ethics

<b>Systemic</b>	<ul style="list-style-type: none"><li>• What is the most ethical economic system?</li><li>• Capitalism Vs Socialism</li></ul>
<b>Industry</b>	<ul style="list-style-type: none"><li>• How does my industry behave?</li><li>• Tobacco, Gambling, Liquor, Fast Food?</li></ul>
<b>Company</b>	<ul style="list-style-type: none"><li>• How does my company behave?</li><li>• Corporate Governance, Corporate Responsibility</li></ul>
<b>Individual</b>	<ul style="list-style-type: none"><li>• How do I behave?</li><li>• Cheating on expense claims and time sheets, insider trading, etc.</li></ul>

# Ethics Management Framework



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## The need for a relevant and updated policy

- Any employee who is in the habit of smoking Spanish cigars, getting shaved at a barber's shop, going to dances and other such places of amusement will surely give his employer reason to be suspicious of his integrity and alround honesty
- Each employee must pay not less than one guinea per year to the Church, and attend Sunday school every Sunday
- Men are given one evening a week for courting purposes, and two if they go to prayer meetings regularly
- After 14 hours work, spare time should be devoted to reading good literature







United Kingdom, 1854

### Stakeholder Map: Who Needs What?

+ ↑ INTEREST of STAKEHOLDER ↓ -	KEEP COMPLETELY INFORMED	MANAGE MOST THOROUGHLY
	REGULAR MINIMAL CONTACT	ANTICIPATE AND MEET NEEDS
	INFLUENCE of STAKEHOLDER → +	

Source: [www.smartsheet.com](http://www.smartsheet.com)

## Dimensions of Corporate Responsibility

INCREASINGLY MANDATORY REGULATION  
(OFTEN COMPLY OR EXPLAIN)



MOSTLY VOLUNTARY STANDARDS  
(SELF-REGULATION)

- Annual report
- Sustainability report
- Integrated report

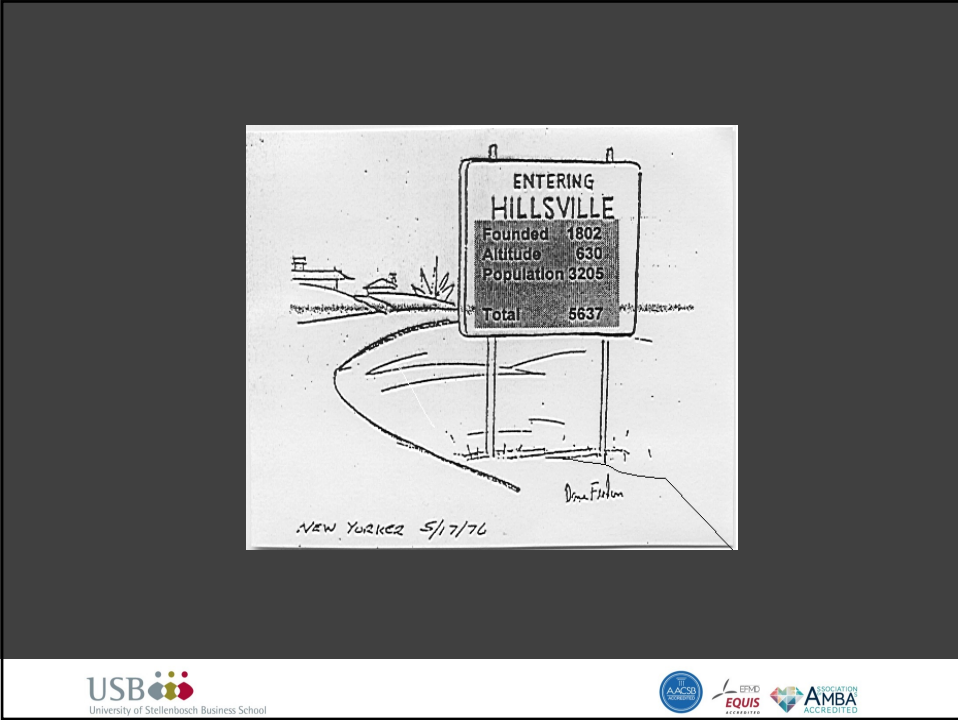
- Business Case
- Moral Case

- Direct
- Control
- Manage

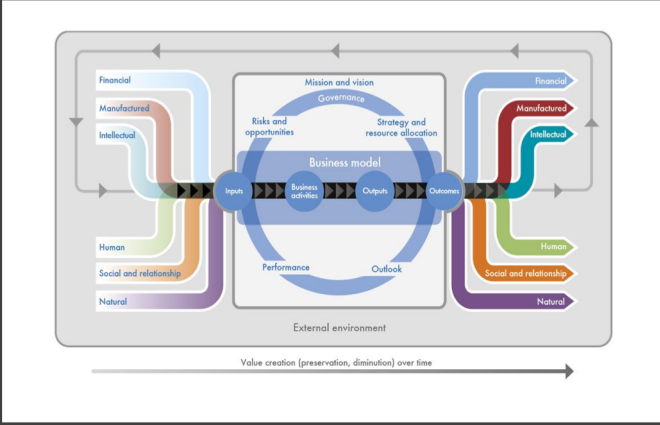
- Ethics of Responsibility
- Ethics of Conviction





# The 6 Capitals



Source: www.theiirc.org



# The business case for health metrics

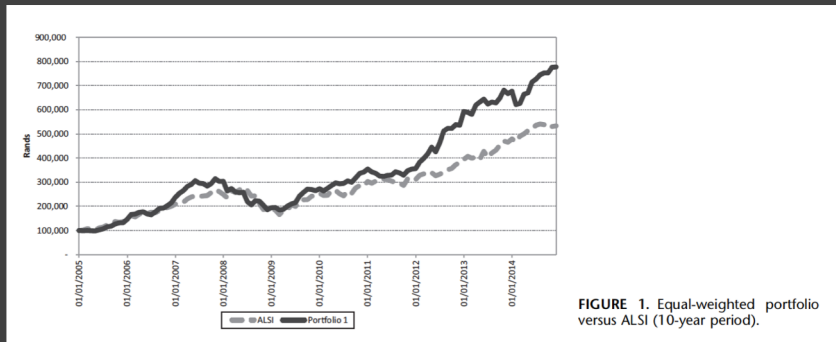


FIGURE 1. Equal-weighted portfolio versus ALSI (10-year period).

“Corporate health and wellness and the financial bottom line: evidence from South Africa”, Christine Conradie, Daniel Malan & Eon Smit, *Journal of Occupational and Environmental Medicine*, Vol. 58, No. 2, pp 45 – 53, 2016.



# The Vitality Scorecards

*Table 1 Core scorecard*  
Source: Malan et al. (2016, p. 28)

Governance: leadership and culture	
1	Has your company conducted a confidential survey, audit, or other assessment within the present reporting period that measures the degree to which the workplace culture and environment support health and well-being?
2	Are health, well-being, chronic disease prevention, or health promotion topics mentioned in the annual report, form 10-K or any other format reported to the board of directors at least once a year?
3	Is there a person responsible for employee health and well-being in your company?
Management: programmes, policies and practices	
4	Does your company have an annual budget or receive dedicated funding for personalized health promotion and disease prevention programmes?
5	Does your company have a programme to address mental well-being, dealing with matters such as depression and stress management?
6	Does your company have an occupational safety and health (OSH) policy?
7	Does your company provide medical benefits for full-time workers, including recommended national preventive services such as tobacco cessation, screenings, and vaccinations?
8	Does your company maintain a smoke-free workplace?
Evidence of success: health risks and health outcomes	
9	Has your company conducted a confidential survey, audit, or other assessment within the present reporting period that measures the health status of employees?
10	What is the per-employee average absenteeism due to sick leave for the reporting period (unplanned leave or sick days)?



## Corporate Reporting

	Short term & backward looking	Long term & forward looking
Limited financial information	Generic public relations, corporate communications	Sustainability Report(ing)
Extensive financial information	Financial Report(ing)	Integrated Report

Source: Making Investment Grade  
Developed by Cornis van der Lugt

Source: International Finance Corporation

## Red Flags For Boards

- Do the meetings finish on time?
- Are directors rarely absent?
- Are the meetings thorough in duration?
- Are you presented with strong analysis and thorough reports?
- Does the board receive effective, concise presentations?
- Are the directors sufficiently provided with needed information?
- Are you presented with sufficient time before the board meeting to prepare?
- Are you only told what the executive wants you to be told?
- Is information kept confidential within the boardroom?



# Steinhoff Case Study

## Lessons learnt from Steinhoff



- Be true to your strategic vision and 'stick to the knitting'
- Growth does not equate to profit or success
- Strong governance is not just about financial and regulatory compliance; it is a mind-set
- A charismatic leader can either be very good or very bad for a company
- Even ethical business people are corruptible



[www.usb.ac.za](http://www.usb.ac.za)  
[daniel.malan@usb.ac.za](mailto:daniel.malan@usb.ac.za)