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## **FAILED GOVERNANCE IN STATE ORGANISATIONS IS NOT A SIMPLE BAILOUT!**

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Given the multiple governance failures seen across South Africa, and mostly within the public sector, there is no doubt that this fragile situation is a national disaster. The costs of these governance failures are far worse than the actual monetary losses reported to date. Earlier this year the Reserve Bank estimated that the country's energy crisis alone is causing losses to the SA economy of approximately \$51 million (approximately R942 million) every day. Alarming, the "hidden" costs of the widespread state organisational dysfunction are not easily quantifiable; where citizens are subjected to more heinous crimes, systemic corruption, growing unemployment with escalating living costs, extreme levels of poverty and inequality, as well as increasing disinvestment.

Against a backdrop of a BB- grade (junk status) rating, a greylisting and low expectations of real growth in South Africa in the foreseeable future, it comes as no surprise that 115 leading SA corporations have agreed to roll up their sleeves and get involved as part of a collective effort to assist the government in rebuilding the country. Business has recognised that drastic action is required to arrest the downward trajectory of South Africa's state of governance. However, it is important that the enormity of the task at hand is not underestimated. Some critical questions need to be addressed upfront to ensure that this public-private 'partnership' achieves its desired objectives.

What will be the rules of engagement between the business leaders and the state-appointed board members of the state-owned entities being targeted for improvement and assistance? Ultimately, the state-appointed board members will still be held accountable for acting in the best interests of their organisations. With this in mind, what will happen if these board members are not prepared to take advice from the well-meaning business leaders? This scenario is not unlikely given the power struggles already evident in the public sector. It is therefore important that the terms and conditions of engagement be agreed in advance. A unified vision and strategy are required. In this regard, there is no time to waste, and egos will have to take a back seat as agile thinking and decision-making is needed to turn around failing state entities and to reignite economic growth in South Africa. The reality is that the public sector processes and systems do not currently lend themselves to the concept of agility. As such, approving effective platforms for engagement and delegations of power will be critical to ensuring success.

Furthermore, a clinical approach will be required when determining the best course of action to sustainably optimise service delivery and performance. This begs the question of whether opposing ideologies will impede and/or render ineffective (necessary) solutions before they can even be implemented. To what extent will the role of government

***The pledge states: "As South African business leaders, we firmly believe in the immense potential of our country. We are committed to building it and have come together to address the current challenges with the aim of achieving sustainable, inclusive economic growth. Through strategic partnerships and focused interventions, we have the power to make a significant and positive impact on our nation, creating hope for all South Africans. We are resolutely committed to being a force for good".***

Source: South African CEOs from over 115 companies pledge commitment to building the country (27 July 2023)

and the role of business need to be congruent? A change of mentality will be needed from both public and private representatives with the focus being on teamwork to achieve a common goal. No doubt a shared set of values will be necessary to ensure that the divide between capitalism and socialism can be bridged in a meaningful and sustainable manner for the long-term benefit of the nation. Sounds easy in theory, but definitely more difficult in practice. On the other hand, this presents both public and private sector leaders with an opportunity to unequivocally demonstrate that South Africa's broad and diverse knowledge, experience and cultures can indeed be nurtured to build a cohesive and productive nation.

As with any goal, success will need to be clearly defined and objectively measurable. Transparently communicating progress against pre-determined objectives will be essential in building trust amongst all of South Africa's stakeholders. Ideally, those involved in overseeing the improvements being implemented within the affected state-owned entities should be able to track the evolving state of governance within these entities and across the spectrum of entities being revitalised. Governance frameworks for measuring success and identifying areas for improvement will need to be considered and consistently applied to deliver timely data to facilitate informed decision-making.

The nation has a vested interest in supporting these efforts of this public-private 'partnership' and in positively contributing to resolving the challenges facing South Africa. However, to build momentum in these efforts, government must make good governance tangible to all.

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