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### COVID-19: ADDRESSING DEBILITATING RISKS REQUIRES A ROBUST GOVERNANCE FRAMEWORK

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The times we are currently living in are unprecedented. Covid-19 has once again highlighted the reasons why governance -- good governance -- is a critical function in a democratic country.

The President of South Africa made what most people believe to be a good strategic call on the national Corona virus lock-down, including the implementation of the relevant regulations intended to protect the citizens of South Africa from contracting the disease. So far, it would appear that this strategy is working and that South Africa is using the time to prepare the national health system to cope with an imminent exponential influx of patients.



In arriving at the decisions to lockdown the country -- and then later to extend this lockdown -- President Ramaphosa no doubt consulted (and continues to consult) widely with his team of advisors to ensure that the extent of the problem and its likely impact is thoroughly understood and continues to be monitored so that action plans can be adapted as required to address the changing circumstances.

Covid-19 has caught many an organisation and its leadership by surprise. Many businesses had to invoke their business continuity plans (BCPs) to ensure that at the very least their workforce could work remotely. Those organisations which were prepared were able to make the 'switch' within hours and at the most within two days. Others took much longer to get up and running with some finding that their plans were either outdated or were not properly tested nor constructed, resulting in additional costs and possibly reputational damage. For the most part however, the majority of businesses in South Africa are suddenly faced by a complete loss of revenue while still having to maintain the same cost structure. It has become evident that many business strategies did not provide for alternative routes to market or consider scenarios where products/solutions would have to be adapted to suit an arguably permanently changed business landscape. These are only a few of the Covid-19 consequences which are being faced by businesses.

Whilst the above scenarios may be resonating with some boards of directors and their executive teams, no doubt many readers would respond by saying that Covid-19 could not have been predicted; and this may be true in respect of the disease itself. However, CGF believes that those organisations which had implemented a Corporate Governance Framework® prior to the national lockdown would have been better prepared to manage their way through these types of 'unknown' risks.

Since the lockdown, CGF has hosted a series of virtual breakfast meetings, with practical discussions and demonstrations showing how a digitised Corporate Governance Framework® assists boards of directors in ensuring that every area of their business (including business continuity management and strategic planning) is being regularly assessed with regards to their governance, risk and compliance (GRC) maturity levels. The objective is to drive informed and timeous decision-making at a board and at a management level to safeguard the organisation's interests, success and sustainability.

A brief overview of the conclusions of these virtual breakfast meetings is outlined below:

1. A governance framework
  - The Corporate Governance Framework® drives a common view and understanding of the organisation's governance structures and processes with a view to improving the timing and quality of decision-making.
  - In addition -- in its simplest of form -- it gives a high level view (on a simple red, amber, green ('RAG' methodology basis) of the extent to which all the components of governance are being efficiently and effectively monitored, managed and controlled.
2. Timing
  - The timing of decisions is critical. Acting proactively, reactively or sluggishly usually distinguishes those organisations that succeed from those that fail. Never has this been more true than in today's lockdown environment. Many businesses are currently faced with restructuring decisions; the trick will be to know when to start executing these decisions to ensure business continuity. The Corporate Governance Framework® will assist in identifying those areas of the business which require more immediate decision-making.
3. Reliable information
  - Acting upon non-verified information, or unreliable sources of information is in itself a recipe for disaster. Equally dangerous, is acting when certain key information is weak, or missing. It's critical for leaders to understand the necessary and relevant information at the right *time* and *place*. The Corporate Governance Framework® through its governance assessments can assist the board and management in addressing one of its biggest challenges: acknowledging what is not known and / or understood, and then trying to appropriately fill these knowledge deficiencies.
4. Evidence
  - The burden of proof cannot be over-emphasised. Hard facts and evidence need to be presented and commonly understood. The Corporate Governance Framework® requires evidence to support any GRC assessments and helps to ensure that decision-makers are better equipped to vary their decisions and instructions in line with the organisation's risk appetite and risk tolerance levels. Having your evidence readily available shortens the time for decision-making, especially during a crisis.
5. Co-ordinated approach and communication
  - The Corporate Governance Framework® helps eliminate 'siloed-thinking' and enables a greater cohesion between functions, departments, divisions and geographic regions. A better understanding of the 'big picture' and how every area of the business is inter-related, helps to instil an innovative culture and is particularly valuable when the business is faced with the need to drive a sudden change in strategy or achieve improved efficiencies and altered cost structures.



- Bridging the communication gap between management and the board also holds immeasurable benefits for the organisation in ensuring that decision-making is authorised, transparent, supported and coordinated both during 'normal' trading circumstances and times of crisis.
6. Roles, responsibilities and competencies
- Every board will agree that everyone in the organisation must understand their role and responsibilities that need to be executed to successfully and sustainably achieve the organisation's mandate.
  - Although many businesses implement a job-grading system and would claim that their job descriptions are well documented and implemented, the governance assessments (performed through the Corporate Governance Framework®) often identify gaps between the existing skills and qualifications base and the desired skills and qualifications base required to meet the organisation's strategy and implement its operating plans in accordance with the organisation's policies, procedures, performance agreements and ultimately best practice. Having a good (prior) understanding of the organisation's strengths and weaknesses in this regard will facilitate the implementation of risk mitigating initiatives.
7. Transparency and ethics
- Inconsistent, ill-conceived and uncoordinated decision-making undermines trust in the organisation and its leaders.
  - Ethics lies at the heart of the Corporate Governance Framework®. Instilling a values-based approach to management helps to empower employees to make decisions which they believe are in the best interests of the organisation and it builds a culture of accountability. Against this backdrop it becomes easier for the board and management to implement change while remaining within their risk appetite and risk tolerance parameters.
  - The governance framework dashboard not only helps to prioritise resource allocation, but also serves to underpin transparency and drive performance. These values become even more critical during times of crisis when stakeholders are looking for reassurance that the business will be able to manage the risks (known and unknown) and continue to be sustainable.
8. Impact of the governance framework on the organisation
- Correctly implemented, the Corporate Governance Framework® facilitates informed and timeous decision-making which makes the business more agile and resilient in respect of risks. In these current times, being able to respond quickly to changing market conditions is a strategic differentiator.
9. Benefits for the board
- A strong board comprises different personalities with varying skills and experience backgrounds. The Corporate Governance Framework® enables the chairman of the board to positively harness the strength of such diversity to create value for the organisation by adopting a disciplined approach to performance management.
  - In addition, the non-executive board members have improved up-to-date access to information about the organisation, particularly as regards the organisation's GRC status.

- The implementation of the governance framework drives accountability. As such, it becomes a good tool to measure the extent to which executives and non-executives are adhering to their fiduciary duties and acting in the best interests of the organisation.

### 10. Sustainability

- The behaviour and actions taken by leaders, in the best and worst of times, is what determines the final outcome of an organisation's success and sustainability. With a thorough GRC overview, leaders are better equipped to make informed decisions, and implement meaningful actions to mitigate and or reduce the effects of any risks that may harm, or even render the organisation unsustainable.

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