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**ARTICLE**

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**ACCOUNTABILITY IN GOVERNANCE: WHO IS RESPONSIBLE WHEN AN ORGANISATION FAILS TO COMPETE?**

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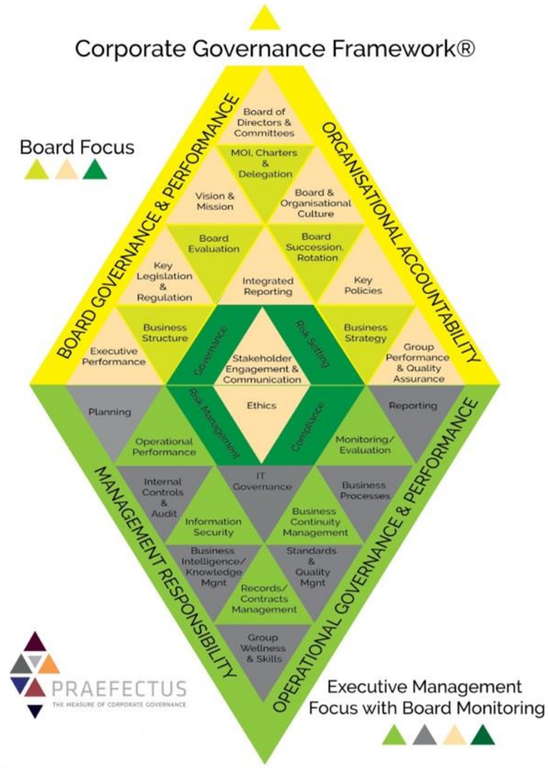
Good governance is critical for an organisation's ability to thrive in a competitive environment. It ensures that the organisation operates with transparency, efficiency and ethical integrity, while also enabling the executive management to execute strategic decisions effectively. However, when an organisation fails to adopt a robust digitised governance framework to bolster the board's oversight capabilities, the consequences can be significant, especially if it cannot compete with its peers. In this context, it becomes essential to consider who should be held accountable for such a failure, especially since many organisations purport having robust governance systems in place which are meant to ensure that the organisation's systems of controls and processes are, and remain, compliant with myriad demands whilst its leaders balance decision-making against risk and reward. The reality is that many boards do not have such capabilities and their access to timely, relevant and necessary data is restricted. This impacts their ability to properly consider and decide upon the appropriate actions required to ensure the organisation is operating effectively and efficiently, ultimately impacting the competitiveness of the organisation which could lead to its eventual demise.

A number of well-known organisations have been critically harmed, and in some cases even collapsed due to weak governance systems, despite having highly regarded board members in their leadership structures. Examples include Barings Bank (1995), Enron (2001), Lehman Brothers (2008), Royal Bank of Scotland (2008), African Bank (2014), Carillion (2018), VBS Mutual Bank (2018), Tongaat Hulett (2019) and Steinhoff (2023). Additionally, the state capture allegations involving the Gupta family, particularly their involvement with South African state entities like Transnet and Eskom, have been linked to significant corruption that had detrimental effects on the country's economy. In each of these cases, the lack of a robust and effective governance framework is telling, and perhaps a key contributing factor which resulted in their disaster and ruin. It appears that these organisations -- despite presenting comprehensive governance reports for public consumption -- did not anticipate the potential consequences of relying on inadequate or superficial governance practices.

Although this sentiment has been expressed time and again, first and foremost, accountability in governance ultimately lies with the board of directors. One of the many responsibilities placed on the board is to set the strategic direction, including risk appetite and tolerance to ensure that the organisation's operations are aligned with its goals. This responsibility includes overseeing the proper functioning of governance mechanisms of the organisation, which all culminate in the organisation’s governance framework. Internal and external stakeholders must hold the board accountable for failing to implement the necessary governance framework. Neglecting to digitise the organisation’s governance framework and processes which strengthen transparency and facilitate data-driven decision-making, will negatively impact an organisation’s ability to compete.

Executive management also plays a critical role in ensuring the operational success of the organisation. While the board sets the strategic vision, the executive team is responsible for executing that vision through its planning and operations. If the organisation faces challenges in competing, management should be held accountable for not addressing governance weaknesses or for failing to advocate for the implementation of digital governance tools that enable better control over operations. In this regard, the role of the Company Secretary also becomes critical especially given their broad functions and governance reporting requirements. Understandably, in a fast-paced and technology-driven environment, relying on outdated methods of directing and controlling an organisation can hinder its ability to stay competitive.




Let’s not forget shareholders and other stakeholders who also bear a degree of responsibility, particularly if they fail to hold the board and management accountable for governance shortcomings. Active engagement from stakeholders is necessary to ensure that organisations uphold high standards of governance. If stakeholders are complacent in their oversight duties, they too should share the blame for an organisation’s failure to adopt a digitised governance framework.

In conclusion, accountability for an organisation’s failure to compete due to poor governance systems and practices should be shared across the board of directors, executive management, and its key shareholders. Collectively, these parties must ensure that the organisation is positioned to compete effectively and sustainably in a dynamic environment.

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