

## The Challenge of Ethics and Governance in South Africa's Crisis



Corruption, negligence, lack of education and resources are some of our country's most prolific challenges and yet the underlying threat lies in leadership. Above all else, South Africa is facing a leadership crisis across the board and there is no shortage of examples;

I often wonder what it is about the public sector that attracts such rampant corruption and governance irregularities. Eskom, Transnet amongst others including political parties themselves showed us the extent to which the public sector remains and even escalates in crisis.

Yet 2019 highlighted shocking and wide scale private ethics scandals and failures too. EOH was found to have irregularities to the value of some 1 billion odd Rand. Indeed 50 companies were blacklisted after EOH found fake work and overbilling abnormalities. There was PwC's forensic investigation into Tongaat-Hulett's financials and operations, which pointed to serious accounting irregularities and corporate governance failures

Of course we dare not leave out the epic Steinhoff saga with its own revelations of fraudulent accounting. And it doesn't stop there, there's the point of food safety shortfalls at Tiger Brands, MTN's failure to implement necessary legislation in Nigeria and countless others.

So what is the issue leading to such catastrophic disasters? Is it Greed? Short-sightedness?

*FOMO is not just a thing that grips your mates on Facebook or Instagram; fund managers who are paid on short-term performance also hate being left behind. So when share prices start running, they have been known to stop asking important questions and go along for the ride - taking your pension fund, and your future, with them. ~ Bruce Whitfield*

We can almost understand this from fund managers given their focus on the numbers and obsession with upwards trends but boards and EXCO members? Boards are typically comprised of astute, smart and experienced individuals. So why is this high calibre group of people failing?

*Whilst a great deal of effort has been devoted to making boards of directors more effective, the continuing cases of board failure put their efficacy in doubt. That is because all the reforms are aimed at ritualising governance and not at addressing the core issue - board behavior. (Bloomberg)*

There's no shortage of guidance regarding governance in South Africa. Indeed it was our very own Mervyn King who lead the way in shaping governance for boards and organisations for the past two decades.

Absolutely the game-changing implications of technology and digital innovation, increased need for engagement from stakeholders and environmental issues mean that the role of the board has become increasingly complex. These aspects however should all drive a sharper focus on positioning the company for the future. (KPMG Board Advisory)

No this is not about governance and nor is it about time. This is about the behaviour of leadership. This is about the realisation that what once worked, no longer yields results and that we are being forced to face and embrace **The New World** in a completely different approach.

The greatest illusion, not just to boards and EXCO teams but to us as a people is that the future will continue in the trajectory of the past and that incremental changes will yield success. In the connected economy of disruption, uncertainty and volatility its a new approach of outside-in, future back approach that is yielding the greatest positive shifts. This means a difference in the way that boards and leadership relate to each other and their stakeholders and even a close inspection of who those stakeholders are. It means looking into the future and working back instead of the conventional forward shuffle that is so often enlisted in leadership.

It's not the typical approach but if the definition of insanity is doing the same thing over again and expecting a different result, perhaps this is just the solution to the systemic challenges we find ourselves in?