

# CGF - Bringing global business together

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So often overlooked by even the largest organisation, the concept of Corporate Governance is one of the most crucial facets in a truly successful, sustainable company. Since 2004, instilling and developing these principles that unite not only individuals within a business, but global enterprise as a whole, has been CGF Research Institute's primary focus.

**Long esteemed as one of the most crucial systems surrounding the functioning** of modern organisations, the importance of corporate governance runs through every conceivable major facet of a successful company. In the broadest sense, it is a system that governs regulatory and market mechanisms, and the roles and relationships between a company's management, its board, its shareholders and other stakeholders, and the goals for which the corporation is governed. CGF (Corporate Governance Framework) Research Institute (Pty) Ltd is entirely cognisant of just how crucial such sound corporate governance principles and high ethical values have proven to be in the constructing of a sustainable enterprise, viewing the concept as one which transcends the boundaries of any individual profession, process, horizon or hierarchy and vital to organisations of all sizes throughout South Africa.

Established in 2004 in South Africa, the central aim of CGF is described by its company CEO, Terry Booyens, as the desire to, "assist any type of business large small or medium, including government and non-profit organisations -- essentially at the executive or C-suite level -- to understand the various nuances attached to what we term 'good corporate governance'." To the uninformed, this concept of good governance may only extend to simply complying with those stringent codes of practice in evidence throughout global business: "Through having an uniformed board, an organisation will simply believe that governance is nothing more

than following rules and regulations, or separating the duties of some of its executives and calling for more independence, or not taking as much salary and profits from the coffers of the organisation," delineates Mr Booyens.

"That's pretty much where an uninformed board may position itself in terms of saying that it is 'well-governed,'" he explains, and this is where CGF is required to perform some of its most vital, educative work: "Companies will collapse through poor governance, and thus we feel that more than the C-suite needs to be involved, such where the topic is more widely applied and understood."

Evidently, then, a company cannot be expected to survive without a firm understanding of what sound governance actually entails, and Mr Booyens makes clear how its principles run so much deeper than may have been traditionally thought. It is still true that the topic must focus on the obeying of the relevant laws, and applying recommended governance codes such as King III, but for the modern day company, sound governance is altogether more all-encompassing: "Clearly, good governance is really about the discipline of the business. It can't be that the discipline is only practised at the level of the board. At best, the discipline of the organisation must be infused at all levels. This must be passed down, from the very top of the organisation to the very lowest levels of its operations," says Mr Booyens.

Constructing a universal discipline within an organisation - an ease of implementation and the sense



that the principles can be passed easily throughout the various levels of the business, ensuring that everyone involved is reading from the same page – may be a daunting prospect for a newcomer.

This concept of 'infusion' is central to the various successes of CGF's work, and instilling these disciplines within an organisation allows for the tackling of major global questions. To underline the extent of the sheer influence that can be had by the instilling of sound governance, Mr Booyens uses a universally prevailing

question in modern business ethics: "The topic now goes well beyond the issues contained within many of the recommended governance codes found across the world; now we must consider the implications of global warming, integrated reporting, corporate greed



Terry Booyens CEO

and corruption as just a few critical examples." As such, according to CGF, the board and the instruction coming from within is no longer the only entity within the company who are responsible for good governance.

Through the infusion of good governance, all the subjects of the organisation share the responsibility to ensure that their joint and individual actions and behaviour are aligned to the organisation's ethical values, policies and accepted business practices.

"It must also be extended to the clerk within the organisation who also understands the importance of good governance and what it means in practical terms at their level. Every person

needs to understand why sound governance is so critical to an organisation, and ultimately to the 'ecology' of a business environment."

These clear principles that CGF works to instil go on to reap huge benefits for individuals within an organisation, but the influence of sound governance can extend even further.

The 'world environment' that Mr Booyens depicts is simply an extension of the smaller example of a single company. As Mr Booyens makes clear, the discipline must be understood by all the personnel throughout an organisation, in order for its effective progression through future directives. In much the same way, the ultimate aim of CGF Research Institute is that the understanding of good governance becomes a universally adopted principle.

"If only one company, or similarly, if only one department or person sees the value and practices good governance whilst others do not, then it becomes a question of why are we even bothering?"

"Of course we know better than to give up; good governance is premised upon a basic universal truth that we want good done unto ourselves as we are expected to do good with others. Accordingly, we have to get every like-minded individual to understand what



**“good risk-taking by an informed board will put more profit on the bottom line.”**

good governance is about and transfer this knowledge throughout the organisation to ensure better and more ethical business practices occur.”

However beneficial the governance proves to be to a company, Mr Booyens also recognises -- without any ambiguity -- the fundamental reason behind the establishment of businesses with whom CGF work; businesses need to make profit.

Indeed, in an increasingly regulated economy, one must be ever wary not to, “over regulate, or over-prescribe the risk within the organisation on an uninformed basis because, ultimately, a company is established to make profit.” When an organisation blindly accepts any risk as ‘a risk’ and over-prescribes the issues, their actions can have a negative implication to the company’s bottom line. Conversely, when an informed board applies their mind to some of their risks, these risks may in fact become business opportunities and through proper governance processes and good risk-taking, will put more profit on the bottom line.” What then becomes crucial is the ability of a company to strike that often-sought after balance; matching good governance against good risk-taking.

“Regrettably, many organisations around the world do not link governance with good risk management. They

tend to put governance in a box, and it becomes no more than a tick box exercise,” says Mr Booyens. This is the exact opposite of what CGF is calling for.

At present, governance can end up being merely a means for a company to provide, both internally and externally, what Mr Booyens terms “good news” through their compliance with the respective laws, charters and regulations. Although clearly important that good rules and regulations are both founded and subsequently followed, it is the understanding of what laws are most important to be adhered to on a core basis as opposed to a secondary basis. Thus, the company is then able to calculate risk so much more effectively, whilst not transgressing these laws, as opposed to those who do not have this understanding and, “tend to put everything as a top risk.” Ultimately, it is a crucial factor in determining whether an organisation is likely to prosper, and another is, “quite frankly, going to haemorrhage.”

It is the proper mitigation of the risks taken by a company board that is central in ensuring that the organisation remains ethically driven, relevant, profitable, and sustainable - four key markers of any successful company.

CGF Research Institute can also lay claim to being entirely unique in the services and products it offers

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**Information for competitive edge**



and to the best of its knowledge there is nobody else providing the nature of its governance services and products in South Africa. This, of course, would be meaningless without the unequivocal backing of the organisations CGF is called upon to 'educate' and assist in developing sound corporate governance principles and high ethical values.

As more organisations place trust within CGF, considering CGF's broad knowledge within the governance sector, CGF is also requested to evaluate the performance of both the board and the organisation as a whole, internally and externally. Such evaluations are vital, "so that the shareholders and other stakeholders can have a greater degree of confidence and understanding of what it is that the organisation is doing and their performance," says Mr Booyen.

With a client base constructed in the main of listed organisations, CGF has both approached and been

approached by organisations spanning the financial sector, the mining industry, government departments. "Each month we provide our clients new information that ordinarily they wouldn't have known about," Mr Booyen adds, but this is also a reciprocal relationship. "Essentially we act as a neutral repository of information. For example, corporates may say to us in a given month, that the National Development Plan of South Africa or the UK Bribery Act are critical to understand in terms of their strategy and operations." Even for a company as well-learned as CGF, such unfamiliar topics do still crop up, and this is when CGF is able to glean from its clients, who may be better informed, exactly what this initiative is and what its implications are likely to be.

"We are then able to check with our remaining clients as to whether they are aware of such topics, and whether they too would like to benefit from learning about the

possible implications to their organisation," says Mr Booyen.

This continual uncovering of vital governance information and knowledge transfer is where, as Mr Booyen puts it, "we know we are onto something good. We can then go and do all the research, and within six to seven weeks we have then completed our research on those particular topics. We are in fact bringing to bear those who don't know, as opposed to those who do, and enabling everyone to be placed on a level playing field every single month." To furnish this with an important example, Mr Booyen estimates a figure of as much as 60% of companies in South Africa have no understanding of the implications on their organisations in terms of the UK Bribery Act of 2010.

It is a misunderstanding of the rules in place that is, at present, causing many companies to be unnecessarily cautious when, in fact, in the latest Companies Act of 2008, the regulator permits certain alteration to some of the Act's provisions. It is, according to Mr Booyen, an absolutely fundamental reason behind why many organisations are currently missing out on productivity and profitability. Again, it is a central factor in separating the most successful organisations from those who are, in a sense, afraid to tackle the risks

head-on.

"The less you want to run towards this topic, as opposed to running away from it, or the more you turn it down and somebody else embraces it, the more the ignorant party will be left behind in the regulatory universe," says Mr Booyen.

In this instance, a simple example of a shoe company highlights the importance of getting ahead in the governance, risk and compliance arena. "The organisation that understands that both shoe companies have one hundred Acts to consider in their compliance universe -- but that only ten of these Acts are core in a given period of time -- will only address the ten Acts in the first instance and gain the advantage. Whereas the company who does not apply their mind given similar circumstances, and blindly instructs their head of risk compliance, audit or legal department to address all one hundred Acts at once, unlike the former company, will

understandably lose their competitive advantage."

The cost attached to complying with all one hundred Acts at once, when this may not have been necessary, is far more taxing to the company. Not only does this unnecessary compliance bring with it a large financial burden, but it also impacts efficiency in a much wider sense, taking up the time and resources of more people, more systems, and necessitates a greater level of bureaucracy.

So much of modern day business is centred around having the upper hand, both internally and externally, over the surrounding competition, but Mr Booyen also underlines the potentially colossal consequences attached to a below-par cognisance of organisational and governance matters.

"In South Africa, it is 'all for one and one for all'. The law has changed in this respect, so it is fundamentally flawed for any member of an organisation's board to believe that they are not accountable for any part of the business."

He does believe, however, that to a certain extent this grossly ill-informed viewpoint is a potentially massive catalyst for change in the country; "the day a prominent CEO in South Africa is jailed for gross negligence of their fiduciary and statutory duties owed to their companies, is the day that South Africa's executives and prescribed officers will start taking this seriously. Then, hopefully we will see a more positive change in the manner in which many of our companies are run, not least a positive turn upon the foreign direct investment coming into this country."

CGF undertakes its endeavours on a two-pronged basis, with both its physical and virtual teams joining forces. The virtual team comprises a very wide representation of subject matter experts and various highly-respected organisations. The job of this bank of experts is to ensure that the work undertaken by the physical team is constantly peer-reviewed by the individuals, and thus assure its clients as to the integrity of the information being fed to them by CGF and subsequently acted upon. Information which, increasingly today, is acquiring influence over the entire collectivity of worldwide organisations. Instilling the sense of a shared responsibility, of clear and collaborative aims, is proving utterly vital to both the avoidance of potentially ruinous problems within the workplace and to constructing a sustainable, efficient organisation, and even more excitingly, a global template wherein the sharing of this information pushes business as a whole into previously unreachable territories.●