

Somerset West  
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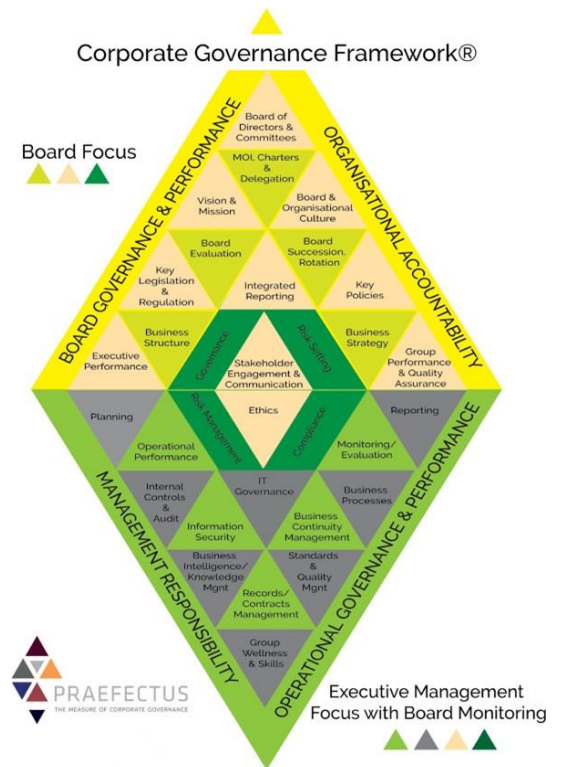
**A DIGITISED GOVERNANCE FRAMEWORK SUPPORTS A DECENTRALISED AUTONOMOUS ORGANISATION (DAO)**

By Terrance M. Booysen (CGF Research Institute: CEO)

**Traditional governance reporting**

With the age of digitalisation firmly entrenched -- and a global economy on the cusp of the Fifth Industrial Revolution - - forward-thinking organisations worldwide have embraced the notion of equipping their workforce for greater meaning and purpose. Considering how organisations have the technological means to streamline their business processes, which often has negative implications upon mundane and/or highly repetitive job functions, these organisations understand the importance of a more ‘human-centered’ approach to conducting their business which is fundamental to their future and sustainability. Given the focus on human empowerment -- being one of the 6-capitals cited by the King Report IV™ for Corporate Governance -- the importance of collective governance assessments made by a much broader stakeholder group of the organisation could not be more important.

Increasingly, the more traditional and centralised top-down form of **governance** reporting typically presented in the organisation’s Annual Integrated Report is becoming less attractive and meaningful. The majority of these reports, which are generally prepared in isolation from the organisation’s broader stakeholder community, are typically drafted by the Company Secretariat assisted by the marketing department or outside advertising agency and then presented to the board for approval and publication. This exercise is yet another form of ‘tick-boxing’, and it aims to solicit some form of validation from (primarily) shareholders about the leadership and work being done by the board. Such an approach may explain why so many organisations across the globe have suffered major governance setbacks, or even complete failure, in spite of their audacious governance reports found within their Annual Integrated Reports which generally lack comparable, sufficient, measured, corroborated and broader governance information that extends



across all the strategic and operational areas of the organisation's business. In other words, there is insufficient governance information coming from the broader community within the organisation, including the external auditors that corroborates the real governance situation.

### **What is a decentralised autonomous organisation (DAO)?**

With the advent of **blockchain**, and a focus toward decentralised control (and decentralised power), the maxim that everyone owns something and plays a part, no matter how small, is relevant. To this point, everyone is responsible for their part in the governing equation and the collective of many small parts that make up the whole, comes to mind.

Similarly, a decentralised autonomous organisation (DAO) relies upon all its members (internal stakeholders) who share a common goal to act in the best interests of the organisation, and who participate in its management and decision-making. The organisation does not have a central governing body (a board of directors) but relies upon the vested stakeholders to act responsibly to ensure its sustainability, notably so in a bottom-up approach. In such a structure, there is a mutual interest to protect the organisation and therefore its governing philosophy understands the consequences of 'cause and effect' impacts, moreover the importance of assessing the governance strengths and weaknesses across multiple levels, on a continuous and dynamic basis.

### **Meaningful governance and reporting**

Through the use of a digitised governance framework, instead of a select group of people reporting once a year on the organisation's governance activities, all key managers are involved in assessing the day-to-day governance activities, moreover assessing the status and maturity levels of governance within the organisation. Each of the managers representing departmental functions, has the responsibility to understand precisely what governance aspects are required of them, be these obligated by legal prescripts, codes, policies or contractual obligations and the like. Due to the decentralised governance processes, a true and accurate account of the required governance aspects, supported by evidence, is required by all those appointed within the digitised governance framework. The outcomes showcase a true 'nett position' of the governance status and maturity levels within the organisation, moreover reflecting critical areas of governance strengths and weaknesses.

This multipronged governance approach, which is managed, measured and compared on a daily basis -- enabled through a digitised governance framework -- provides the board, the executive and key stakeholders a far more meaningful way of rightsizing governance issues, as well as allowing the organisation to redeploy scarce resources on a case-by-case or on-demand basis.

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## **Institutional investors and stakeholder activists**

There is a case for the two types of governance approaches and reporting covered in this article. On the one hand, a smaller organisation may not necessarily feel it is appropriate to digitise its governance processes in order to track, manage and audit their governance efforts, notwithstanding the likely consequences for non-compliance. However, for any larger organisation, including state organisations that face an ever-increasing number of informed stakeholders who demand the highest standards of governance, the extent and frequency of governance reporting are very different. It is these same stakeholders who are usually the first to report inconsistencies, including governance irregularities, and who have the power to inflict immense damage on the organisation's bottom line and reputation.

A mindful board that understands the value and importance of good governance and regular reporting, will most certainly avoid a once-off declaration of its governance performance, or meaningless, unsubstantiated governance reporting to its stakeholders. Akin to the operational nature of a DAO, the board and the executive will insist upon a pragmatic way of regularly assessing and reporting on the multi-tiered governance performance across the entire organisation.

### **ENDS**

Words: 891

### **For further information contact:**

Terrance Booysen (CGF: Chief Executive Officer) - Cell: +27 (0)82 373 2249 / E-mail: [tbooyesen@cgf.co.za](mailto:tbooyesen@cgf.co.za)

Jené Palmer (CGF: Director) - Cell: +27 (0)82 903 6757 / E-mail: [jpalmer@cgf.co.za](mailto:jpalmer@cgf.co.za)

CGF Research Institute (Pty) Ltd - Tel: +27 (0)11 476 8261 / Web: [www.cgfresearch.co.za](http://www.cgfresearch.co.za)