



**Have
South African
Director's challenges
changed as a result of the
King Commissions 1 and 2?**

Mark Peters



“Directors have awesome responsibilities and they must be properly prepared to carry out their duties”

King Report 1994

Background

“The lack of corporate governance practice in the private sector is appalling”

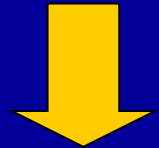
*Judge Denis Davies
Cape High Court Judge 2001*

“The Former CEO’s contract broke every corporate governance rule in the book”

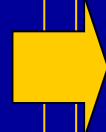
*Business Day – 31 May 2001
Referring to Coleman Andrew’s contract with SAA*

COMPETING FOR VALUE

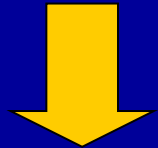
- Cost
- Productivity
- Quality
- Cycle Time



More efficiency in the existing business model



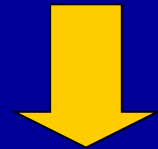
- Globalization
- Deregulation
- Privatization
- New technologies



New business models, changing competitor / customer profiles



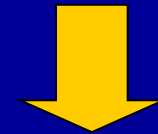
- Multi-technology convergence
- shifting industry boundaries and definitions



New game, new rules



- New industry creation
- New concepts of "core"
- Pivotal competitors and dominant standards



Shaping the evolving game



- Value-creation potential?
- Competitive advantage?
- Industry leadership?
- Focus of senior management?

SHIFTS IN THE BASIS OF COMPETITION

FROM

TO

- Price / Performance → Rival Economic Models
- Format → Future Functionality
- Customer Satisfaction → Customer Lock-In
- Foresight + Vision → Control of Migration Paths
- Brands → Industry Standards

STRATEGIC ROLE & VALUE ADDED OF SENIOR MANAGEMENT

- Organizational restructuring → Industry transformation
- Reengineering core Processes → Reengineering core strategies
- Operations Management → Opportunity management
- Resource allocation → Resource leverage
- Achieving synergy → Building new competencies
- Reinforcing the logic → Changing frames of reference
- Planning, budgeting, control → Direction, stretch, purpose

“To remain competitive in a changing world, corporations must innovate and adapt their corporate governance practices . . . to meet new demands and grasp new opportunities”.

The OECD Principles of Corporate Governance

“In the context of corporate governance, a proper balance needs to be achieved between freedom to manage, accountability and the interests of the different stakeholders”.

***The King Report on
Corporate Governance***

“A board must be in a position to lead, control and monitor the business of the company. The board has a collective responsibility to provide effective corporate governance”.

***The King Report on
Corporate Governance***

“The key attribute for any director is the ability to make a meaningful contribution to the board’s deliberations”.

“New directors should be familiarized with the corporation’s operations, senior management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the board’s expectations”.

The CACG Guidelines

“The competitiveness and ultimate success of a corporation is dependent on a range of different resource providers . . . hence, the board must take into account stakeholders who may have a direct or indirect interest in the achievement of the economic objectives of the corporation”.

The CACG Guidelines

“... along with traditional financial criteria, the governance profile of a corporation is now an essential factor that investors take into consideration when deciding how to allocate their investment capital”.

The International Corporate Governance Network Statement on Corporate Governance Principles

ORGANISING AND RUNNING THE BOARD

A board may be composed of brilliant individuals and yet be ineffective. It can only fulfill its true potential as a board if it is properly selected, organized and led.

Key issues:

- Clarification of board and management responsibilities**
- Board composition and organization**
- Planning and managing board meetings**
- Improving board effectiveness**

TASKS OF THE BOARD AND INDICATORS OF GOOD PRACTICE

Provides a collective benchmark, allowing boards of directors to evaluate their own performance. There are four main tasks, each with subsidiary tasks – and all with a range of indicators of good practice.

The four main tasks are:

- Establishing vision, mission and values**
- Setting strategy and structure**
- Delegation to management**
- Exercising responsibility to shareholders and other interested parties**

BUILDING AN EFFECTIVE BOARD

Shows a number of the personal qualities and areas of knowledge most likely to be needed in the boardroom.

The six groups of personal qualities are:

- **Strategic perception and decision making**
- **Analytical understanding**
- **Communication**
- **Interacting with others**
- **Board management**
- **Achieving results**

BUILDING AN EFFECTIVE BOARD

Effective boards will have a good balance of well-chosen, competent directors, which, with the chairman's leadership, provide a team to shape the destiny of the company, safeguard its interests and ensure its profitable performance.

SYMPTOMS OF CORPORATE COLLAPSE

One man rule

Non-participating board

Unbalanced top team

Lack of management depth

Weak finance function

Combined Chairman / CEO role

UK'S TOP 10 GREATEST BUSINESS RISKS

Loss of corporate reputation

Failure to change

Business interruption

Product liability

Computer crime

General liability

Physical damage

Employee recruitment / retention

Directors' and officers' liabilities

Employee accidents

KEY STRATEGIC CHALLENGE

“What is our capacity to capture a disproportionate share of the future value which will be created in the next stage of the evolution of our industry?”