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Developing the social fabric of companies

Jul 12 2018 15:45 Michael Judin

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Naphtali Hoff, president of Impactful Coaching & Consulting, wrote that in addition to substance and essence, the concept of focusing inward to identify our deepest beliefs and passions is often referred to as "knowing your WHY".

Leadership expert Simon Sinek says that it is not enough to know what you do and how you do it; at our essence, we are most motivated by knowing why we do things. And it's through that awareness that we can best connect with, and communicate to others, that one of the most important consequences of conscious leadership is that it creates a conscious culture.

The definition I like best is that a conscious culture is a culture that embodies values, principles and practices underlying the social fabric of an entity. Conscious culture permeates an entity's actions and connects the stakeholders (all of them and not just the shareholders) to each other and to the company's purpose, people and processes.

And applying the principles of King IV utilising the recommended (or other) practices is the start of the journey, a never-ending one, to achieve the four outcomes in King IV; namely, an ethical culture, good performance, effective control and legitimacy.

King IV is the fourth iteration of the King Code and Report, the brainchild of Madiba, and given effect to by Prof Mervyn King. Although the King IV Code is a voluntary code of compliance, aspirational in its nature, three very important issues of and concerning King IV should be borne in mind.

The first thing is that in referring to the code in their judgments, the judges of the high courts of South Africa have in effect made the code part of South Africa's common law; this branch of the law is as binding as the statutory arm of South African law. The second is that directors of entities, prescribed officers (those who exercise effective control of management and finances) and committee members should bear in mind the draconian consequences set out in the Companies Act when not complying with the duties and obligations that attach to them. King IV is their guide to ensuring that they do so comply.

Finally, when things do go wrong, directors, prescribed officers and committee members rush to the business judgment rule as set out in the Companies Act. That rule provides that such persons having followed certain prescribed principles set out in the Act will be in a position to contend that they have no liability in instances where it is alleged that they did not properly discharge their duties and obligations as set out either in the Act or common law. Having complied with the code will be especially important in proving that there has been compliance with those prescribed principles.

So understanding and applying the code is not only a nice thing to do, but one should regard it as obligatory to do so.

For those that have not acted in a conscious manner within a conscious culture, it is never too late to 'fess up, apologise and ask for forgiveness. Embracing this positive and rewarding route contributes to changing one's focus from profit only, to people, planet and profit. What exciting times we live in.

As has been written, large, older companies that want to move faster and become more innovative may face challenges doing so on a pre-digital foundation. However, with the right leaders and hiring practices in place, legacy organisations can adopt the cultures of digital giants like Amazon and Google to compete with and even surpass their offerings.

Couple that with a good and sound strategy for managing an organisation's overall governance, enterprise risk management and compliance with regulations – all on a foundation of good corporate governance – and we have the recipe for not only success for ourselves, but creating sustainable entities that care about the planet and about their people also. This is what the South Africa that lies ahead desperately needs.

As I have contended, the time to act is now. If we have not already achieved the four outcomes of the code, the anxiety which automation causes will be overwhelming. And artificial intelligence causes even more discomfort, contends Ronelle Kleyn, CEO of FluidRock Governance. She explains the fourth industrial revolution as a digital revolution that is characterised by a synthesis of technologies that is blurring the lines between the physical, digital and biological spheres.

We cannot, as a foundation to all of what is coming, have space for anything but a conscious approach and a total and utter dedication to striving towards achieving greater and greater success in our never-ending journey along the path of those four outcomes of the code.

I conclude by reminding us all that culture forms the backbone of how a company does business; ethically and in compliance with, or outside the lines and potentially in violation of many local and international laws. In a recent white paper from SAI Global, titled Predicting Risk: A Strategic Culture Framework for the C-Suite, Dr Caterina Bulgarella wrote, "culture at the epicentre of it all may seem like evoking a ghostly figure. Culture is not only hard to see but difficult to understand and measure. Yet, for all its intangibles, its importance cannot be downplayed."

Michael Judin is a senior partner in the law firm Judin Combrinck Inc. He is a member of the committee that wrote the Code for Responsible Investing in South Africa (CRISA), a member of the Main King Committee, chaired the sub-committee that wrote the Chapter for King III dealing with Negotiation, Mediation and Arbitration and was a member of the Task Team that wrote King IV.

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Michael Judin is a senior partner in the law firm Judin Combrinck Inc.

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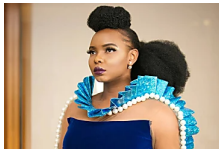
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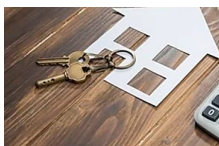


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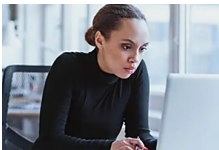
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