



## **CIPS KZN Branch Breakfast**

# The Importance of Governance and Business Ethics

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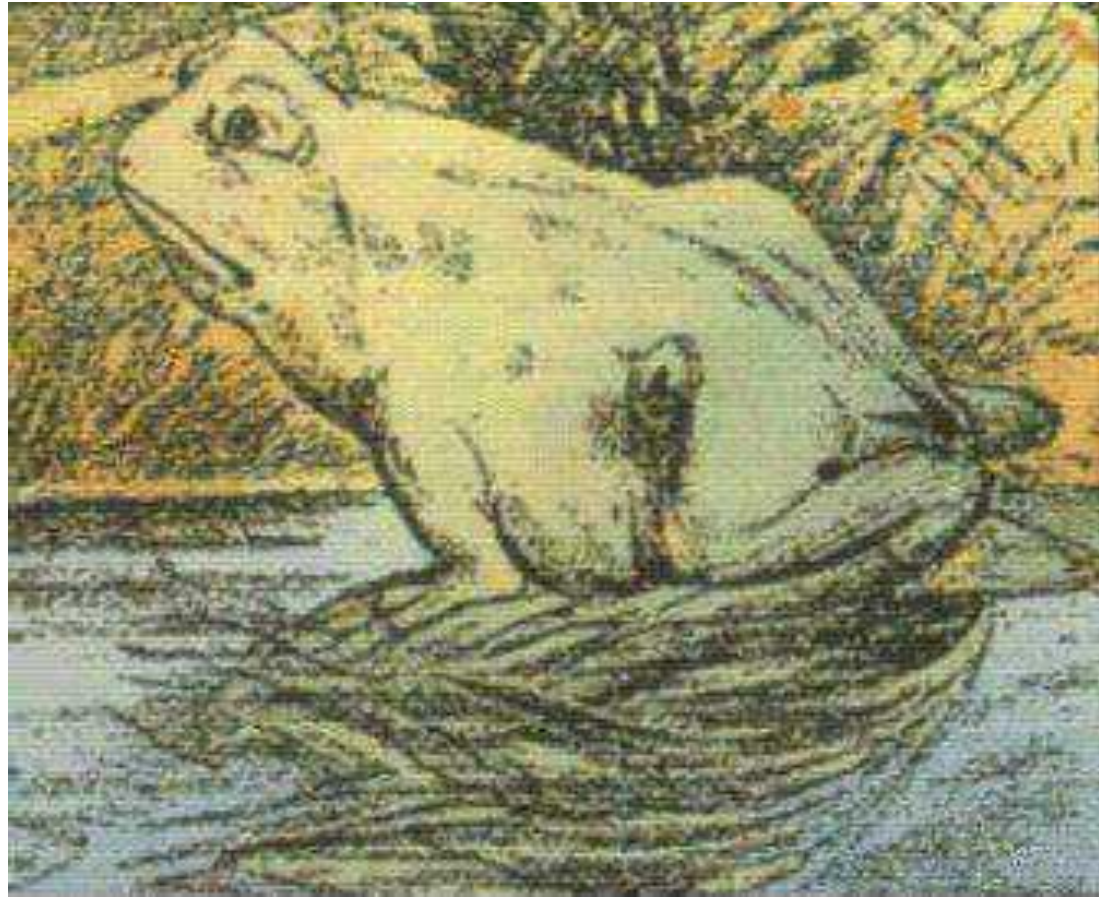
Why is it much harder to do right  
rather than wrong?

# Corporate governance

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- A corporate governance framework is a detailed governance, risk and compliance system which synchronises governance with risk and compliance. It addresses all the issues within an organisation relating to strategy, processes, technology and people.
- Corporate governance is not a once- off activity but a long term corporate **culture**. An effective governance policy recognises a governance framework and an integrated reporting system.
- It makes us look at things from as many angles as possible.....







oiaa

***“What makes corporate governance necessary? Put simply, the interests of those who have effective control over a firm can differ from the interests of those who supply the firm with external finance. The problem commonly referred to as a principal- agent problem, grows out of the separation of ownership and control and of corporate outsiders and insiders. In the absence of the protections that good governance supplies, asymmetries of information and difficulties of monitoring results in capital providers who lack control over the corporation, finding it risky and costly to protect themselves from the opportunistic behaviour of managers and controlling shareholders.” (OECD)***

## **Dog eat Dog**

***Business is a 'dog eat dog' world. The business environment is a lonely and hostile world. Either you trample on others, or you yourself will be trampled upon. To consider the interests of others would be a fatal mistake. It would leave you vulnerable and open to attack from any of the other dogs in the pack. The implication for ethics is clear. There is no room for ethics in business, because business demands that you should fight for your own interests.***

## **Nice guys/girls come second**

***It is impossible to be both ethical and successful in business. Ethics and business are opposites. Either one is unethical and successful, or ethical and unsuccessful. In short, ethics is detrimental to success in business.***



# Corporate governance principles

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- Accountability
- Responsibility
- Honesty and Transparency
- Integrity
- Openness
- Mutual respect
- Performance Evaluation
- Commitment

## **Core values of Corporate Governance**

- **Fairness**
- **Accountability**
- **Responsibility**
- **Transparency**

# Basic ethics concepts and distinctions

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## Personal Values

Assuming that you enter into a retail shop to buy a few groceries for the week. You pay for the items at the till, and you leave the retail shop. However, as you are about to enter into your car at the parking lot, you checked the change the till attendant gave you, and you realise you have been given thirty rand (R30) more than you are entitled to. What will you do?

## Basic ethics concepts and distinctions

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*There are two dogs inside me. One of the dogs is mean and evil. The other dog is good. The mean dog fights the good dog all the time. . . which dog usually wins . . . the one I feed the most.*

*- words of a Native American Tribal Leader, retold by Harold Kushner*

## Basic ethics concepts and distinctions

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**Ethics is a set of principles of right conduct or a system of moral principles**

# Basic ethics concepts and distinctions

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What is business ethics?

**Business ethics can be defined as the principles, norms and standards that guide an organisation's conduct of its activities, internal relations and interactions with external stakeholders**


# Basic ethics concepts and distinctions

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Professional  
Ethics

**A profession is a typical example of a group of people who adhere to a set of ethical standards.**



Professional  
Virtues

**A virtue is a trait that intuitively enables one to do what is right. Professional virtues are those character traits which members of a profession are expected to have , for example, virtues of an auditor are independence, integrity and objectivity**

# Importance of Ethics to the Organisation

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- **Ethics is the cornerstone of corporate governance**
- **Ethics ensures the sustainability of a business**
- **Good corporate reputation is built on a solid foundation of ethical culture**

# Importance of Ethics to the Organisation

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- **A culture of trust must be built on a corporate framework of ethical principles which are transparency/ openness, competence, integrity and benevolence**
- **Ethics play a major role in the prevention of fraud. Fraud prevention becomes a shared responsibility among the members of the organisation**



# **The Board and ethical values**

**The inclusive approach requires the Board to:**

- **Define the purpose of the company**
- **Identify the values that should guide the company**
- **Communicate company values and purpose to all stakeholders**

**Source: King II Report**

*A fish rots .....*

Why is it much harder to do right  
rather than wrong?

***Because it is the right thing to do!***



“We must use time creatively, and forever realize that the time is always ripe to do right.”

— Nelson Mandela

***Thank You***