



# SINK or SWIM: Cutting Edge Seminars

*Addressing Business Critical Issues that are changing the face of Business...*

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## **FROM THE DESK OF ROGER HITCHCOCK ([roger@sinkorswim.co.za](mailto:roger@sinkorswim.co.za)): THE NEW CORPORATE IMPERATIVE – STRATEGY-BASED COMPLIANCE**

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The new CORPORATE IMPERATIVE – Strategy-Based Compliance

(A new relationship between compliance and strategy – new roles and responsibilities for directors and decision makers.)

The new corporate landscape heralded by the New Companies Act and the King III Code of Governance for South Africa highlights the joint corporate imperatives of STRATEGY and COMPLIANCE – or as I have put it above STRATEGY-BASED COMPLIANCE. Neither strategy nor compliance are sufficient as stand alone elements in any business – they have actually never really been. Over the last few years however we in South Africa have (almost) been lulled into a sense of complacency by the relentless torrent of compliance related issues – this had led to the prevailing thinking that compliance alone will (somehow) guarantee a level of success.

The rationale (flawed as it may be) goes a bit like this:

- We are always been told to simply comply by the authorities so it must be right;
- It costs so much to simply comply that it must somehow (on its own) contribute to the success of my business – I need to see it as an investment (because this is also how it is constantly positioned to me);
- So let me comply and (hopefully) by simply complying success will somehow be “guaranteed” ...

This thinking is pretty much RUBBISH... I would go so far as to say that any level of compliance without really seeing it in a strategic light is a waste of time, effort and money!

Don't misinterpret me here – I am not against compliance (at all). I am not against well governed ethical business (at all). I am not against standards and requirements and boundaries – all within which business should flourish (when done right).

In fact I am FOR compliance and governance and standards and requirements in the same way that I (truly) appreciate the fact that the sports I love to watch (or participate in) have rules, and in the same way that certain levels of skill and fitness are required to play these sports. (My appreciation of these skills and fitness levels truly grows with every passing year!).

What (thoroughly) frustrates me is “mindless” compliance, compliance simply to comply. I have seen this pervade the South African business landscape in a number of ways;

- Business is granted simply based on how a company is structured and not whether they can actually do the work;
- People attend training simply to “get the points” or the “certificate” and not to learn critical skills that can improve their level of effectiveness (this is my pet peeve since I do plenty of presenting – I do not want to be “giving people points” I want to be imparting valuable knowledge that I trust will be used to improve business (don’t get me started on this one));
- I could go on (and on) but I am sure you can think of a few examples yourself...

So what is the way forward?

What encourages me (a lot) is the growing number of “voices” asking for REALITY. In my field (training, presenting and consulting) this is a significant move away from “points scoring” to a clearer identification of what is needed and the desire to find real solutions.

How do we grow this trend – and how do we all move in the right direction as far as compliance is involved?

Within the emerging new business landscape there are some other encouraging signs. These include;

- The STRATEGIC imperative (that I mentioned above) that is becoming more of a requirement in business decision making and implementation (this is clearly reflected in both the New Companies Act and the King III Code of Governance for South Africa);
- The resulting need/requirement/priority is for COMPLIANCE to be STRATEGY BASED – what I mean by this is that strategy provides a (very healthy) rationale for compliance. It provides the WHY behind the WHAT. It provides the reasons behind the action. It provides the “measurability” behind the “investment”;
- Corporate Decision making (and not merely Corporate Structure) is being pushed to the fore and put under the spotlight – again this emphasises the need to alignment of decision making to STRATEGY. I am sure that we all agree that decision making without an underlying STRATEGIC direction is the basis for the quote – “if you aim at nothing you will hit it every time” (also how will you really know what you have hit if you don’t know what you are aiming at). Worst still running a business through reliance purely on ones financial reporting systems (many of which are hopelessly inadequate for the future requirements) is a lot like trying to drive a car using the rear view mirror – you’ve got a pretty good idea of where you have come from but NO IDEA of where you are headed.

So where does that leave me? (You (could/should) be asking right now!)

Well let me be blunt!

If you (as directors, management team, decision makers in a business) don’t have a STRATEGIC CORPORATE PLAN that outlines a clear direction you intend to take into the future, along with some definite goals and objectives (that can be identified and measured) then you will without doubt;

- Not really know where you are going (as a business), what to measure to know if you are “on track” – and as a result have no strategic framework for corporate decision making (a slippery slope indeed);

- Fail to see the rationale behind much of the compliance and governance issues in business today;
- Consider compliance as merely a COST and not an INVESTMENT in better business (I am not saying that there is no financial implication to compliance);
- Continue to try to SCORE POINTS through compliance and not to see it as an avenue to ensuring the SUCCESS of your business;
- End up continually “playing catch-up” and remaining “behind the game” with COMPLIANCE issues and not being proactive in deciding for, designing and implementing systems that make COMPLIANCE easier and lower cost (in the long run – maybe/probably not in the short term).

In Conclusion:

“Our options are to learn this new game, the rules, the roles of the participants and how the rewards are distributed or become the best players in a game that is no longer played” (Larry Wilson).

The business game is changing; the corporate landscape is changing – SIGNIFICANTLY. Strategy (knowing where you are going) is the first step to better recognising the things we need to do NOW (comply) to get where we want to be.

STRATEGY-BASED COMPLIANCE is a new business imperative for all of us.

(For more information go to [www.sinkorswim.co.za](http://www.sinkorswim.co.za) or contact the writer at [roger@sinkorswim.co.za](mailto:roger@sinkorswim.co.za))