



INSTITUTE OF DIRECTORS
SOUTHERN AFRICA

Governance in SMEs

A GUIDE TO THE APPLICATION OF CORPORATE
GOVERNANCE IN SMALL AND MEDIUM ENTERPRISES





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The information contained in this guideline document is of a general nature and is not intended to address the circumstances of any particular individual or entity. These guidelines are for discussion purposes only and in considering these issues, the culture, nature and size of each organisation should be taken into account. Although every endeavour is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No reliance should be placed on these guidelines, nor should any action be taken without first obtaining appropriate professional advice. The Institute of Directors in Southern Africa shall not be liable for any loss or damage, whether direct, indirect, consequential or otherwise which may be suffered, arising from any cause in connection with anything done or not done pursuant to the information presented herein.



South African listed companies are regarded by foreign institutional investors as being among the best governed in the world's emerging economies; and as a result South Africa has benefited enormously. For this reason, non-listed companies (including SMEs) should also aspire to follow sound governance principles and practices, so as to reap the long term benefits such as business sustainability and stakeholder confidence which will ultimately assist with the growth of SMEs into larger well established Organisations. It is therefore recommended that SMEs consider the application of sound corporate governance to their business operations from the very outset, and not only when they have grown into a large Organisation and/or apply for listing.

What is corporate governance and what are its benefits?

Corporate governance is essentially about effective leadership. It can be used as a mechanism to create applicable processes, systems and controls as well as the appropriate behavior to ensure sustainability and long term continuity in an Organisation, and in addition, helps to ensure that decisions are made in the best interests of the Organisation and its Stakeholders.

Improved corporate governance among unlisted companies has the potential to significantly boost productivity, growth and job creation¹. The benefits of corporate governance can include, among other things, the following:

- improved leadership, decision-making and strategic vision;
- improved mechanisms to monitor and manage risks; and
- confidence of internal and external Stakeholders - such as actual and potential financiers, employees, customers and local communities - thereby securing the commitment of vital capital partners and providing assurance to Stakeholders that the Organisation is being run in an appropriate and responsible manner, with due regard to their interest.

In order for corporate governance to be effective in SMEs:

- the Organisation's key-decision makers (i.e. shareholders or owners) must be convinced of the benefits of implementing a governance framework, as their commitment is essential in order to make governance work; and
- the governance framework should be implemented in a manner that is both proportionate and realistic. Corporate governance is not an end in itself, but rather a means of adding value and providing continuity. Given the diversity amongst SMEs, corporate governance principles should be applied in a pragmatic and flexible manner with regard to the individual circumstances of each Organisation.

How does King III apply to SMEs?

In South Africa, King III is the recognised code of governance. It consists of principles (i.e. the underlying outcome to be achieved) and recommendations (i.e. proposed practices to achieve the principles). The governance principles contained in King III apply to all Organisations irrespective of the nature and size of the business. However, the extent to which the recommended practices apply to a specific business will differ from entity to entity.

The "apply or explain" model upon which King III is based, provides Organisations with the discretion to consider each governance principle and related practices in the context of their unique circumstances and to decide the best approach to achieve the desired outcome. For example, the Board could conclude that to follow a recommendation would not, in the particular circumstances, be in the best interests of the Organisation and therefore decide to apply the recommendation differently or apply another practice and still achieve the objective of the overarching corporate governance principle. Explaining how the principles and recommendations were applied, and/or the reasons as to why they were not applied, effectively results in compliance.

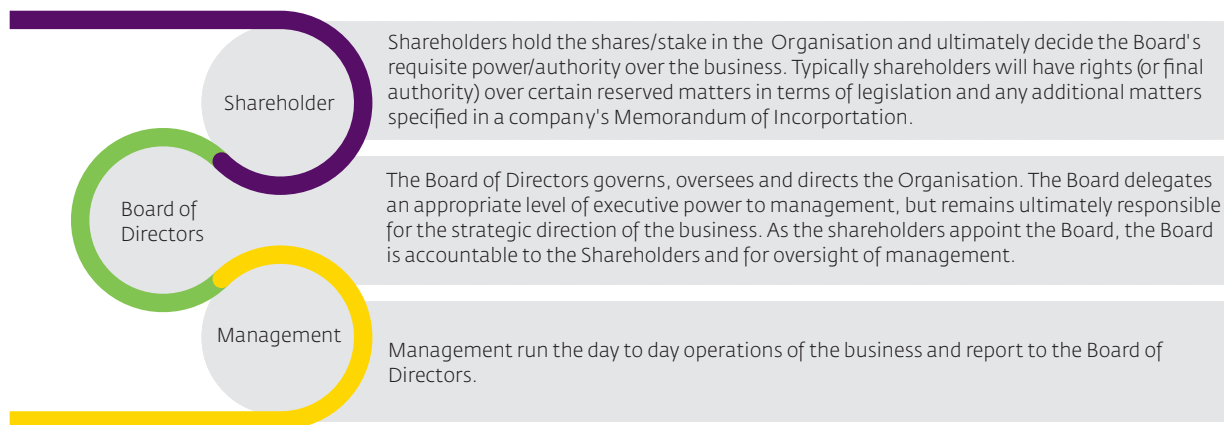
¹ See IoD UK and ecoDA a.s.b.l Paper on Corporate Governance Guidance and Principles for Unlisted Companies in the UK, Page 9, accessible via www.iod.com



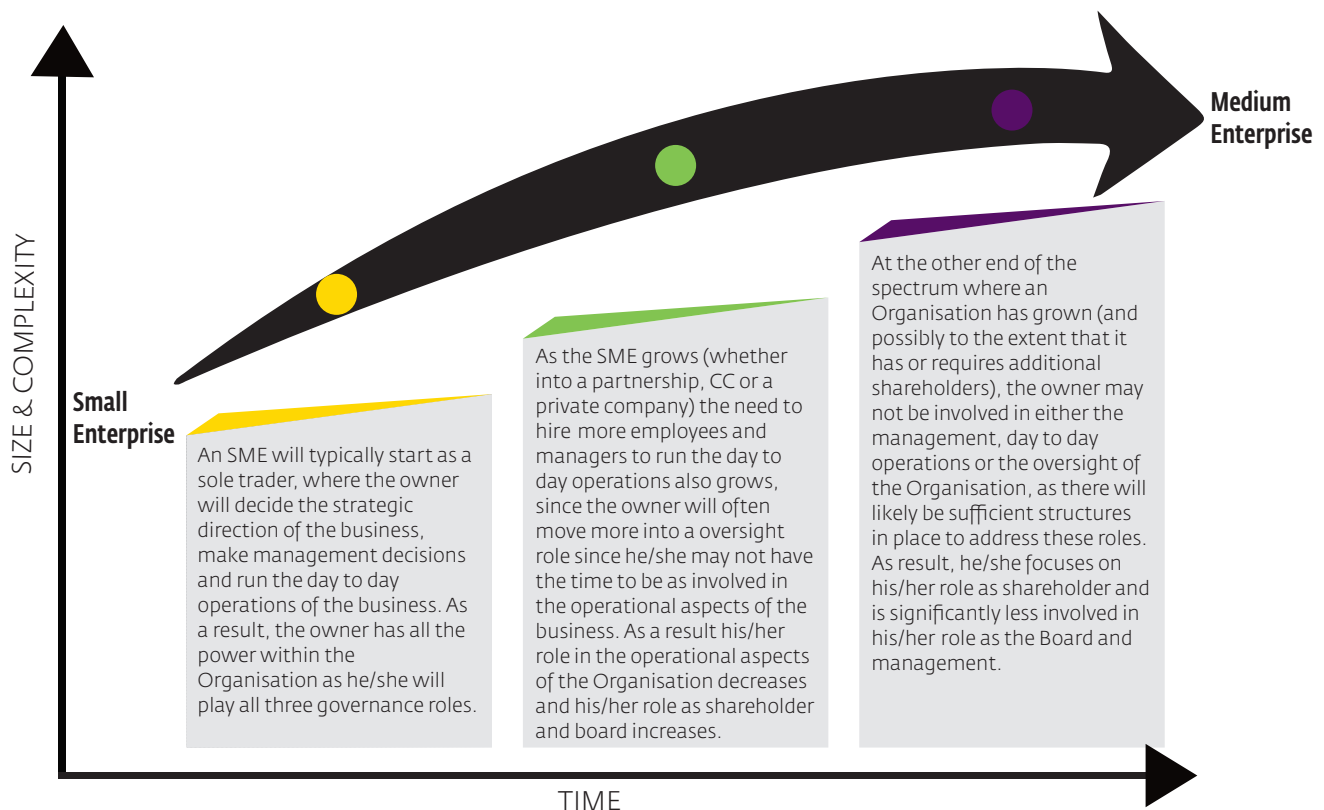
Since SMEs vary significantly in both nature and size, the extent to which King III applies to SMEs and the resultant implementation, is sometimes uncertain.

Who are the key role-players in a governance structure?

The typical governance structure of a company consists of the below three levels of authority or role players. An SME may find that these three levels of authority or role-players are, more often than not, played by the same individual(s). Whilst these specific terminologies or role players may not be required for SMEs which are not incorporated as companies, it is still important to distinguish between these different governance roles during decision-making (i.e. wear the right hat at the right time).



An effective governance framework establishes stable and effective relationships between shareholders, the board, management (which roles may be performed by the same individual in some SMEs) and other Stakeholders.



The descriptions above are merely intended for illustrative purposes to provide some guidance to SMEs on the possible role changes that may be experienced as an Organisation grows. Due to the wide spectrum in which an SME can fall within, it is difficult to cover all scenarios or stages in which an SME may find itself. The guidance provided in this guide is therefore intended to be general in nature and where possible address specific considerations for the two extremes of the spectrum.



Introduction

How to use this guide in applying governance best practice?

The implementation of corporate governance in SMEs will constantly adapt/evolve as the Organisation grows. The owner/Board therefore needs to consider which corporate governance measures are most appropriate for the current evolutionary stage in which the Organisation may find itself in at such time (i.e. the level of corporate governance required will be relative to where the Organisation fits in the SME growth spectrum).

The application of the desired outcomes and any recommendations found in this guide should be viewed in the context of each specific SME's nature, size and maturity. The idea is for each SME's Board to apply its mind to the governance principles/topics discussed and decide using their collective judgement whether the application of a principle/recommendation will be in the best interests of the Organisation and how to best achieve the desired outcome in the context of its specific business. Reference should be made to the full text of King III when applying corporate governance.

An Organisation, even if it is not required to apply a particular recommended practice due to its current framework or size, should still voluntarily elect to apply the practice as soon as practically possible, with a view to gearing itself for growth.

The single most important determinant for the appropriate governance framework is whether an Organisation is Owner Managed or Non-Owner Managed. This is due to the fact that in the different stages of an SME's existence, reliance on others differs. As this reliance on others grows, there is increased risk of misalignment between the shareholder and Board/management, which may lead to decreased organisational value. This risk does not exist in the case of an Owner Managed SME; and as such governance for these Organisations should be interpreted to follow the aspirations of the four ethical values expressed under section 1 and having regard to Stakeholders beyond shareholders. When an SME is Non-Owner Managed, in addition to these aspirations more stringent governance considerations to protect owners/shareholders should be applied.

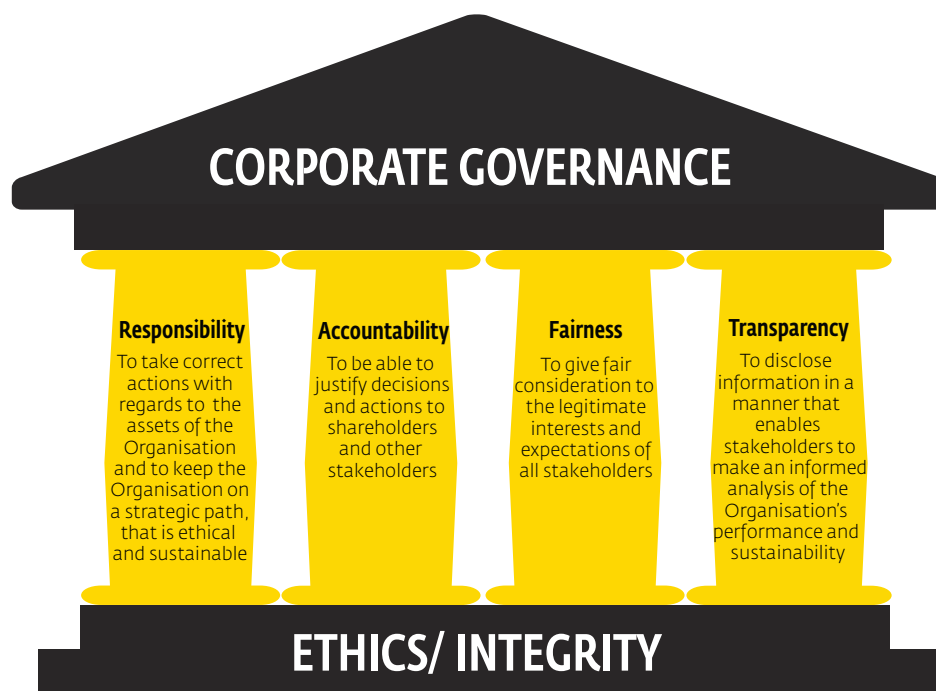


Application of Corporate Governance in SMEs

1. Ethical Leadership and Corporate Citizenship

Background

Good governance as previously mentioned is essentially about effective leadership based on an ethical foundation. This is characterised by the ethical values of responsibility, accountability, fairness and transparency. Responsible leaders direct Organisation strategies and operations with a view of achieving sustainable economic, social and environmental performance.



These fundamental principles and the ethical values underpinning them apply to all SME's irrespective of nature and size, and ultimate accountability thereof rests with the owner/Board.

Being a responsible corporate citizen implies that the Board is not only responsible for the Organisation's financial bottom line, but its impact on society and the environment in which it operates: the so called "triple bottom line" concept. Since all businesses have to a certain degree an effect on the society in which they operate, this concept is also relevant to SMEs.

It is important to understand that "Stakeholders" are not only shareholders but also include any other group affected by or affecting the Organisation's operations, such as *inter alia* employees, customers, suppliers, creditors and the community in which the Organisation operates. All SMEs (regardless of size, complexity and nature) will therefore have Stakeholders whose interests and expectations it should consider when making strategic decisions.

Application Guidance



Desired Outcomes

- **Deliberations, decisions and actions that are based on the ethical values underpinning good governance, which results in ethical leadership and improved reputation.**
- **Well-defined Organisation values set out in a code of conduct, which cultivates an Organisation with a good reputation and mitigates the likelihood of fraud.**
- **Short and long-term impact of decisions/strategy on the economy, society and environment, as well as all Stakeholders, are considered in order to align strategy with the purpose and values of the Organisation.**



The Board should govern the Organisation in an ethical manner by displaying the ethical values discussed earlier. It should also oversee that management actively cultivates a culture of ethical conduct and sets the values to which the Organisation will adhere.

Preparing a code of conduct can be a meaningful exercise to identify what the Organisation's values are and what its business, staff, management and directors should adhere to. It is recommended that every SME, irrespective of nature and size, should incorporate a code of conduct to serve as its business's ethical compass. In addition, every entity should have a strategy that is ethically sound.



TIP

Industry code of conducts can serve as a good starting point when developing your specific business's code of conduct.

Transparency can be achieved through the appointment of non-executive directors (see section 3.1 of this guide) and the annual publication of an Integrated Report (see section 4.4 of this guide). Smaller Enterprises will need to decide the extent of disclosure to external Stakeholders, bearing in mind that greater transparency is beneficial in establishing the legitimacy of the Organisation as a responsible corporate citizen in society.

The above guidance should be considered and implemented from date of establishment and throughout an SME's existence.

Related King III Principles

- Principle 1.1 & 2.3 The board should provide effective leadership based on ethical foundation.
- Principle 1.2 & 2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen.
- Principle 1.3 & 2.5 The board should ensure that the company's ethics are managed effectively.



2. Strategy

Background

An issue faced by most SMEs is strategy development, especially in an Owner-Managed SME situation. The most fundamental step for a successful business is the development of a viable strategic vision and plan, together with the identification of the Organisation's core competencies/driving force.

Strategic thinking relates to what the Organisation wants to be and/or do/achieve. Strategic planning relates to how the Organisation is going to achieve the strategic vision; which includes considering and preparing the required business plan/action plan, structures and processes required.

One of the key reasons for business failure is the lack of proper strategic thinking and planning at the outset, which if done properly would have geared the owner to consider what he/she wants to be/do with the business; to consider what he/she will need in order to achieve the strategic vision; to understand the market he/she wishes to operate in and how it works; and ultimately to consider whether or not he/she has a viable business to begin with or alternatively what he/she needs to consider or change in the plan in order to make the business viable (where possible). Proper strategic planning and the right attitude are the key to a successful business.

Application Guidance



Desired Outcomes

- **Strategy that is aligned with the purpose and values of the Organisation as well as the legitimate interests and expectations of Stakeholders, which will result in Business Continuity.**
- **Long-term strategies which take into account risk indicators, the external environment and changing market conditions, thereby resulting in sustainable outcomes.**

Firstly, the strategy must be simple and understandable (i.e. it must be clear and precise). Secondly, once the strategy has been agreed, the Board needs to understand what the Organisation's specific core competencies/driving forces are, as this will assist with the resources required and the structure of the Organisation.

The strategy development process should address the continued changing business environment and market conditions that the Organisation operates within.



TIP

A business plan is a living document that must be aligned to the strategic vision/objectives of the Organisation and which must be reviewed continuously and updated as the Organisation grows.

The Board is responsible to ensure that the strategy followed will ensure long-term sustainability of the business and for both the positive and negative consequences that may impact the community it serves within.

The key is to ensure that the governance role players are aligned on what the strategy of the Organisation is, as business activities need to be in line with this strategy.

The above guidance should be considered and implemented from date of establishment and throughout an SME's existence.

Related King III Principles

Principle 2.2 The board should appreciate the strategy, risk, performance and sustainability are inseparable.

“The successful operation of SMMEs can be accelerated by the influence of a Board of Directors. This is not always appreciated by those engaged in executive and management functions which, in reality, and with the right people constituting the Board, are facilitated by sound governance and oversight. Directors offer a diversity of experience and insights and the great advantage of being at a distance which allows greater objectivity. Who wouldn't want such benefits?”

Peggy Drodskie

(South African Chamber of Commerce and Industry)



3. Structures

3.1 Board Composition

Background

King III recommends that the Board should consist of a majority of non-executive directors and should consist of individuals with the appropriate skills, experience and knowledge to contribute to board decisions. The appointment of non-executive directors ensures a balance of power, which is important in the interest of having a degree of independence and objectivity on a Board. Independent and diverse views are imperative for the effective functioning of the governing body of the Organisation. In most SMEs there is overlapping roles and it is in these situations that the need for objective and independent views is essential due to the fact that individuals making the decisions in the Organisation may be too closely involved in the day to day operations.

Not all SMEs will be capable of having more than one independent non-executive director. However, in the interest of objectivity and balance they should aim to at least have an independent Chairman. It all comes down to the quality of decision making that one wants to achieve.



TIP

SMEs who have the ability and funds to appoint non-executive directors, should ensure that they have agreements in place with the non-executive director appointed.

Application Guidance



Desired Outcomes

- **Independence and balance of power/authority within the Board, in order to bring objectivity to decisions and to ensure that the Board acts in the best interests of the Organisation.**
- **A formal appointment process so as to ensure the appointment of people with relevant knowledge, skills, experience and capacity to perform on the Board. The quality of board members is directly correlated with the quality of decision-making, and ultimately the quality of performance.**
- **Input into senior management appointments such as the CEO, which provides the Board with some control/comfort that someone who shares the same values of the Board is appointed to run the organisation and ensures there is a good relationship between the management and the Board.**
- **Establishment of a delegation of authority framework, so that there is role clarity and to avoid power struggles between the Board and management.**
- **Transparency in the appointment process so as to maintain confidence and support of Stakeholders.**

The need for a formal board appointment process would only occur when there is a distinct split between the shareholders/owners and the directors or where there is more than one director. This distinction is likely to occur more in Non-Owner Managed SMEs. Not all SMEs will have the need to have a separate nominations committee to assist with the nomination and appointment of new directors (see section 3.2.1 on Board Committees for more detail).

However, it is crucial to have a formal board appointment process in order to ensure conformity and outline what is required by the Organisation when considering new members as well as the nomination and appointment procedure to be followed.



TIP

From a commercial perspective, the single Owner Managed SME may not be able to appoint non-executive directors due to the cost implications. However, when major decisions are being considered it is recommended that the owner invite/obtain outside objective advice/input from professionals who are not involved in the day to day management of the Organisation.



The general principles to conduct background checks, appointments to be formalised through letter of appointments and having full disclosure applies to all SMEs irrespective of nature and size.

When appointing a Chairman of the Board, the Organisation should ensure that the individual has strong leadership skills, in order to provide the necessary direction required for an effective board. In addition, effort should be made to have a independent non-executive director as the Chairman. If an SME has a Chairman, his role and functions should be formalised and his ability to add value and performance should be assessed every year.

Where there is only one owner/shareholder/director in the SME, it may not be practical to have a Chairman and therefore this principle will not apply in this context. However, larger enterprises will have a need to appoint a Chairman when it has more than one shareholder and/or more than two directors on the Board. If a SME is not in a position to appoint an independent non-executive director as the Chairman, it is strongly advised to appoint a person that has the trust of the major shareholder and is not involved in the day to day operations of the business.

The core function of the CEO is relevant to all SMEs – which is to serve as chief representative and manager of the Organisation. Collective responsibilities of management vest in the CEO and as such he/she is ultimately responsible for all management functions. The Board delegates to management via the CEO and the Board should establish benchmarks and performance indicators to hold management accountable for decisions and actions delegated to them. It is therefore important that the Board appoints the CEO, to ensure that the individual is suitable for the Organisation.

Depending on the nature and size of the SME, the CEO may well be the sole/majority shareholder or owner. The recommendation relating to the board appointing the CEO will not be applicable in this instance and the CEO (or owner) will need to ensure that he/she is capable of performing his/her duties effectively as this will be in the best interests of the Organisation. If he is not capable, he/she must ensure that he/she obtains the necessary training or consider appointing an individual with the necessary knowledge and skills.

Succession planning is also an important element that can effect a business's continuity and which is often overlooked. Owner Managed SMEs need to consider if the ultimate objective is to pass on the business to younger family members or to seek an exit from the business through public listing or sale. By setting the right governance structures in place and by starting the educational process of the subsequent generations as soon as possible in the context of a family owned business, will improve the business's odds of survival beyond the generation of the founding entrepreneur.

Succession planning should also cover contingency plans if key resources leave i.e. what is the plan of action/process/procedure to follow and who can temporary fill this role until a replacement is found. This is especially important in Small Enterprises where reliance is on a limited number of resources who often are the only ones managing a respective area/business unit within the Organisation.

The above guidance should be considered and implemented (where applicable) from date of establishment and throughout the SME's existence.

Related King III Principles

- Principle 2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO should not fulfil the role of chairman.
- Principle 2.17 The board should appoint the CEO and establish a framework for the delegation of authority.
- Principle 2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of NEDs should be independent.
- Principle 2.19 Directors should be appointed through a formal process.



3.2 Board Support Structures

3.2.1 Board Committees

Background

The benefit of board committees is that they reduce the work load of the Board, thus the Board has the authority to establish necessary board committees as may be required. Some board committees may require the appointment of additional directors² in order to have the requisite number of members and as such due consideration needs to be given to this before forming a committee.

King III recommends that all Organisations should establish an audit committee (see section 3.2.2 on Audit Committees for more detail). Depending on the size and nature of the business it is also recommended to have a risk, nomination, remuneration and social and ethics committee.



TIP

Ad hoc committees can be formed for the duration of a specific project that needs specific oversight.

A small Owner Managed SME, due to its size and nature, may be able handle the load of performing all functions without having to form separate committees.

If committees are established, a terms of reference for each committee should be developed and reviewed annually by the SME.

Application Guidance



Desired Outcomes

- **Alleviation of the workload of the Board, through the creation of smaller sub-committees to focus on key governance areas (which will function more effectively due to its composition of applicable skills and knowledge.)**

King III expressly stipulates that smaller companies need not establish formal committees to perform separate oversight functions, but should ensure that these functions are appropriately addressed by the Board. It is therefore critical that the business ensures that the right expertise is represented on the Board so as to handle the specific oversight and direction functions.



TIP

If there are no board committees, the Board must ensure that it provides sufficient time during its meetings to address all areas of oversight.

As the SME grows, depending on the key risks areas and nature of the business, it may be necessary for the SME to consider the work load of the Board and if its too onerous then consideration needs to be given to the formation of separate committees to perform certain functions and make recommendations to the Board. It is important to note, however, that the Board is still ultimately responsible for the functions carried out by the board committees.

² See IoDSA's general guidance note on size of boards, which is accessible under the Publications tab on the IoDSA website via www.iodsa.co.za



This decision tree can be used as a guide as to when these practices should be implemented:



Related King III Principles

Principle 2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.



3.2.2 Audit Committee

Background

SMEs which are incorporated as companies, will need to take cognisance of the Companies Act requirements relating to the audit committees appointment, composition and duties. In addition to this, King III recommends that all companies should establish an audit committee and define its composition, purpose and duties. SMEs that are not required to establish an audit committee through statute and who do not decide to do so voluntarily, should implement and carry out the core functions of an audit committee within the Board.

King III makes a further recommendation that the members of the audit committee must be independent non-executive directors.³



TIP

Where a Small Enterprise wishes to establish a committee to deal with audit and risk issues, but is unable to appoint three independent non-executive directors, it is recommended that the Chairman of the committee should at least be an independent non-executive director.

Application Guidance



Desired Outcomes

- **Appropriate oversight over internal and external audit, so as to effectively identify, monitor and manage identified risks as they occur.**
- **Integrity of financial reporting, so that Stakeholders can rely on accuracy of such information.**

Although it may be difficult for most SMEs to achieve the best practice recommendations contained in King III, it is important for SMEs to consider the functions of the audit committee and to be satisfied that, in the absence of an audit committee, the responsibilities as set out under Principles 3.4 to 3.10 of King III are addressed by the Board. The Board may consult external professionals if they deem necessary.

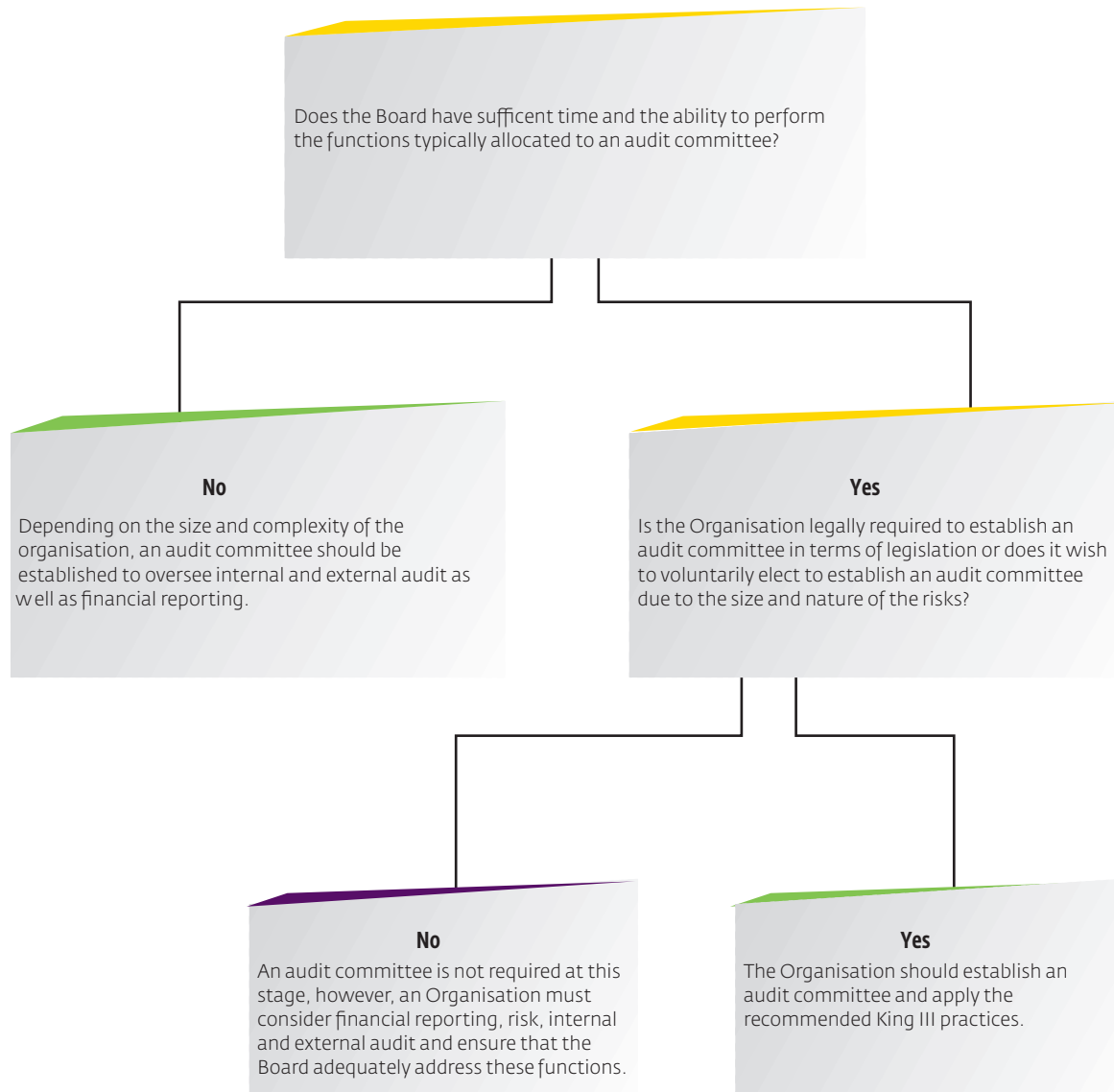
Non-Owner Managed SMEs may be able to have an independent audit committee, but most Owner Managed SMEs will probably not have this independent function due to the cost associated with such a committee. In this regard King III recommends that the audit committee's functions should be appropriate to the Organisation's size and circumstances.

In addition, the appointment of external auditors are only required in the case of SMEs incorporated as companies. The benefit of having an independent party to audit the finances is therefore absent in many unincorporated SMEs and could result in the SME being exposed to risks, that have not been identified and which may have serious implications for the business. It is recommended that SMEs, regardless of size, should have both internal and external assurance in place to monitor the business operations and deal with identified risks.

³ See paragraph 67 under Principle 2.18 in the King Report on Corporate Governance in South Africa as well as the IoDSA general guidance note on Independence, which is accessible under the Publications tab on the IoDSA website via www.iodsa.co.za



This decision tree can be used as a guide as to when these practices should be implemented:





Related King III Principles

- Principle 2.6 & 3.1 The board should ensure that the company has an effective and independent audit committee.
- Principle 3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors.
- Principle 3.3 The audit committee should be chaired by an independent non-executive director.
- Principle 3.4 The audit committee should oversee integrated reporting.
- Principle 3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.
- Principle 3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.
- Principle 3.7 The audit committee should be responsible for overseeing of internal audit.
- Principle 3.8 The audit committee should be integral component of the risk management process.
- Principle 3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.
- Principle 3.10 The audit committee should report to the board and shareholders on how it has discharged its duties.

"SMEs with a strong corporate governance structure provides comfort to lenders like SEFA, and thus enhances the SME's chances of securing finance. Governance structures will ensure regulatory and contractual oversight to the SME and provide the required support."

Thakhani Makhuvha
(CEO, Small Enterprise Finance Agency)





3.2.3 Company Secretary

Background

The company secretary has a pivotal role to play in the corporate governance of an Organisation. It is good practice and recommended where feasible to have a company secretary, as such an appointment will ensure that the directors are supported and their time is spent on their duties and not on the obligations of the company secretary. Certain companies are required to have a company secretary through legislation.

The company secretary function can be fulfilled through a qualified individual directly employed by the Organisation to fulfil this specific role or can be outsourced through the use of a company providing company secretarial services.

The critical functions of the company secretary include, *inter alia*, the following⁴:

- providing directors collectively and individually with guidance as to their duties, responsibilities and powers;
- monitoring legal updates that affect the Organisation and ensuring that the Board is kept informed of such; and
- taking accurate and complete minutes of meetings and circulating these promptly to those present.

The need for a company secretary will depend on the size and complexity of the Organisation and will mainly apply to an SME which is incorporated as a company. In other SMEs this role will be absorbed by the owner.



TIP

The Board should invite experts in various fields to address the Board occasionally to keep them up to date with governance issues if there is no company secretary.

Application Guidance



Desired Outcomes

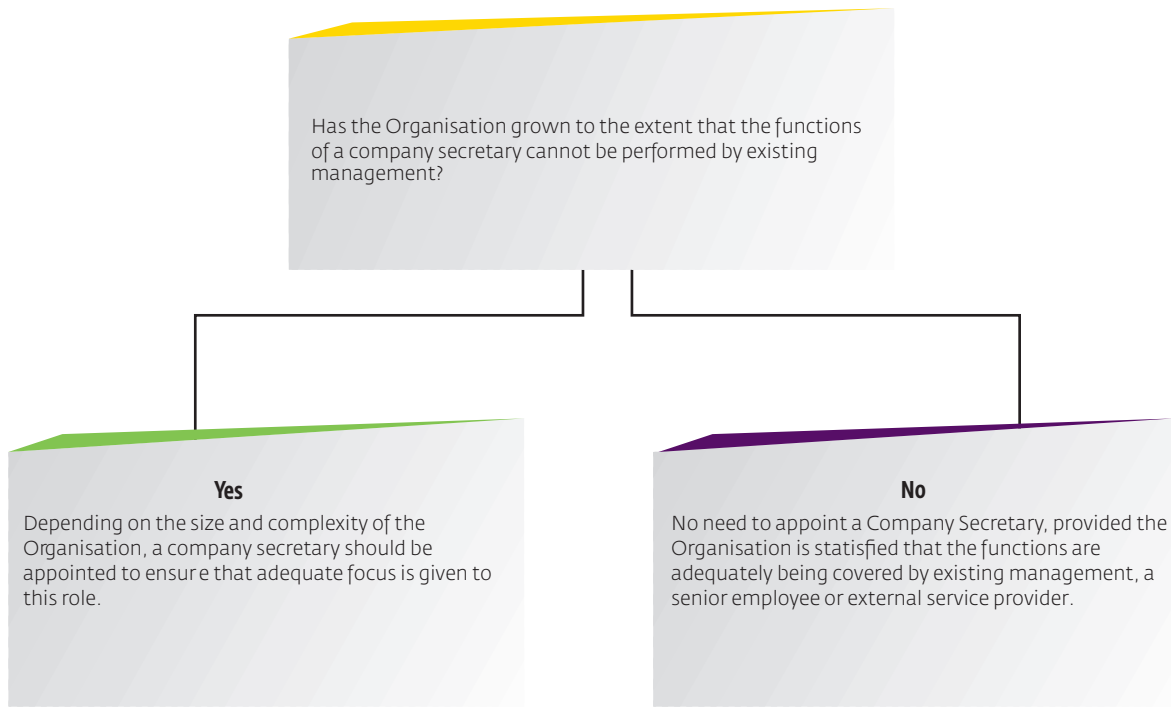
- **Effective and efficient functioning of the Board through the support of a company secretary, who will assist with ensuring that the Organisation complies with applicable legislation and corporate governance.**

While the cost of a fully-fledged secretarial function may not be justified by an SME it is important that the basics of efficient minute taking and timeous distribution of minutes is done. It follows that the Organisation should be large enough to justify such an appointment from a cost perspective.

⁴ See section 88 of the Companies Act for a full list of the statutory duties of a company secretary and see Principle 2.21 in the King III Report on Corporate Governance in South Africa for further guidance on the recommended responsibilities of the company secretary.



This decision tree can be used as a guide as to when these practices should be implemented:



Related King III Principles

Principle 2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary.



3.3 Board Performance

Background

As with other organisations, SMEs should have leaders who are well informed and abreast of latest information on relevant business matters. An assessment of how the Board/leaders have performed annually is a valuable exercise. The purpose of a board evaluation/assessment is to identify issues and areas requiring development in order to improve performance and effectiveness of the Board. It also provides an opportunity to address under-performing individuals so as to help improve their performance. Conducting performance assessments in Non-Owner Managed SMEs is crucial in order to ensure that those placed in decision making roles are performing as desired.

The purpose of ongoing director training is to ensure that directors/those in charge are kept up to date with changing legislation, rules/codes and other areas affecting the business, and have the adequate skills and knowledge to perform their roles and contribute towards the decision-making process.

Application Guidance



Desired Outcomes

- **Effective management of business, through those charged with governance having the necessary knowledge and skills.**
- **Optimal board performance through the identification of areas requiring development and continuous training, as well as regular board assessments.**

Performance assessments should be conducted on an annual basis for those in key governance roles in the Organisation (such as individual directors, the CEO, the company secretary, the Chairman of the Board, the Board as a collective and each board committee). In addition, the owner and/or directors should undergo ongoing development and training in order to enhance his/her knowledge, skill and the governance practices within the Organisation.

As the Organisation grows and new directors are introduced, induction programmes should be held in order to familiarise new directors with the Organisation's operations, environment and other relevant issues. Directors that lack sufficient experience should be trained and/or mentored regarding their duties, responsibilities and potential liabilities.



TIP

Directors should undertake specialised professional training if they are to effectively make the transition from operational manager (with a focus on one aspect of the Organisation's activities) to company director (where they must exercise oversight over the Organisation as a whole).

Owner Managed SMEs will not have a board of directors or board committees to evaluate but can evaluate the individual owner against his/her role and responsibilities⁵. This exercise will be useful to improve the owner's performance by identifying areas he/she needs to develop.

⁵ A King III Practice Note with an example of an individual director evaluation questionnaire can be accessed under the Publications tab on the IODSA website via www.iodsa.co.za



TIP:

It may not be cost effective to have independent evaluations performed every year. However, as long as in-house evaluations (by the Chairman/company secretary in the context of a Non-Owner Managed SMEs) or self-evaluations (in the context of Owner Managed SMEs) are being carried out on applicable individuals, this should be sufficient.

As the entity grows, more detailed and independent evaluations should be conducted. If in-house evaluations are conducted, it is recommended that at least every two (2) or three (3) years, an independent evaluation is done to ensure that the self-evaluations are a true reflection of the individual's performance. A way to overcome the fear of being frank in ones assessment of another, is that self-assessment forms should be completely anonymously and the responses collated and summarised by an independent third party.

The guidance above should be considered and implemented (where applicable) from date of establishment and throughout an SME's existence.

Related King III Principles

- Principle 2.20 The induction of and ongoing training and development of directors should be conducted through formal processes.
- Principle 2.22 The evaluation of the board, its committees and the individual directors should be performed every year.



3.4 Remuneration

Background

All Organisations should give due consideration to remuneration policies so as to ensure transparency and consistency in its application especially in regards to non-executive directors. Remuneration policies should be aligned with the strategy of the Organisation and should endeavour to provide value creation over the long-term. In addition, the underlying principles relating to remuneration committees are relevant to any business. A remuneration philosophy will help to clarify thinking, maintain consistency with market trends and provide clarity for senior staff members.

Use of key employees is fundamental to many SMEs and therefore using remuneration policies to retain key employees is critical to aid the sustainability of the particular SME.

Application Guidance



Desired Outcome

- **Transparency and fairness with respect to remuneration, through:**
 - **the implementation of remuneration policies and procedures;**
 - **ensuring that remuneration is linked to individual performance; and**
 - **the disclosure of director remuneration to Stakeholders.**

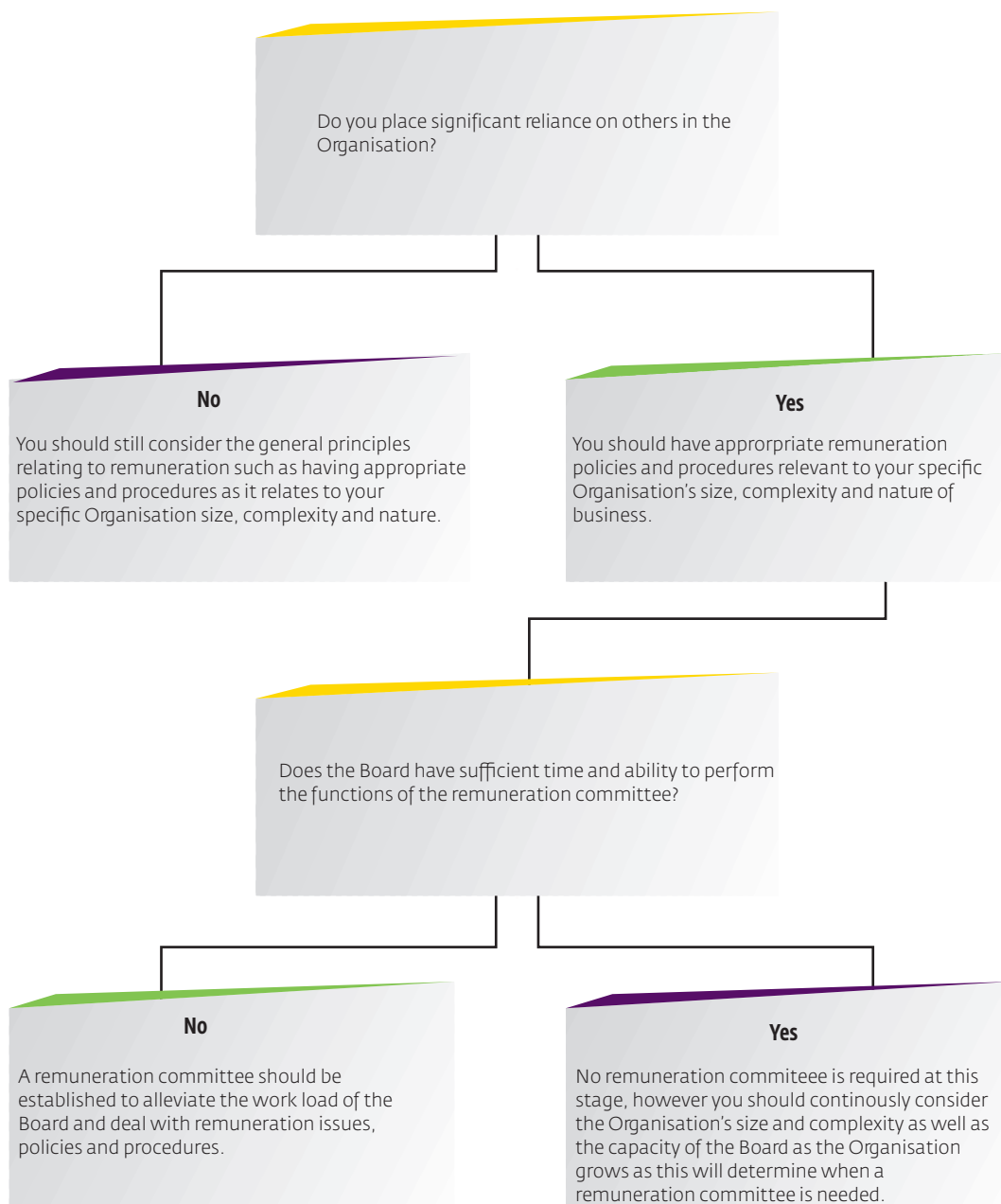
It is recommended that SMEs establish a remuneration policy even if it is very simple, as this will provide transparency and the basis upon which remuneration is calculated. Non-executive directors remuneration (where applicable) must not be directly tied to the performance of the Organisation in order to ensure independence and objectivity.

SMEs that are incorporated as companies need to comply with the disclosure requirements relating to director remuneration in annual financial statements in the Companies Act. King III however recommends that all Organisations should disclose director remuneration in the interests of transparency. SMEs which are not incorporated as companies, will need to consider such disclosure within their specific means and structures.

The underlying governance principles relating to remuneration should be handled by the Board if there is no remuneration committee. Refer to section 3.2.1 on Board Committees for more detail.



This decision tree can be used as a guide as to when these practices should be implemented:



Related King III Principles

- Principle 2.25 Companies should remunerate directors and executives fairly and responsibly.
- Principle 2.26 Companies should disclose the remuneration of each individual director and prescribed officer.
- Principle 2.27 Shareholders should approve the company's remuneration policy.



4. Responsibilities

4.1 Director Duties and Corporate Governance (Role and Function of the Board)

Background

In most SMEs the same individual will often play different roles within the Organisation. The ability for such individual to ensure that he/she considers decisions and acts from the perspective of a specific role player at different times to avoid conflicts of interests and ensure independence therefore becomes difficult, as the lines between the different roles become blurry.



TIP

Set aside separate meetings to deal with decision making outside the concerns of day-to-day management in order to see the bigger picture, develop trends and bring a element of objectivity

As an Organisation grows, its board will likely grow as well, in which instance it becomes important for these growing SMEs to have a board charter or other similar document/framework in order to formalise procedures and regulate *inter alia* the board's role, composition and meeting procedures.

In terms of company law, directors must act in the best interests of the Organisation in line with their fiduciary duties as directors. The Board is thus ultimately responsible for the implementation of sound corporate governance within the Organisation.

Application Guidance



Desired Outcomes

- **Directors who understand their responsibilities, and are able to fulfil them, in order to avoid liability.**
- **Independent thought devoid of conflict of interest, adherence to legal standards of conduct and acting in the best interests of the Organisation.**

The best method to differentiate between the different roles is to have a document setting the roles, responsibilities and duties of each role and what matters should be dealt with by each level (i.e. a governance framework similar to a board charter or delegation of authority). Such a document need be no longer than describing the role of the board and how it is different from management and then having a bullet list of functions.⁶

The general principles to act in the best interests of the Organisation and not just the shareholders/owners, to avoid conflicts of interest, and to exercise objective judgement on affairs of the entity independently from management applies to all SMEs, regardless of size. Owner-Managed SMEs need to balance self-interest versus Organisation interests. In many of the Small Enterprises there is a lack of an opposing authority and as a result the Board has full authority and is not challenged by others to account for their decisions. Decisions taken by these SMEs should strive to be honest, objective and rational.



TIP

When preparing a board charter, delegation of authority or other similar framework, consider including a list of matters that may have a material impact on the business and how these matters should be dealt with and by whom. For example, matters relating to mergers and acquisitions, sale of greater part of the assets, starting a new venture or acquiring another business etc.

⁶ A King III Practice Note providing an example of a board charter can be found under the Publications tab on the IoDSA website via www.iodsa.co.za. SMEs can utilise the example to customize a charter for their own environment.



Section 75 of the Companies Act regulates directors personal financial interests. It is recommended that all SMEs follow the processes and procedures set out under Section 75 when dealing with conflicts of interests. Most importantly directors must disclose actual and potential conflicts of interest to the Board and must recuse themselves from meetings dealing with the matter in which there is a conflict so as to ensure that their personal interests do not influence the decision making process.

The above guidance should be considered and implemented (where applicable) from date of establishment and throughout the SME's existence.

Related King Principles III

- Principle 2.1 The board should act as the focal point for and custodian of corporate governance.
- Principle 2.14 The board and its directors should act in the best interest of the company.
- Principle 2.24 A governance framework should be agreed between the group and its subsidiary boards.⁷

⁷ The principal will only be applicable if an SME forms part of a group of companies.



4.2 Risk Governance

Background

Risks are uncertain future events that could influence, both in a negative and a positive manner, the achievement of the Organisation's objectives. The Board is responsible for overseeing Risk Management. The principles in King III on risk apply to all SMEs irrespective of size. Every successful business is aware of its risks, and has processes and plans in place to address both potential and current risk.

All SMEs need to identify the risks that the Organisation could face and ensure that these are mitigated and/or that early warning systems are in place (where applicable) should these risks arise.

The fundamental principal is that Risk Management should not only be an Organisation policy document, but should be reflected in the day to day activities of the Organisation.



TIP

It is helpful for Owner Managed SMEs to document risks where possible, e.g. using a straight forward SWOT framework or risk mapping, as this will help to focus decision-making and demonstrate that directors have approached risk management with the necessary care and diligence.

Application Guidance



Desired Outcomes

- **Risks are mitigated through the implementation of a risk management policy and plan as well as adequate and appropriate risk management systems and processes.**
- **Opportunities identified through the risk management process are actioned so as to grow the Organisation.**

In Owner Managed SMEs, the owner should do everything necessary to be satisfied that the organisational risks are identified, monitored and addressed.

In Non-Owner Managed SME's, the management team will generally be responsible to ensure that risk management policies and plans are implemented, risk is monitored through risk registers and assurances provided to the Board that risks are being dealt with.

Most SMEs will not need to establish separate risk committees. However, the functions of the risk committee should be performed by the owner of an Owner Managed SME or by the Board/senior management in the case of Non-Owner Managed SMEs. If SMEs have an audit committee, this committee can carry out the role and functions of the risk committee as well, depending on the nature and size of the business.

The above guidance should be considered from date of establishment and throughout an SME's existence.



Related King III Principles

- Principle 2.7 & 4.1 The board should be responsible for the governance of risk.
- Principle 4.2 The board should determine the levels of risk tolerance.
- Principle 4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities.
- Principle 4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan.
- Principle 4.5 The board should ensure that risk assessments are performed on a continual basis.
- Principle 4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.
- Principle 4.7 The board should ensure that management considers and implements appropriate risk responses.
- Principle 4.8 The board should ensure continual risk monitoring by management.
- Principle 4.9 The board should receive assurance regarding the effectiveness of the risk management process.
- Principle 4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.



4.3 Internal Audit/Oversight over Internal Controls

Background

For most SMEs, internal audit will be about checking that specified procedures and controls are in place and being adhered to. Once an SME reaches a size where the owner can no longer manage the business by himself, the reliance on others increases. At this stage the need for an internal audit function (or a senior employee to oversee this function) starts to increase so as to provide the owner and/or directors with the assurance that internal controls are in place and being adhered to. This assurance forms a critical part of a director's/decision-maker's defence in a court of law

While few SMEs will have a formal internal audit function, the underlying principles of internal audit are important. Once risks in an Organisation are identified certain measures (i.e. internal controls) should be put in place to effectively measure these risks. The absence of well-functioning internal controls, could have a serious effect on the business.



TIP

The approach to the internal control environment should be informed by the strategy and risks of the Organisation.

Application Guidance



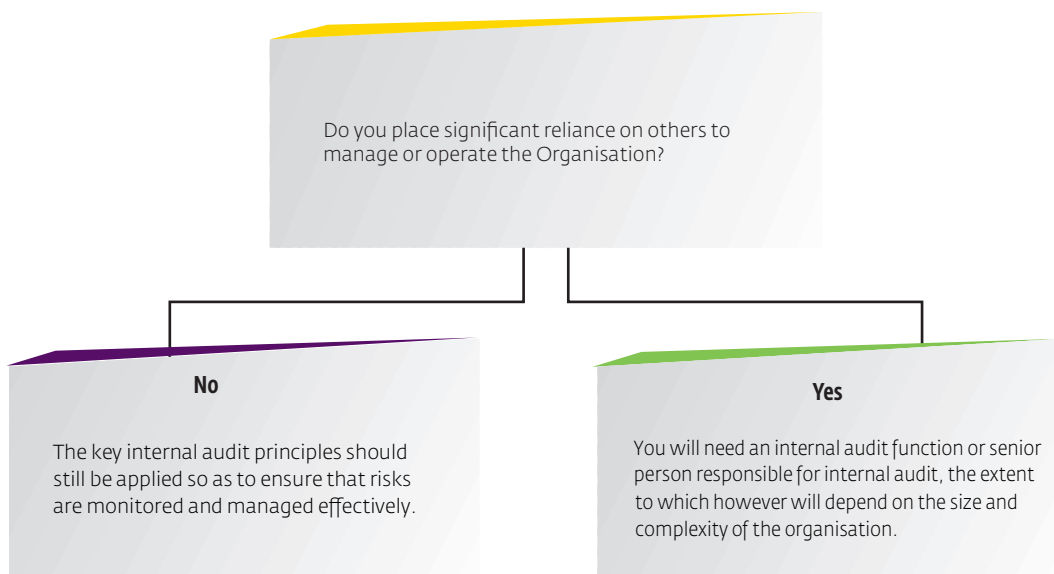
Desired Outcomes

- **Identified risks are managed through appropriate internal controls.**
- **The Board is comfortable on the implementation of internal controls, in that it provides a defence for them.**

Non-Owner Managed SMEs should either have a formal internal audit function or allocate this responsibility to a senior employee in the Organisation. Whereas Owner Managed SMEs, because they are relatively simple and the number of staff members few, may not need to have a formal internal audit function, provided the underlying functions of internal audit are carried out by the owner or an employee.



This decision tree can be used as a guide as to when these practices should be implemented:



Related King III Principles

- Principle 7.1 The board should ensure that there is an effective risk based internal audit.
- Principle 7.2. Internal audit should follow a risk based approach to its plan.
- Principle 7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.
- Principle 7.4 The audit committee should be responsible for overseeing internal audit.
- Principle 7.5 Internal audit should be strategically positioned to achieve its objectives.



4.4 Stakeholder Relations, Reputation and Integrated Reporting

Background

Stakeholders may have a material effect on the operations of an Organisation and it is therefore important that the Organisation appreciates Stakeholders' concerns and expectations. When organisational behavior does not fulfil the expectations of society and other Stakeholders, the Organisation may suffer significant consequences.

All Organisations at some stage are required to submit a report on their standing (such as for example, when applying for a loan or submitting a tender). In these instances SMEs will do well to report on the "sustainability" of their business which would require reporting on the financial, environmental and social aspects of the business. This need will vary depending on the nature and size of the business.

The benefit of issuing an integrated report is twofold:

- (1) Internally, an Organisation is able to evaluate and improve on its thinking and processes; and
- (2) Externally, it increases the trust and confidence which stakeholders have in the legitimacy of its operations, thereby obtaining stakeholder buy in and support for the objectives that the Organisation is pursuing.

King III therefore recommends integrated sustainability performance and integrated reporting to enable stakeholders to make more informed assessments of the value of an Organisation.

Application Guidance



Desired Outcomes

- **Ability to enhance and protect corporate reputation, so that good stakeholder relations foster trust which then builds credits in favour of the Organisation which can be drawn from during difficult times.**
- **Provision of a holistic and integrated representation of the Organisation's performance in terms of both finances and sustainability so that stakeholders are able to come to an informed conclusion as to the ability of the Organisation to create value in the short, medium and long term.**

SMEs should identify their Stakeholders (such as shareholders, investors, employees, lenders, creditors, customers, media and the community etc.) on a regular basis and review the various legitimate expectations that these stakeholders may have, so as to maintain a positive relationship and reputation by building trust and confidence with such Stakeholders.

Management should develop a strategy and suitable policies for the management of the Organisations relations with all Stakeholders, which should allow for constructive engagement to take place between the Organisation and Stakeholders.

Board decisions on how to balance interests of Stakeholders should be guided by the aim of ultimately advancing the best interests of the Organisation. This applies equally to the achievement of the "triple bottom line" and the notion of good Corporate Citizenship as described under section 1 above. This does not mean that an Organisation should and could always treat all Stakeholders fairly. Some may be more significant to the Organisation in particular circumstances and it is not always possible to promote the interests of all Stakeholders in all corporate decisions. It is important, however, that Stakeholders have confidence that the Board will consider their legitimate interests and expectations in an appropriate manner and guided by what is in the best interests of the Organisation.



An integrated report should be prepared every year and should convey adequate information about the operations of the Organisation, the sustainability issues pertinent to its business, the financial results and the results of its operations and cash flow.⁸



TIP

Since the emphasis is on substance over form, the integrated report does not have to be a lengthy document, but should disclose information that is complete, timely, relevant, accurate, honest, accessible and comparable with past performance of the organisation. It should also be forward looking.

The above guidance should be practiced from date of establishment and throughout an SME's existence.

Related King III Principles

Principle 2.11 & 8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.
Principle 8.2	The board should delegate to management to proactively deal with stakeholder relationships.
Principle 8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.
Principle 8.4 ⁹	Companies should ensure the equitable treatment of shareholders.
Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence
Principle 8.6 ¹⁰	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.
Principle 2.12, 2.13 & 9.1	The board should ensure the integrity of the company's integrated report.
Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.
Principle 9.3	Sustainability reporting and disclosure should be independently assured.

⁸ For more information on integrated reporting visit the Integrated Reporting Committee of South Africa website on <http://www.integratedreportingsa.org/>.

⁹ This principle 8.4 would only apply if the SME was incorporated as a company and has more than one shareholder.

¹⁰ With regards to Principle 8.6, all the various dispute resolution methods are available to SMEs and the prescribed actions by King III in this regard are relevant to all SMEs, regardless of size. The specific circumstances relating to each case should be considered in determining the best method of dispute resolution to be used for that situation



4.5 IT Governance

Background

IT has become an integral part of business and is fundamental to support, sustain and grow the business. Not only is IT an operational enabler for an Organisation, but it can also be an important strategic asset to create opportunities and to gain competitive advantage. Virtually all components, aspects and processes of Organisations include some form of automation, and as a result Organisations rely heavily on IT systems. Furthermore, the emergence and evolution of the internet, ecommerce, electronic payments and electronic communication have also enabled Organisations to conduct business electronically and perform transactions instantly. These developments bring about significant risks, which should be governed and controlled within Organisations.

The complexity of IT systems create operational risks (such as unauthorised use, access, disclosure, disruption or changes to the information system) and the outsourcing of IT services also has the potential to increase risks because confidential information is flowing outside the Organisation (i.e. data protection and privacy concerns). Consideration, therefore, has to be given to the integrity and availability of the functioning of the IT system, authenticity of system information, and assurance that the system is usable and useful.

IT governance can be considered as a framework that supports effective and efficient management of IT resources to facilitate the achievement of an Organisations' strategic objectives. The Board is responsible for the oversight thereof.

Application Guidance



Desired Outcomes

- **Effective and efficient management of IT resources to facilitate the achievement of an Organisation's strategic objectives and to mitigate IT risks.**
- **Information integrity and security of information, so that information is kept reliable and protected from unauthorised use.**

The size and nature of the SME and specifically the extent to which IT systems are used within a specific SME, will determine the extent to which these principles are practiced in the SME. Each SME will be responsible to determine the nature and size of the IT function needed in order to ensure that the requirements of the particular Organisation are met.

The Board is responsible for overseeing its Organisation's IT and it does this through the establishment of an IT framework.

SMEs may outsource the IT function to suppliers that will cater for their specific needs and requirements in a more cost efficient manner, however the responsibility to oversee the IT governance remains with the Board.

Note: Directors need to be aware that investment in significant IT assets is a strategic decision (as it needs to align with the strategy of the business) and as such needs to be discussed at board level in order to ensure that the IT solution/action meets the needs of the business.

The above guidance should be considered and implemented (where applicable) from the date of establishment and throughout the SMEs existence.



Related King III Principles

- Principle 2.8 & 5.1 The board should be responsible for information technology (IT) governance.
- Principle 5.2 IT should be aligned with the performance and sustainability objectives of the company.
- Principle 5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework.
- Principle 5.4 The board should monitor and evaluate significant IT investments and expenditure.
- Principle 5.5 IT should form an integral part of the company's risk management.
- Principle 5.6 The board should ensure that information assets are managed effectively.
- Principle 5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities.



4.6 Compliance with Laws, Rules, Codes and Standards

Background

All SMEs, regardless of size and form, must comply with all relevant legislation, rules, codes and standards applicable to it and the industry in which it operates. Non-compliance can result in substantial fines, possible criminal liability and reputational damage.

Application Guidance



Desired Outcomes

- **Compliance with all applicable statutory requirements in order to avoid liability.**
- **Adherence to other industry rules, codes or standards to improve reputation and diminish liability.**

The owner will be responsible to ensure compliance in an Owner Managed SME, whereas in Non-Owner Managed SMEs, the Board will ultimately be responsible even if it delegates the implementation to management.

The above guidance should be considered and implemented from the date of establishment and throughout the SMEs existence.



TIP

It is recommended that all SMEs should compile a list of all laws applicable to them , preferably with the help of an expert. These should then form part of the risk monitoring function of the SME. With respect to non-binding rules, codes and standards, the Board needs to debate and decide which of these adds value in terms of the business strategy and corporate responsibility and therefore should be voluntarily applied.

Related King III Principles

- Principle 6.1 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
- Principle 6.2 The board and each individual director should having a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business
- Principle 6.3 Compliance risk should form an integral party of the company's risk management process
- Principle 6.4 The board should delegate to management the implementation of an effective compliance framework and processes



Application of Corporate Governance in SMEs

4.7 Business Rescue

Background

The business rescue mechanisms mentioned in King III are only available to SMEs incorporated as a company in terms of the Companies Act. Other SMEs should consider other turnaround mechanisms when financially distressed, such as for example debt counselling. If the Organisation is insolvent/financially distressed, it must immediately stop trading. SMEs incorporated as companies may face being charged with reckless trading if they do not stop trading.

Application Guidance



Desired Outcomes

- **Financial soundness of the Organisation and protection of consumers/creditors.**

SMEs, irrespective of form, should carry out the general principles to monitor the Organisations solvency and liquidity to ensure that it is not trading under financially distressed circumstances to protect consumers and creditors. It will be the responsibility of the Board to determine on a regular basis whether the Organisation is financially sound and solvent. If this is not the case, the Board should do everything reasonable to overcome financial difficulties and distress.

The above guidance should be considered from date of establishment and throughout the SMEs existence.

Related King III Principles

Principle 2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially stressed as defined in the Act.



Conclusion

The challenge for SMEs is that the shareholders are often the directors and management, and therefore conflicts are created. There is also a perception that the application of corporate governance in SMEs is costly. However, all SMEs are capable of implementing sound corporate governance at a principle level without attracting significant additional cost.

All the underlying principles found in King III are applicable to SMEs, however, to what degree the practices are implemented will depend on the size and complexity of the business. Every Organisation needs a strategy, business plans, performance management, risk governance and must comply with applicable legislation. Furthermore the Board must act in the best interests of the Organisation and not trade recklessly. SMEs therefore need to apply each principle to its specific business circumstances and consider how it can best reach the objectives outlined in this guide in light of its specific organisational structure, maturity and interests.

In other words, the principles should not be viewed as a tick box list but rather as a flexible set of proposals aimed at increasing professionalism, effectiveness and sustainability of SMEs.

Once a decision is made regarding an appropriate governance framework, it should be implemented with a high level of discipline and consistency. The credibility of the Organisation in the eyes of its various stakeholders will be affected by the manner of governance implementation. Furthermore, good governance requires more than the implementation of formal rules and processes. Equally important is the right governance attitude, which applies the spirit of key governance principles throughout the Organisation.



References

- 📄 Corporate Governance Guidance and Principles for Unlisted Companies in the UK, *Institute of Directors in the United Kingdom and the European Confederation of Directors Associations*, Sponsored by Deloitte.
- 📄 King Report on Corporate Governance for South Africa, *IoDSA*, 2009
- 📄 King Code for Corporate Governance Principles in South Africa, *IoDSA*, 2009
- 📄 The application of the third King Report on Corporate Governance to Small and Medium Enterprises, *Francois Le Roux*, March 2010.



Definitions

Board	the ultimate authority and governing body of an Organisation, which could be the owner in the case of an Owner Managed SME or the board of directors in the case of a Non-Owner Managed SME;
Business Continuity	the activity performed by an Organisation to ensure that critical business functions will be available to customers, suppliers, regulators and other entities in the event of a disruption;
CEO	Chief Executive Officer (or Managing Director) is the highest ranking executive in an Organisation, ultimately responsible for taking managerial decisions and the overall operations and performance of the Organisation;
Chairman	a director elected by the Board to lead or preside over a Board or board committee;
Companies Act	Companies Act 71 of 2008, as amended from time to time;
Corporate Citizenship	responsible corporate citizenship implies an ethical relationship of responsibility between the Organisation and the society in which it operates. As responsible corporate citizens of the societies in which they do business, Organisations have, apart from rights, also legal and moral obligations to protect, enhance and invest in the wellbeing of the economy, society and the natural environment;
Independence	is the absence of undue influence and bias;
IT	Information Technology is a term that encompasses all forms of technology (such as networking, hardware, software and the internet) used to create, store, exchange, manipulate and use information in its various forms (such as data, voice, images etc);
King III	collectively the King Report on Corporate Governance in South Africa and King Code of Corporate Governance Principles for South Africa 2009, which can be accessed under the Publications tab on the IoDSA website via www.iodsa.co.za ;
Medium Enterprise	generally an Organisation employing between 50 to 200 workers and generating an annual turnover of less than R50 million (in the highest category), as defined by the National Small Business Act No.102 of 1996 from time to time;
Non-Owner Managed SME	an Organisation in which the owner/shareholder is not involved in the day to day management of the Organisation i.e. the role of owner/shareholder, director and manager are played by different individuals;
Organisation	in this guide collectively refers to operating as either a sole trader, partnership, close corporation or private company;
Owner Managed SME	an Organisation which is owned and managed by the same individual(s) i.e. the owner/shareholder plays the role of director and manager;
Risk Management	encompasses the identification and evaluation of actual and potential risk areas as they pertain to the Organisation, followed by a process of either avoidance, termination, transfer, tolerance (acceptance), exploitation, or mitigation (treatment) of each risk, or a response that is a combination or integration;
Small Enterprise	generally an Organisation employing between 5 to 49 workers and generating an annual turnover of at least R6 million, as defined by the National Small Business Act No.102 of 1996 from time to time;
SMEs	Small and Medium Enterprises;
Stakeholders	any group affected by and affecting the Organisation's operations, which include <i>inter alia</i> shareholders, institutional investors, creditors, lenders, suppliers, customers, regulators, employees, unions, the media, analysts, consumers, society in general, communities, auditors and potential investors; and
Sustainability	conducting operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. It means having regard to the impact that the business operations have on the economic life of the community in which it operates. Sustainability includes environmental, social and governance issues.



IoDSA SME service offerings and contacts

Membership

engage

IoDSA membership represents prestigious and diverse South African business leaders, providing a unique opportunity for networking and business development in all sectors. Minimise risk by keeping up to date with the latest governance best practice as part of the benefits of being an IoDSA member.

Website: <http://www.iodsa.co.za/?page=BecomeAMember>

Email: membership@iodsa.co.za

Director Development and Events

enable

The focus of our training and events is to deliver better directors, and ultimately, better boards. Director Development and Events delivers a host of interventions aimed at supporting the training and development of aspiring and experienced directors. All our programmes can be tailored to meet the needs of Small and Medium Enterprises.

We have developed the following SME focused offerings :

- Governance for SMEs – 1 day face to face workshop
Aimed at two types of business owners – the business owner that has established a small business that does not intend to grow into a large Organisation and the owner of the business that is initially small and wants to grow into a large Organisation. Understanding the core business of the Organisation helps in determining the core competences required to establish and grow the business. Knowing this base can integrate good business practices and inevitably good governance into the already growing business practice.
- Governance for SMEs – video series available to IoDSA members via The Directors' Channel presented as a snapshot of the key learnings from the face to face workshop.

Website: <http://www.iodsa.co.za/?page=DD>

Email: training@iodsa.co.za

Governance Services

empower

The IoDSA has been facilitating board appraisals for over 6 years and is regarded as a leading service provider in this field. We offer:

- Over 150 board appraisals worth of experience
- Specifically tailored offerings to suite all types of SMEs
- Facilitation for directors, by directors with extensive experience
- Robust methodology based on King III
- Identification of director development training and action plans to address the board appraisal findings

Website: <http://www.iodsa.co.za/?page=BAS>

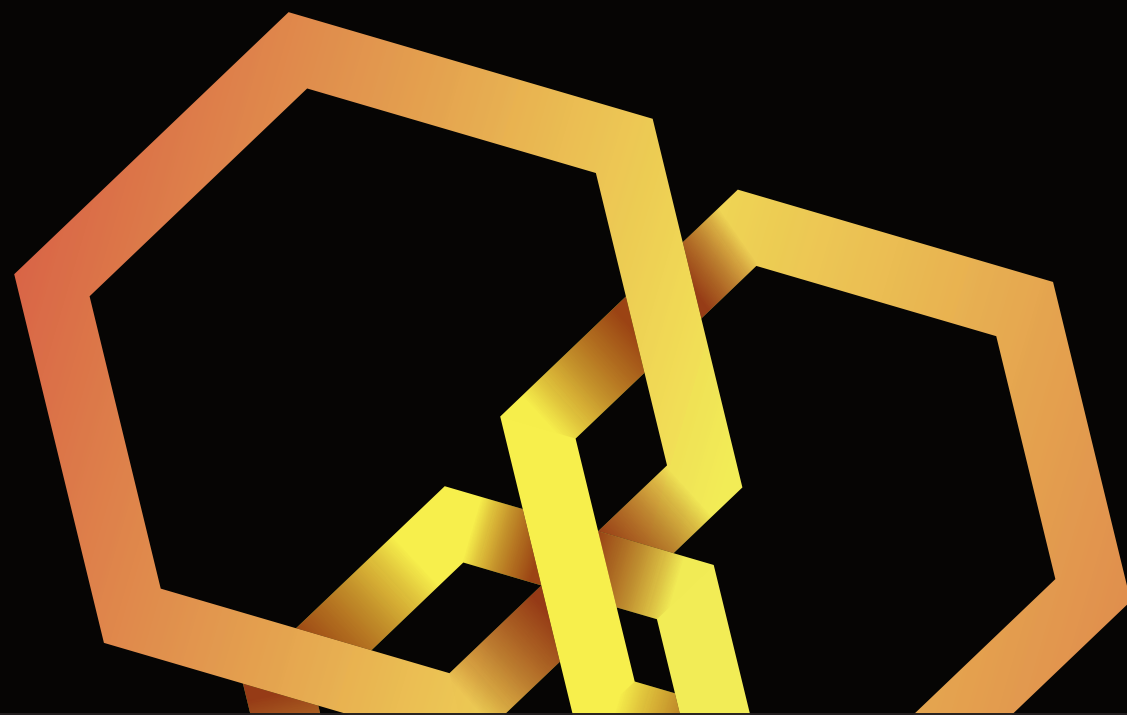
Email: bas@iodsa.co.za

In addition to this, the IoDSA can provide general governance advice to SMEs, including:

- best practice assessments in accordance with the appropriate corporate governance codes, norms and standards that are applicable to your SME environment;
- drafting of charters, mandates and other governance policies; and
- the development of governance guidelines and tools.

Website: <http://www.iodsa.co.za/?page=CCGhome>

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