

The Gs&Cs

How to turn the compliance burden into competitive advantage

Last month we looked at the new King IV Report, and this month we further explore the terms **governance, risk and compliance (collectively GRC)** that are used in many organisations.

GRC can still be a confusing acronym to the uninitiated. What are the implications of GRC, particularly for SMEs and entrepreneurs? In addition, what's the relationship between compliance between governance and legislation requirements and competitive advantage?

Governance principles can apply to all organisations. These principles are probably best understood in the light of the new King IV Report on Corporate Governance for South Africa, 2016 (www.iodsa.co.za), and can best be summarised as "the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes: Ethical culture, Good performance, Effective control and Legitimacy" (King Report, 2016, page 11). Risk management also applies to all organisations and is essentially about dealing with uncertainty in all its forms: future events which may have a positive or negative impact on the ability to achieve a set of objectives, on the future of the organisation as a whole. Compliance, however, applies to those individuals and organisations which fall under the scope of one or more pieces of legislation or regulation or code, whether enacted in law or as the result of a voluntary action, such as joining a professional body or other institution which has a set of rules which must be

complied with. Of course compliance can also apply to meeting the requirements of governance frameworks such as King IV, where compliance or non-compliance may not have any legal penalty but is nonetheless a desirable goal. For the purposes of this discussion let's focus on the G and C parts of GRC.

Now we know what the G and C represent, how can they be turned into a competitive advantage? To many organisations, particularly SMEs and entrepreneurs, they look and feel more like a burden than a benefit. Competitive advantage is a somewhat nebulous concept. It certainly relates to being in an advantageous position, and this may apply to an organisation, its products, its services, its people and a whole host of other factors. The challenge is not just to create but to sustain a competitive position. This is where compliance comes in. Whether it is compliance with a code of governance or with a piece of legislation, experience has shown that value can be both created and destroyed through an appropriate, value-adding, approach to compliance or an inappropriate value-destroying approach. It is true that compliance with codes (such as King IV) and legislation (such as the Protection of Personal Information (POPI) Act, 2013) usually has a cost of achieving compliance. The smart thing to do is to spend time identifying how to turn this cost of compliance into a benefit, and then into a competitive advantage.

In a previous article that I wrote and was published by *MoneyWeb*, I told just such stories about a number of organisations that I have worked with on their POPI compliance journey; the same might well have been true for

For more information about grow your business whilst spending time on compliance, visit the SME Toolkit for South Africa on www.southafrica.smetoolkit.org; or e-mail Dr Peter Tobin directly on petert@iact-africa.com .

other legislation they were dealing with. Examples of competitive advantage by-products from compliance come in many forms: new or enhanced products or services; improved operating processes and procedures; increased customer, supplier, partner, investor and employee confidence; superior reputation compared to competitors who can't demonstrate a similar level of compliance; ability to enhance the customer's compliance status through being compliant oneself; ability to compete where compliance is a requirement; ability of demonstrate characteristics not normally associated with the size of one's organisation ("punching above one's weight"); brand and reputation enhancement; and creation of value-adding media coverage through early adoption of compliant behaviour.

In summary, compliance can be a competitive advantage, not just a burden. You just have to know where to look: understand your organisation and its stakeholders and you are on your way to finding the competitive advantage in compliance. ■

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