

Transnet board vacancies highlight need for good governance

Futuregrowth Asset Management recently voiced its concerns about the delay in filling six open posts on the Transnet board. According to Parmi Natesan, CEO of the Institute of Directors in South Africa (IoDSA), these worries are legitimate and raise governance challenges that all boards should take seriously.



Source: Archive | Transnet

"Futuregrowth's analysis shows that the failure to fill six vacancies in a 12-person board has made it less able to tackle the serious challenges the company faces—a matter of considerable concern given its pivotal role in our economy," she points out. "In the best of times, a board needs the right mix of skills to steer the organisation well, but in a tricky economic climate and facing significant challenges, the lack of board skills is existential."

Balancing knowledge, skills

According to Natesan, Transnet's board is underrepresented, and crucial board committees including the risk committee, social and ethical committee, and audit committee may be without key personnel. These committees play crucial roles in the organisation's governance, especially in terms of its capacity to meet difficulties. "Organisations and board chairs must pay particular attention to the need for the board to have, in the words of King IV, 'the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively' (Principle 7)," Natesan says.

According to Natesan, the fact that the terms of the six remaining non-executive directors will expire in May 2024 is a connected matter. While it is a good idea to rotate board members gradually to ensure that skills are updated and diversity is improved, it is obviously detrimental to have a large number of board members resign at once.

"We see this kind of mass reshuffling of boards particularly in the public sector. The motivation behind rotation is good, but it needs to be handled intelligently to ensure that invaluable institutional memory is not lost," she says. "Organisations need to focus on striking a balance between continuity and renewal."

Succession planning

Another important consideration is succession planning. If board members are going to be rotated regularly, as best

practice suggests, then the organisation needs to ensure that individuals with the right skills—including professional directorial skills—are ready in the wings. Succession planning thus needs to proceed in parallel with an ongoing skills audit to ensure that the board understands what skills it needs, and that the individuals nominated for it have them.

"Nobody in South Africa at least now doubts the important role that governance and oversight play in ensuring organisational health and effectiveness," Natesan concludes. "The corollary—that the board needs to have the right mix of skills in order to fulfil this vital function—is equally true."

For more, visit: <https://www.bizcommunity.com>