



FUTURE-FOCUSED GOVERNANCE

2023 TREND REPORT

The background features a dark blue field with several overlapping geometric shapes. A large light blue circle is on the left. An orange semi-circle is at the top left, partially overlapping a maroon rounded rectangle. Another light blue semi-circle is at the top right. A smaller light blue semi-circle is at the bottom right, overlapping an orange semi-circle.

INTRODUCTION

Recent history has fundamentally changed the way businesses operate. Strained business conditions, a depressed economy and widespread uncertainty means that companies have become reactive just to survive. As the business landscape stabilises, a change of thinking and operational approach is required to get back on track to organisational growth.



Switching from reactive to proactive governance, risk management and compliance (GRC) is necessary to right the ship, but an agile approach must be taken to navigate the rapidly changing currents of corporate governance.

The parameters of governance are ever-changing as the metaverse and cloud-based operations grow, intermingled with traversing the increasingly complex structures of organisational decentralisation, remote work, supply chain disruptions and the societal and environmental consequences of the pandemic. However, these parameters should not be seen as stifling; a robust governance framework creates the space for your organisation to modernise, refine and expand on internal processes to facilitate growth.

This trend report outlines the foundation for your 2023 GRC strategy, in an era where change is the only certainty.





**CORNERSTONES OF
YOUR 2023 GRC
STRATEGY**

According to Michael Rasmussen, Analyst at GRC 20/20, the interconnectedness of objectives, risks, resiliency, and integrity require 360° contextual awareness of GRC. Organisations need to see the intricate intersection of objectives, risks, and boundaries across the business.

Gone are the years of simplicity in operations: exponential growth and change in risks, regulations, globalisation, distributed operations, competitive velocity, technology, and business data impedes the ability of the business to be agile in times of uncertainty.

In addressing governance, risk management, and compliance, 2023 will demonstrate three strategic governance trends for organisations:

Good risk management requires clear understanding of the objectives of the organisation, its performance goals, and strategy, and continuously monitor the environment for 360° situational awareness in order to be agile. Organisations must assess opportunities as well as threats so the organisation can think and understand quickly and be prepared to seize opportunities while avoiding threats/exposures to the organisation and its objectives.

1.

AGILITY

Organisations have to maintain operations in the midst of uncertainty and change; this is becoming a key regulatory requirement in some industries. This requires a holistic view into the objectives and performance of the organisation in the context of uncertainty and risk. Organisations are striving for business and operational resiliency that requires integration and symbiotic interaction of risk management and business continuity.

2.

RESILIENCY

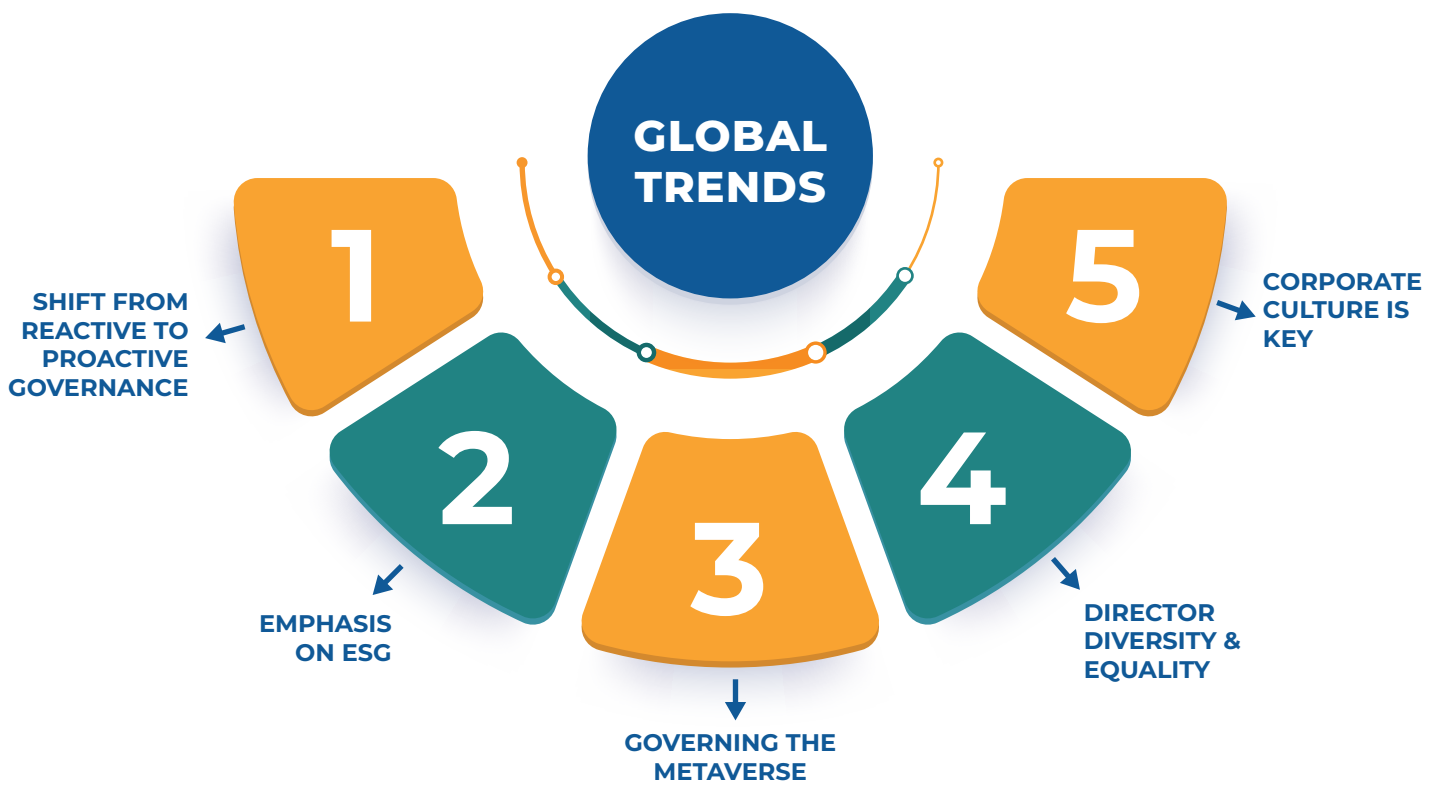
3.

INTEGRITY

Organisations are re-evaluating their internal core values, ethics, and standards of conduct and how this extends and is enforced across the organisation in the context of ESG. The integrity of the organisation is a front-and-centre concern. Organisations see the need to define and live their corporate values in the business, its transactions, with clients, and in third-party relationships.



**OVERVIEW OF
GLOBAL TRENDS**



1.

**SHIFT FROM
REACTIVE TO
PROACTIVE
GOVERNANCE**

Three years into the pandemic, many organisations continue to operate in crisis mode. The reactive responses that COVID-19 demanded has highlighted the need for a more integrated approach to GRC. Switching to a proactive, resilient approach will provide organisations with the opportunity to recalibrate their business strategy to recover and thrive.

In order to operate systematically and proactively, organisations should integrate these fundamental principles into organisational practice:



<p>Invest Capital in Long-Term Value</p>	<p>Capital allocation must be focused on intangible elements that enrich the organisation for the long-term. This includes skills development and training, fostering corporate culture, employee wellness and workplace innovation.</p>
<p>Prioritise ESG Risk Factors</p>	<p>To take a proactive approach, boards must be constantly cognizant of the ever-evolving ESG risk landscape. The focus must be placed on the threats these pose to operational performance and revenue generation, as well as the impact these have on employees and the workplace environment.</p>
<p>Refine Crisis Management Processes</p>	<p>The multitude of systemic crises faced over the past three years - financial recessions, pandemics, political unrest, etc - has indicated that preparedness for potential crises must be constantly refined and expanded. This includes ongoing risk scenario analysis, horizon-scanning activities and resilience testing against Key Risk Indicators.</p>
<p>Focus on Digitisation</p>	<p>As operations become more digitised by the day, companies must stay on the cutting edge of technological trends. This includes consistently updating processes pertaining to data privacy, cybersecurity and evolving compliance for cloud and storage infrastructures.</p>

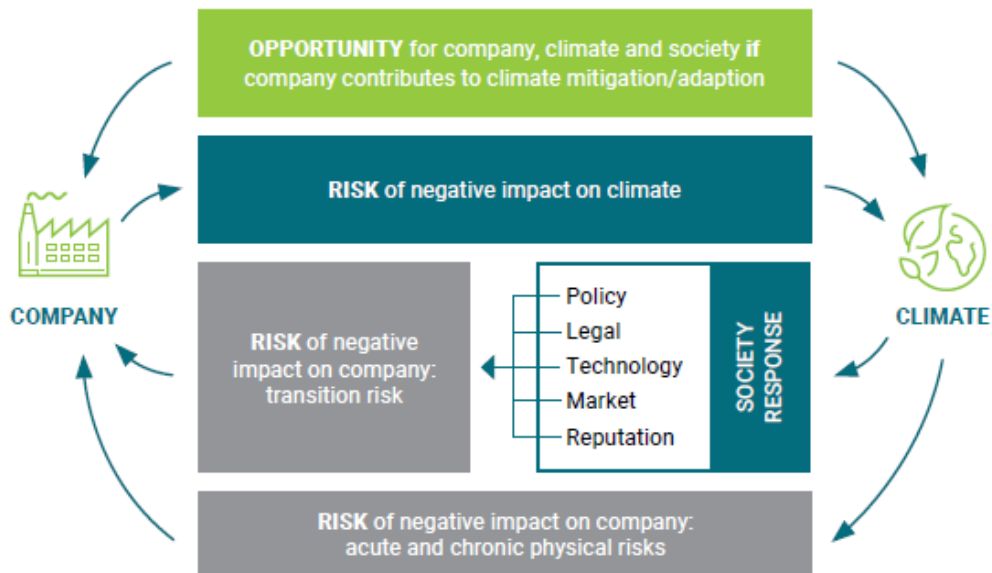
2.

**EMPHASIS
ON ESG**

In 2022, sustainability and good governance have become synonymous. The COVID-19 pandemic, exacerbated by complex human social justice challenges and unprecedented climate change-related natural disasters have resulted in the increased global focus on environmental, social and governance (ESG) issues.

ESG competency is no longer just a checkbox exercise; it is an organisational imperative that sets the tone for engagement with employees, customers, and stakeholders alike.

According to Dr. Christopher Whittle, Governance, Strategy & Risk expert, the consequences of climate change must be evaluated from two perspectives: the effect of climate change on business and conversely the effect of business on the climate. Referred to as double materiality, the risks and opportunities resultant of climate change must form a fundamental part of corporate governance.



Source: JSE (2022:10)

In accordance with The Johannesburg Securities Exchange (JSE) disclosure guidelines published in June 2022, both listed and non-listed South African entities will soon be required to disclose climate and sustainability information in line with the International Financial Reporting Standards (IFRS) sustainability standards that are currently being finalised.

Whittle attests that non-listed entities should prepare for future disclosure requirements by evaluating their current ESG data and undertake a gap analysis between their current status and future framework requirements. This will require stakeholder mapping, materiality determination and addressing the gaps through ESG policies and action plans. Effective ESG reporting and an integrated communications and engagement strategy incorporating all stakeholders will ensure that future disclosure requirements become integrated into the organisational culture and strategic thinking.

3.

**GOVERNING
THE METAVERSE**

As the digital world expands, few things are as undefined as the metaverse. Centred on facets of social media, virtual reality, augmented reality and blockchain technology - the possibilities the metaverse presents are boundless: social interaction, exchange of goods and services, development of communities, gaming, NFT trading.

The very nature of the metaverse reimagines the traditional boundaries of personal data, property, and privacy (2022, Tusk). Such a multifaceted playgrounds creates space for insidious intent, such as fraud, stolen IP, data breaches and identity theft. So, how does one govern the seemingly ungovernable?

There are certain aspects within a metaverse that pertain to self-governance such as social media platforms, that are dictated by binding terms of service. You can set certain rules, community guidelines, and other parameters of what the platform will or will not permit within that metaverse. To the extent that the metaverse will be a transactional space, governmental regulation will apply - intellectual property (IP) law will also apply, but governance of a decentralised blockchain is tricky (2022, VentureBeat).

When navigating the metaverse, the onus is on companies to establish their own protocols on a case-by-case basis. This must be an ongoing exercise to proactively inform what elements of the metaverse pertain to your organisation, and how this informs the safeguards you put in place. As the metaverse continues to evolve, so too should your governance practices to ensure protection against the vulnerabilities this technology creates.



4.

**DIRECTOR
DIVERSITY
& EQUALITY**



In 2023 and beyond, the quality of a board will be based on the diversity of its competition, including factors such as gender, age, ethnicity and sexual orientation. Investors are increasingly dismissing boards that have inadequate female representation. There has also been a renewed focus on racial diversity to expand the perspectives, skills and values of the board.

A more representative and equal board of directors, C-suite execs and workforce better reflects the communities in which they serve, which improves overall leadership and diminishes complacency and the potential for “groupthink”.

To meet these criteria, boards will be under pressure from stakeholders to commit to undergo continuous self-assessment, director evaluations and

long-term refreshment planning. This includes redefining the skills and core competencies that board assessment will be based upon. The board nomination process is also set to change to ensure that appointees comply with this future-focused mandate.

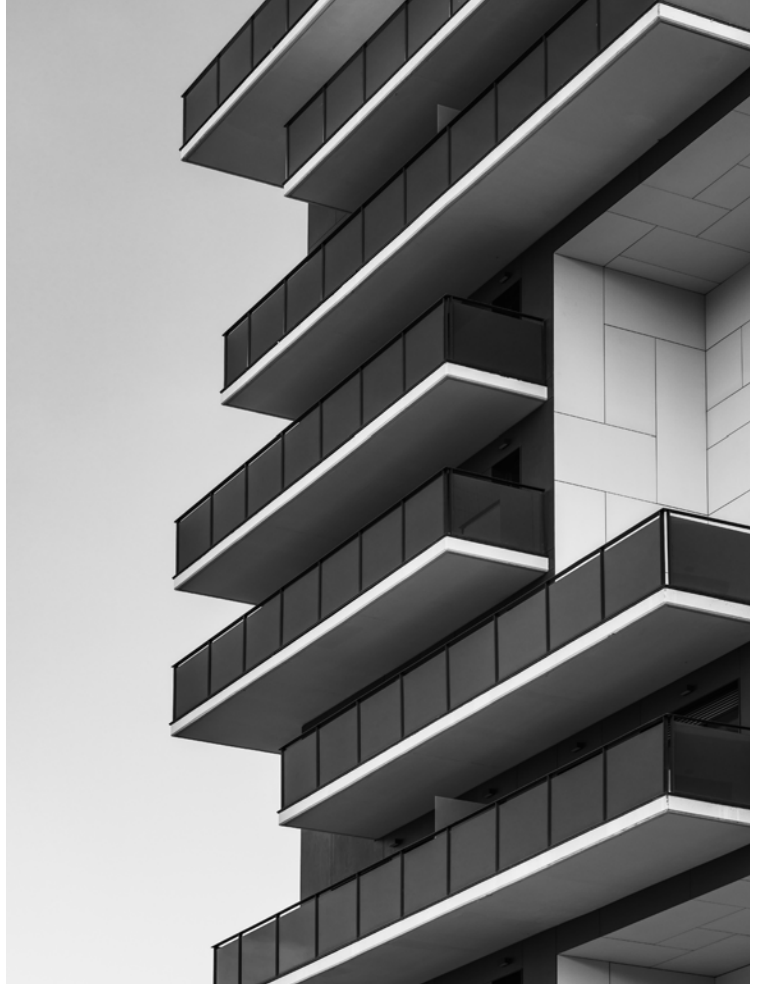
Over and above company executives setting the tone for diversity and equality, this must be reflected within middle management. As middle management is the touchpoint for the majority of employees, engaging with managers who are a representation of the workforce creates a comfortable and productive environment that increases performance.

5.

**CORPORATE
CULTURE
IS KEY**

The wake of the COVID-19 pandemic has radically shifted organisation's relationships with their employees. The hybrid model of work, where some employees are office-based and others work remotely, has become the norm and further integration of this model is where the workforce is heading.

A heightened and considered relationship with staff drives prosperity and creates a more competitive environment for talent, pushing companies to create better, more innovative environments for their employees - actions that will help them achieve greater profits for their shareholders (2022, Fields et. al).



Integral to this relationship is reimagining the traditional workplace setup. Workers are demanding more flexibility, and if these allowances are not accommodated, millennials in particular will seek out ulterior employment opportunities. As such, it is in an organisation's best interest to restructure their operations to suit these expanding needs.

The onus is on companies to take the necessary lengths to foster and retain talent. Central to this is creating an inclusive corporate culture, where hiring is focused on representation in terms of race, gender and socio-economic background. This includes creating access to further education and training, wellness support and equal pay.



**WHY GOOD
GOVERNANCE
MATTERS**

Good governance has become the benchmark for which investors, stakeholders, shareholders, and clients hold companies to. Environmental social and governance performance is synonymous with value creation, organisational efficiency and risk reduction. Companies that are actively committed to good governance enjoy a more productive and engaged workforce, stronger brand equity and higher productivity.





**CONTRIBUTING
AUTHORS**

ABOUT CURA SOFTWARE

CURA Software Solutions is a leading provider of Governance, Risk, Compliance and Risk-based Audit software solutions, implemented across more than 350 enterprise customers globally. Our solutions offer a clear picture of governance, risk and compliance across the organisation which leads to better decision-making and risk management.



Dr Christopher Whittle

Dr Christopher Whittle has extensive executive management experience having held positions of CEO and Executive Director in South Africa, Saudi Arabia and Qatar. He has advised boards and senior management regarding effective governance practices, enterprise risk oversight and ESG. In addition, Whittle has facilitated board-level training in the fields of corporate governance and enterprise risk management across Africa, Middle East, Asia and the Indian subcontinent for more than 15 years.



Michael Rasmussen

Michael Rasmussen is an internationally recognized pundit on governance, risk management, and compliance with specific expertise on the topics of GRC strategy, process, information, and technology architectures and solutions. With 28+ years of experience, Rasmussen helps organisations improve GRC processes, design and implement GRC architectures and select solutions that are effective, efficient, and agile. He is a sought-after keynote speaker, author, and advisor and is noted as the “Father of GRC” – being the first to define and model the GRC market in February 2002 while at Forrester Research, Inc.

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