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e - Quality Edge

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Welcome to our June edition of our e Quality Edge

I am sure many of you will be watching the current FIFA World Cup® being played in Russia. In this edition we are reprinting an article by *Alejandro Tolumes* that was first published in one of our newsletters in 2006 but is still relevant today.

Thea Wentzel continues our IT sector series by publishing an informative article on "Recovering from Ransomware".

Phil Buckley shares an article on Change Management trends. *Terry Booysen* informs us on Managing Conflicts of interest. Continuing on the ethical theme, *Richard Hayward* reminds us that Ethics are for children too.

On the subject of ethics and the current global soccer tournament I must vent my disappointment with the way that is now acceptable for players to take a "dive" whenever they are challenged for the ball. I am reminded of a poem that used to hang in the sports pavilion when I was growing up in England that was penned by Grantland Rice:-

"When the One great scorer comes to write against your name,
He marks not that you won or lost but how you played the game"

This ethical behavior is not just for the sports field but in our businesses as well.

Have a great Quality month!

Paul Harding
SAQI MD

Quality:
helping South Africans live, learn and work better

Getting to grips with...
Recovering from Ransomware

By Thea Wentzel

What is Ransomware?

Ransomware is a subset of malware in which the data on a victim's computer is locked, typically by encryption, and payment is demanded before the ransomed data is decrypted and access returned to the victim. The motive for Ransomware attacks is nearly always monetary, and unlike other types of attacks, the victim is usually notified that an exploit has occurred and is given instructions for how to recover from the attack. Payment is often demanded in a virtual currency, such as bitcoin, so that the cybercriminal's identity isn't known. (Source: Techtarget.com)

Occurrences of Ransomware continue to make news headlines and it has become a regular topic in technical publications, a standing agenda point at information security meetings. Locky, Cryptolocker, Wannacry, NotPetya, Bad Rabbit..., the list is growing.

Dacri noted that Locky first appeared in February 2016 and is now one of the most distributed forms of Ransomware and that it has become so proliferate that it was named one of the three most common forms of malware. Distribution campaigns of Locky via email are rife, spreading the malware to the devices of susceptible users. *[1]*

Ransomware becomes more sophisticated

Cyber criminals have enhanced their methods and moved beyond simple phishing messages to spread their malware infections. Instead of attacking end-point devices like laptops, the 'SamSam' Ransomware campaign targeted organizations running vulnerable versions of 'JBoss' and used the flaws to gain access to servers. Once the Ransomware attackers gained access to a network, they deployed web shells over a period of time before they activated the Ransomware that encrypted the infected servers. *[1]*

The highly publicised 'SamSam' variant proved that the methods of Ransomware criminals are maturing. It is no longer about getting money from individual users, but rather the disruption of an organization at large. The infected servers of an entire data centre could be encrypted in a matter of hours with devastating consequences for an organization with no reliable backups or proven disaster recovery strategy.

Don't Pay

If you haven't prepared for and protected yourself against Ransomware and you get infected, then it may be tempting to pay the ransom. However, paying could be risky. You are dealing with criminals and it is not guaranteed that your data will be decrypted successfully, plus the malware may not be completely removed. *[2]*

By paying the ransom, you've also become a 'qualified lead' in sales terms, because the criminals know you will pay. The crooks may even cause further harm by unencrypting files but leaving the malware on your machine to monitor activities and steal information.

Prevention is better than cure

The 1st line of defence is always to secure your organization's network and connected assets. Laptops, desktops, servers, incoming/outgoing e-mails, printers – all need to be protected from perpetrators attempting to enter your network in an attempt to steal, or disrupt business operations.

First and foremost, a secure network is the best defence against Cyber Attacks.

- **Effective malware protection is vital.**
  Traditional malware products (e.g. 'anti-virus tools) are no longer adequate. Hackers target weaknesses such as software exposures that are not patched, and old malware/anti-virus solutions that do not cater for emerging information security challenges associated with, for example, cloud-based and virtual environments.

- **Patching needs to be well-controlled.**
  Updates for operating systems (e.g. Windows) and third-party products (e.g. JAVA, JBoss, Adobe) need to be deployed in a timely fashion and in the right sequence. *[4]*

As information security solutions become more advanced and professionals better equipped to face cyber challenges, so are cyber criminals becoming shrewder and Ransomware malware more sophisticated. There are even software houses selling "Ransomware as a Service" solutions. Ransomware Service

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Providers learn from their mistakes and dedicated programmers are working full-time to develop new variants for not only monetary gain, but also to disrupt organizations of any size and business purpose.

Reliable backups are essential

In the event of a Ransomware attack that encrypted data on devices and servers, data may have to be restored from backups in order to continue business after the disruption. Hence, the importance of backups cannot be stressed enough. Even a small business need to have a reliable backup solution.

Whilst Ransomware shells are 'planted' on assets connected to the network, data is infected. The infection can spread throughout the network infecting various servers and systems without being detected. Hence, the corresponding backups are likely to be infected as well.

It is vital for a backup strategy to consider what data needs to be backed up, how often, how long the backups should be kept (retention), which media will be used (disk, tape) and where the backups need to be stored (on-site and off-site locations).

The **3-2-1 backup rule** is a best practice that can be applied to help ensure that a copy of the required data would be available, no matter what happens. *[3]*

According to this backup principle, a backup and recovery strategy should:

1. Keep at least three copies of data that includes the original copy and at least two backups.

2. Keep the backed-up data on two different storage types. For example, if you have data stored on an internal hard drive, also have a secondary storage type, such as external or removable storage, or the cloud.

3. Keep a third copy in an offsite location.

It may be argued that the 3-2-1 principle is too advanced for **small businesses**. I have asked Me Theron of "The Rietmark" how she approaches protecting her company from potential data loss or corruption due to an unplanned disruption, such as a malware attack. Her approach is simple: The accountant has copies of all financial data, manual copies of the advertising booklets are kept forever – old adverts can be reproduced if needed, the two employees each has an external hard drive for backups and she, the owner, makes monthly backups that she keeps in her home office that is in a different town. "It boils down to common sense", Me Theron concludes.

Have a proven recovery strategy

Casesa cautions that real-time backup or file synch will just back up the encrypted files. He suggests a robust backup process where one can roll back a few days to before the Ransomware infection, and restore local and server applications and data. Also, one has to be sure to have removed the Ransomware completely before restoring backups. *[2]*

An effective emergency response plan that caters for the treatment of Cyber incidents need to form part of an organization's Disaster Recovery ('DR') Plan. Exercising could include possible Cyber Attack scenarios, such as a Ransomware simulation.

The sequence in which critical assets and data backups has to be restored should be a very important part of the DR Plan, as well as steps to ensure that infected backups are not accidently restored.

Conclusion

Cyber criminals are ruthless and they don't care who their victims are. Small or large businesses, health care professionals and patients, gullible youngsters or senior citizens – anyone could become a target of a Ransomware attack.

The first line of defence is always good network security. Whilst users are connected to a network or internet, they need to ensure that they take the necessary precautions to prevent spreading of malware via their connections. Hackers look for the weakest links to enter and infect systems.

But, even with good information security measures in place, companies may become targets of Ransomware. Hence an effective and proven backups and disaster recovery strategy is essential to enable full restoration after an unplanned disruption caused by a Cyber Attack.

Be pro-active, it can save you and your company from undue financial and reputational harm.

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About the author

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Quality on the Soccer Field

By Alejandro Tolumes

With the Soccer World Cup under way at the moment in Russia we thought we would reprint an article that we first published in the e Quality Edge in 2006.

Monarcas Morelia, a football team in the Mexican football federation (FMF), is the first international-level club to achieve ISO 9001.

Alejandro Tolumes explains how it tackled certification and scored.

Monarcas Morelia, which takes its name from the Monarch butterfly, belongs to First Division, a 19-team professional football league, and plays 34 regular season games per year. The team is owned by TV Azteca, a producer of Spanish language television networks, which in turn is owned by Grupo Salina (GS). TV Azteca is no stranger to ISO 9001 – it and many of it subsidiaries are also certificated.

GS, a US$3.1bn conglomerate traded on the Mexican Bolsa and New York stock exchanges, was created by Mexican entrepreneur Ricardo B Salinas. It funds Fundacion Azteca, a non-profit public service organisation that works to improve education, health and nutrition in Mexico.

So why would a football team have a QMS, and why would it seek ISO 9001 certification? According to Salinas: 'Every GS company must create value, and Monarcas Morelia is no exception.'

Bouncing back

GS gives credit for its quality vision to the late José Ignacio Morales, former chief financial officer of TV Azteca and Iusacell, a wireless service provider. After spearheading the drive for a QMS and ISO 9001 certification at TV Azteca, Morales and GS's financial director, Jorge Carcia de la Vega, became leaders of a quality team that guided certification at other GS subsidiaries. Morales taught the company how a QMS creates value. He claims that ISO 9001 adds even more value because it provides independent, third party validation of the QMS. Certification also compels managers to seek continuous improvement and customer satisfaction.

When team president Alvaro Dávila took the helm of Monarcas Morelia in 1998, the team was at the bottom of First Division and losing money. In 1999, eight months after developing its QMS, Monarcas Morelia began earning a profit for its TV Azteca shareholders. In 2000, the team won the Mexican Football championship for the first time in team history. It finished in second place in 2002.

Dávila says all football teams must develop a QMS and seek third-party recognition before the sport can once again become a respected, family-friendly institution. In April 2004, fans became discouraged when the owner of another FMF football team was arrested for corruption. Some families refused to take children to games because of rioting among the fans.

On the ball

An important step in developing Monarcas Morelia's quality vision was defining its customers. The quality team determined that customers included:

- Fans;
- Investors;
- Employees;
- Visiting teams and their fans;
- The media;
- Referees;
- Sponsors;
- Charities;
- Members of the youth team, Basic Forces, and their families.

Dávila says the most challenging process was quality

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management of Basic Forces. Comprised of boys aged eight to 15 from low income families, the team is built by scouts who recruit boys from schools and youth leagues across Mexico.

Groom from improvement

In 2000, Andreas Lillini, Basic Forces director, formed a technical team to work with team members and their families. The technical team includes a therapist, physical conditioning specialist, physiologist, nutritionist and teachers. The physiologist and nutritionist help the boys maintain the quick and agile physique required of football players. Therapists work to maintain communication with the boys and their families.

While training for football, the boys also attended school and church services. When the boys are 15, coaches teach them to become more aggressive and offensive players while avoiding hurting other players. If they foul another player, boys are suspended from playing the next game.

More serious infractions merit further penalties. When they turn 16, boys who meet the qualifications could become major league players. Dávila expects two or three mature Basic Forces players to earn places on the team each year.

The Basic Forces team must meet demands for satisfaction from several customers:

- Investors benefit when boys join the adult team and earn lower salaries than star players purchased from other teams. Star players can earn $200,000 or more per year, depending on their popularity. A young player straight from the youth team usually earns room and board and a small allowance;
- Fan benefit by enjoying watching local boys become stars;
- Opposing teams benefit because the boys learn to play without fouling;
- Advertisers and sponsors benefit from the clean image of Basic Forces players;
- Basic Forces members benefit by learning valuable social, physical and mental skills intended to last a lifetime, whether or not they make the major league team.

Stadium tactics

Dávila focused on benchmarking – as many businesses do – to transform the team's management and seek continual improvement. He visited teams in Argentina, Spain and Germany, adopting successful strategies for winning, promoting goodwill and earning profits. He signed contracts for exhibition games and exchange programmes. A contract with the Chicago Fire team who are strong contenders in US major league soccer calls for ten matches over four years to develop talents and exchange their players.

Once a music promoter, Dávila says he has always relied on benchmarking and other quality measures to improve business processes. He said: 'Coming from an entertainment background, I brought a lot of emphasis on media, sponsorships and infrastructure improvements with me to the job. After all, both football and music are staged events.' To keep the 30,000-seat Monarcas Morelia stadium in top condition and continually improve it, manager Jesus Alanis relied on the gemba kaizen 5S steps. Developed by Masaaki Imai, chair and founder of the kaizen Institute in Japan, in 1986, gemba means 'where the action is', and kaizen means 'continuous improvement'.

Football fans commonly get excited during a match; therefore stadiums must be built and maintained to withstand 30,000 stomping, jumping and shouting bodies. The gemba, therefore, is not limited to the pitch. The stadium, its eats, bathrooms, vending outlets and lighting fixtures must all withstand the stress of fanatical behaviour.
Alanis also established a customer friendly security system. Guards are trained to prevent violence and promote a family-friendly atmosphere. Security personnel can eject rowdy or abusive fans.

For the love of the game

Monarcas Morelia believes most fans will follow a team –0 whether it is winning or losing – if management continually takes necessary steps to improve the game.

These steps may include better coaching, finding new players for weak positions and maintaining clean, safe stadiums. Football fans and other stakeholders demand continual improvement and customer satisfaction. The language is universal: fans demand the components found in ISO 9001, whether they know it or not.

About the Author

Alejandro Tolumes is a lead auditor for QMI-Mexico, an auditing firm. He also teaches at Pan-American University in Mexico City, where he earned a bachelor's degree in industrial engineering.

Editor's note:

The message in this article is as relevant today as it was when it was first published in 2006.

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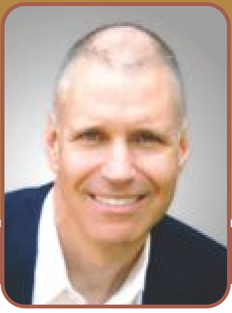

7 Change Management Trends

By Phil Buckley

For most public and private organizations, constant change is the norm. What is new is the increased pace and volume of the changes required to manage their rapidly evolving mandates, stakeholder expectations and operating conditions.

Leaders and their organizations are rethinking how they navigate their volatile and complex environments. New structures, practices and capabilities are being adopted to seize opportunities and defend against threats arising from change.

These new perspectives on change management have significant implications for project managers. Identifying, understanding and aligning with them is the best way to meet stakeholder needs and enable project results delivery.

Here are seven change management trends that will affect how project managers lead their projects...

1. Managing multiple large changes while delivering short-term results is a steady state. The tension between delivering short- and long-term objectives is a reality many leaders don't actively manage. They lead multiple large change projects without addressing the complexity and resource drains that jeopardize delivery of short-term results.

   At the same time, short-term performance almost always trumps long-term benefits. Project managers need to expect and mitigate fallout from hasty reprioritization of near-term goals. The best preparation is education on consequences and contingency planning.

   Building and presenting potential scenarios of resource re-prioritization caused by short-term prioritization can inform leadership and steering teams on the organizational and project costs of mid-project shifts. Doing so in the project planning phase will remove the pressure and tension created by unexpected performance gaps. Developing associated contingency plans can illustrate the strategic and tactical costs of short-term delivery that can help avoid them being triggered.

2. Organizational agility is the “Holy Grail” of managing an unknown future. Organizational agility refers to “the capability to quickly sense and adapt to external and internal changes to deliver relevant results,” as defined in PMI's Achieving Greater Agility research report, not agile development methodologies like DSDS, Scrum and XP.

   Many leaders are clear on the outputs of organizational agility (such as quick responses to competitive threats and efficient resource reallocation to capture emerging opportunities) but are unclear on the changes necessary to operate a more flexible and nimble organization.

   It's important for project managers to clarify how leaders intend to create a more flexible organization so they make the required adjustments to their project's governance model. These alterations will put them ahead of the transitional curve and gain the support of leaders who will be looking for early wins for their agility initiative.

3. Leaders are expected to play a greater role in change. Leaders have always been expected to lead change. What is different is how change leadership is defined. On the lower side of the spectrum, the "tell me what to say and I will say it" style of management is no longer common; leaders are expected to be fully engaged and personally commitment to the changes they are leading.

   The most important capability they are expected to master is the ability to manage the unknown—moving forward when the path isn't clear. This requires them to quickly assess the level of importance of new conditions, develop a fact base to understand implications, tap qualified resources and select appropriate responses given the organization's abilities and culture. Some of these tasks would have been assigned to change managers. With fewer of these resources, leaders are taking on this work.

   The expanded change leadership role is important to project managers because their relationship with leaders is changing. Since they are now more involved in change planning, project managers need to toggle between co-management and reporting. Determining when to play each role is a skill that PMs will need to develop.

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4. Consistency through centralization. Many organizations are centralizing their strategy setting, decision making and processes in the interest of alignment, consistency and efficiency. When operating models change, so do roles, accountabilities and decision-making authority.

   Project governance practices need to align to these changes. Often, the details around operating model changes remain undefined long past their announcement. This is a project risk. Project managers need to be clear about who does what (role accountability) and who makes decisions (power distribution). A common gap is identifying who has the authority to trigger contingency plans. Asking clarifying questions soon after organizational changes will avoid surprises further on the project timeline.

5. Transformation is a culture play. There is a growing realization that large transformations are as much, if not more, about culture change than technological change. People's mindsets, actions and behaviours need to align with required new ways of working.

   Changes in organizational culture take a long time to embed. Especially, new behaviours take time to learn and adopt—a requirement that is underestimated by most leaders. Project schedule management must factor in sufficient time for these new behaviours to be learned and practiced in projects. If specific behaviours are not included in project scope management, they often are ignored—which adds risk of failure to adopt new ways of working.

   Project managers need to ask the question, "Do the support activities and time estimates allow for the needed culture change to happen?" If not, building in additional support and time can avoid shortfalls in stakeholder expectation and results delivery.

6. Increased measurement of people transitions. The greater focus on culture change as an enabler of transformation has raised the awareness and need for measuring new mindsets and behaviors. Greater investment in the people side of change has increased expectations that it is done effectively. Since what gets measured gets managed and prioritized, it's best to proactively discuss this type of measurement in the planning phase to avoid it being raised during implementation (or worse, after implementation).

   Measurement of people-related changes is moving beyond post-training testing and observation. Advances in digital technology have added more science and rigor into people transition measurement. People analytics is increasingly being used for people transition measurement on integrations and reorganizations. This refers to analysing people data to identify patterns that suggest productivity gains or gaps.

   Beyond being aware of these new types of measurement, project managers need to ensure they are clear, scheduled and assigned owners in project schedule management. Data availability also needs to be assessed to ensure timing of measurement is accurate.

7. Internal change capability building is a priority. Many of the other change management trends have increased focus and investment in internal change capabilities. Organizations, both private and public, are increasing internal change muscle to manage their ever-changing environments. Consultants are still present, but are increasingly taking complementary versus lead roles.

   An internal change capability initiative provides an excellent opportunity to align stakeholder and project teams. By incorporating related training into project kick-offs, steering committees and project teams align to frameworks and roles required for successful results delivery. Also, it establishes a consistent language for stakeholders as they support and make transitions to new ways of working.

   As project managers, it also provides a mechanism to manage behaviours that add risk to successful delivery of results. Reminding people what they learned as a group can be an effective way of addressing missed commitments and destructive behaviours.

   Being aware of change management trends can help project managers map how their organizations are changing—and align to thinking, processes and behaviours within their projects. It can also build new capabilities required to support the organization and avoid applying old tools to new operating environments. Ultimately, it enables project managers to satisfy stakeholder needs and deliver required results within constantly changing conditions

This article was taken from the Project Pro monthly newsletter. Project Pro is a long standing SAQI member.

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Managing Conflicts of Interest Must Be A Priority for Society, Business and Leaders

By Terrance M. Booysen (CGF: Director) and peer reviewed by Kerry Gantley (Cowan-Harper Attorneys: Partner)

The media reports are full of such stories; albeit cheating in sports, State capture, wide-scale corruption at governmental, provincial, municipal, parastatal, corporate and the private business sectors, and similar related matters in the cases associated with the Guptas, Mckinsey, Trillian, KPMG (and other auditors), VBS Bank, including Eskom, Steinhoff, SAA and Transnet executives on a personal level.

Whilst such examples of conflict and poor governance raise an array of ethical, moral and ancillary issues which will be debated long into history, what it does highlight is that managing conflicts of interest and the consequent reputational damage for such entities and/or individuals requires some serious attention from society, business and leaders.

With the rise in digitization, the business models of organisations are evolving and changing, and traditional industries are converging with others as a result. This greatly multiplies the potential for conflicts of interest; for example, is MTN a telephone business or internet or content business?

Given the global recession, what we are seeing is an increase in individuals seeking additional income streams and supplementing their income through outside work creating further potential conflicts of interest that need to be managed. (When was the last time you were asked to declare your outside interests?)

Alarmingly, the rate of corporate governance failures within the business and governmental sectors is not showing any signs of decline. Many of these failures occur as result of poor director and management appointments, unethical leadership, lack of transparency, highly questionable decision-making and inadequate systems of control. Any personal competing and conflicting agendas, as compared to protecting the interests of the organisation, further exacerbate, or are in many instances the direct cause of these governance failures.

> *"A director must exercise utmost good faith, honesty and integrity in all dealings with or on behalf of the company; he must never permit a conflict between his duties and his personal interests; and he must disclose any actual or potential conflict of interests at the earliest opportunity."*
>
> ***Source: Corporate Governance: An Essential Guide for South African Companies***

Being transparent in one's dealings with the organisation being served and avoiding damaging conflictive situations are some of the most highly prized qualities of all modern organisations. But all too often, the media report how the leaders themselves have neglected their duty to serve the interests of the organisation which they were meant to protect; invariably these leaders have placed their own selfish interests above the interests of the organisation. The result is that if your leaders are not actively driving and promoting ethical practices and proper corporate governance, such failures will continue unabated not only at leadership level, but at all levels of the organisation.

Increasingly, as more informed institutional investors and governance activists demand organisational leaders to operate in a more transparent and sustainable manner, there's no doubt that the risks associated with conflict will never be entirely avoided. Whilst human beings are deployed within organisations -- considering the existence of our unique circumstances, wants and desires -- conflicts of interest will forever present itself as one of the most contentious issues that organisations and ethics officers will need to address and manage.

When considering the dilemma of managing conflicts of interest across all levels of leadership and indeed even the organisation's junior employees, it is hardly surprising to see the increase of various corporate governance codes being produced across the world. These governance codes -- which include the likes of the UK Corporate Governance Code (April 2016) and the King IV™ Report on Corporate Governance for South Africa (2016) -- increasingly urge organisations to comply with more ethical standards of behaviour, both at an individual and a corporate level.

> *"Conflicts of interest are among the thorniest issues that organisations and ethics and compliance professionals face. There are a virtually infinite variety of situations that might create a conflict, existing as they do at the intersection of personal, family, financial and organisational interests."*
>
> ***Source: Ethics & Compliance Initiative***

Moreover, the codes also seek to improve the quality of organisational leadership; such that leaders develop more ethically-based organisations that create long term stakeholder value in a sustainable manner.

For organisations to be fully transparent, each stakeholder -- including shareholders, investors, directors, employees and the organisation's suppliers -- is equally required to act in a

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transparent manner. This means being open and honest in all of their dealings, and importantly, requires avoiding or managing conflicts of interest. All stakeholders should be able to identify the situations in which they may be conflicted (in fact or in appearance). But in reality, some choose to blatantly disregard their conflicts of interest, whilst others -- for a variety of reasons which may include their cultural beliefs or similar perceptions of entitlement -- don't believe their actions warrant such scrutiny because it's considered an acceptable practice in their own community circles. If organisational stakeholders are not able to avoid these situations, they should disclose the nature of these conflicts and act in accordance with the requirements of their legal and ethical duties, not least also the provisions which should be clearly set out in the organisation's Memorandum of Incorporation (MOI), its policies, letters of appointment, job descriptions, amongst other internal governance instruments. Clearly, it is simply not sufficient to only apply an academic approach to these matters; vested parties must be seen to be acting in the spirit and letter of these governance provisions and when stakeholders choose to disregard them, they must be held personally accountable.

Balancing conflicting interests of stakeholders

It is now a well-accepted fact that organisations must not operate solely to maximise profits and returns for their majority shareholders, and at the expense of all other stakeholders. In considering the demands of the broad and diverse group of stakeholder interests, it is inevitable that conflict situations will arise. These will need to be carefully managed and balanced by an astute and agile board of directors together with their executive management team, furthermore acknowledging that they will never be avoided completely.

An intricate knowledge of all aspects of the organisation's strategic, operational and governance status is required in order for conflicts or potential conflicts to be anticipated and managed in an open and transparent manner. Whilst a number of organisations may have codes of ethics and conduct in place in an attempt to encourage and guide employees to avoid conflictive situations, the reality is most employees and other key organisational stakeholders generally pay little attention to these ineffectual governance instruments. A more meaningful way to ensure that there are less conflictive and internal competing agendas within the organisation, would be to improve the organisation's internal recruitment processes by diligently selecting and appointing new directors, the senior management and key suppliers through thorough assessments prior to their appointments or selection. Moreover, the organisation could employ a mandatory lifestyle audit which is undertaken by the board, incorporating the executive and selected employees. Conducting regular lifestyle audits, including external board evaluations and 360 degree peer reviews, are some useful examples to identify conflicts, furthermore reinforcing the organisation's commitment to transparency and ethical behaviour.

Conflicted directors guided by law and codes of practice

Conflicts of interest may arise in varying degrees for directors, and conflict may be experienced between the directors on a particular board; between the directors and employees; or between a director and the organisation, where a director seeks to maliciously place their own interests above those of the organisation as a whole.

Situations of conflicted interests between directors themselves may arise in the context of an embattled board; this may include boards that are divided into factions; or those that hold secret meetings between a few select members outside of the board; or boards which are constantly involved in power plays. These conflicts result in a lack of clear and united leadership and may spill over into the rest of the organisation, creating conflicts between certain directors and employees, and may even cause conflicts between employees who are aligned with different board factions.

> *"A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer."*
>
> ***Source: IESBA Code of Ethics for Professional Accountants***

Once directors become aware that they are serving on an embattled board, they should act swiftly to address and diffuse the situation, in order to focus on fulfilling their fiduciary duty to act in the best interests of the organisation.

In South Africa, the Companies Act, 71 of 2008 ('the Act') carefully regulates instances in which directors may be conflicted with the organisations which they serve. To this end, the Act is quite broad, covering conflicts of directors and related parties in respect of both financial and non-financial matters. The procedure for disclosure of conflicts of interest is set out in a step-by-step manner in the Act and consequences for non-compliance include the invalidity of the resultant transactions, as well as potential claims for damages and criminal prosecution being faced by the responsible director.

In addition to legislative mandates surrounding conflict of interest situations for directors, the provisions of recognised corporate governance codes reiterate and expand on common law and statutory requirements, setting out the tenets of best practice and providing directors with the necessary guidance in identifying, avoiding or managing such situations. Indeed, while many organisations will have established codes of conduct and ethics policies to provide further guidance to directors and employees on how to deal with conflicts of interest, it is

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important that these codes are visible, adhered to, properly implemented and constantly refreshed to suit the changing nature and dynamics of acceptable behaviour. Most importantly these codes must be 'lived' and consistently practiced within all the activities of the organisation and its stakeholders. Substance over form is essential. Organisations must move away from a 'tick box' approach; what is the point of a declaration of interest policy if what is included in the declarations of interests is not interrogated so that potential pitfalls can be identified and proactively managed? It is furthermore imperative, particularly for those organisations who place great emphasis upon their ethical standing and behaviour, that existing and newly appointed directors, including the organisation's prescribed officers, are regularly 'vetted' to ensure they are not compromised as a result of their own dubious activities which has the potential to impair their interests owed to the organisation.

Employees must protect organisational interests

In a similar manner to that of directors, employees are also duty-bound to protect the interests of the organisation for which they work, and there are numerous cases in law where employees have been found guilty of not placing the interests of their organisation foremost, and above their own personal interests. An employment relationship is built on trust and employees must not place themselves in a position where their interests conflict with their fiduciary duty of good faith. This includes preventing, recognising or managing situations in which their interests conflict with those of their employer. This applies not only to their duties within an organisation but to any outside interests that they have which would impact on the employer and employee relationship. Failing to do so could result in possible dismissal, since the trust relationship between the organisation and the employee will be broken.

> *"In the recent case of City of Cape Town v SALGBC and Others (C353-16, 2 August 2017) the Labour Court found that an employee's failure to declare his involvement in other business entities warranted his dismissal by the employer. The case serves as an important reminder to employees that a failure to declare their involvement in outside enterprises may compromise their duty of good faith owed to their employer and result in their dismissal."*
>
> ***Source: Cowan-Harper Attorneys (Neil Coetzer) - (2017)***

All echelons of leadership should set the example

If organisations, directors, employees -- including the organisation's stakeholders -- are required to act without conflicts of interest, then it should follow that the tone and example should be set at all levels of leadership. At the highest levels, the government in any modern society should, by its very nature, be a reflection of the society it governs. Our leaders are expected to serve the interests of their respective stakeholders in an open, honest and transparent manner, furthermore identifying, avoiding and managing conflicts or potential conflicts of interest as they arise.

While conflicts of interest in the public sector should be dealt with through legislative measures, this has not necessarily been the case in South Africa's recent past. The tone for disregarding the harmful effects of conflicting interests was set by former President Jacob Zuma, with examples being the construction of his Nkandla residence, which was the site of a myriad of alleged conflicting interests, as well as the so-called 'state-capture' by the Gupta family, where individual interests were allowed to flagrantly take precedence over those of the government and the country as a whole.

More recently, conflicting interests which border allegations of corruption, have surfaced at the likes of Eskom, the South African Department of Justice and Constitutional Development and in the Johannesburg mayoral office. While these allegations have not necessarily been proved, they point to an environment which necessitates suspicion and investigation, and which does not put a premium on transparency in the interests of value creation and sustainability. This being said, it's ironic how many organisations claim to 'comply' with the highest standards of ethical reporting, furthermore declaring their compliance to various governance codes, yet few of these organisations actually prioritise ethics, stakeholder engagement and communication as a business priority.

As a national priority, South Africans should be called on -- both at an organisational and personal level -- to be unscrupulous in their avoiding and managing of all conflicts of interest within their own realm of influence. While newly elected President Cyril Ramaphosa has earnestly begun a "new dawn" for South Africa, such where his objective is to rid various corrupt and conflicted government officials from his leadership ranks, ordinary citizens should not adopt a 'wait-and-see approach' toward their own ethical practices.

As citizens, we also have a duty to serve our country, and to do so ethically and without conflict. As individuals -- including the role we fulfil in business -- we have the ability to correct our own actions without having to wait for the highest levels of government to re-set their, neither our own, moral compasses. There's no doubt that managing the risks of conflict requires hard work and thoughtful approaches. Moreover, it is critical that the ethical bar is substantially raised if we are serious about creating a more prosperous and sustainable country for the future.

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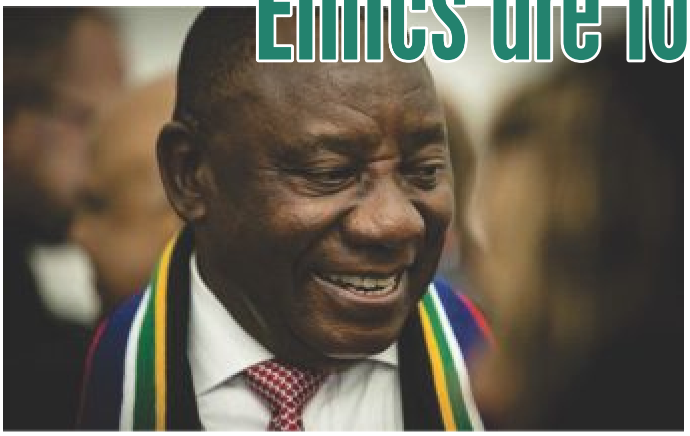
Many of our readers are parents themselves or interact often with children. We have asked our education editor, a retired headmaster, to share thoughts on how to get Quality principles and practices instilled in young people.

By Dr Richard Hayward

Ethics are for children too!



In the recent political change in South Africa, there's been talk about ethics. Cyril Ramaphosa, the president, has spoken of the need for a corruption-free, ethical society. The public and private sectors should behave in an ethical, honest way.

The notion of ethical behaviour can be narrowly seen as a matter discussed and put into action by adults. Yet ethics can be nurtured and taught to even very young children.

Even if a child never uses or understands the word 'ethics', there's an intuitive grasp of its meaning. Think of the child who comes home from school and tells mom and dad that someone stole money from the teacher's handbag. The child is talking about unethical behaviour.

What is ethical behaviour? The Josephson Institute of Ethics in Los Angeles refers to the Six Pillars of Character. The pillars describe the character of an ethical person. Each pillar contributes towards defining what it means to be ethical. Quality schools go far beyond teaching facts and skills. They nurture ethical character too. How do they go about it?

Quality schools focus on values such as these six pillars from the Josephson Institute:

1. **Trustworthiness:** If you make a mistake, own up. Tell the truth. Be honest. Do what you say you'll do.
2. **Respect:** Treat others with respect. Accept differences in others as regards culture, language and religion. Don't be judgemental. Be well-mannered. No swearing!
3. **Responsibility:** Be self-disciplined and know that you're personally answerable for the choices that you make.
4. **Fairness:** Play by the rules. Wait for your turn and give others their turn. Don't take advantage of others.
5. **Caring:** Be kind. Be compassionate. Be thoughtful. Forgive others. Help others in need.
6. **Citizenship:** Do your share. Obey the class and school rules. Respect authority. Protect the environment.

Obviously, these values aren't the only ones. Every school will have their particular set of values to which they give emphasis. Yet all of the schools will most likely include the six values above even if they're worded differently.

So, how do we teach ethical behaviour? You might like to look at each of the above-mentioned values and see how it can be lived-out in your own home and neighbourhood.

The family that has household pets, for example, could use them to teach values. Give every child a pet that's their personal responsibility. The child soon learns about the need to be trustworthy, responsible and caring. If Ivana is expected to look after Charlie, the Labrador, she gets daily reminders of what ethical behaviour entails. Charlie needs a fresh bowl of water every day; Ivana makes sure that he gets it. Charlie's thirst is quenched and Ivana's blossoming ethical behaviour is being watered.

Knowing what's 'right' and what's 'wrong' doesn't simply happen. Yes, there will be those times when children will intuitively know how to behave in an ethical manner. They don't need guidance from others. Yet there are those times when ethics need to be discussed and ethical boundaries set.

Ethical behaviour is challenged in our society. Amongst children and especially teenagers, it's rife. This is when children need to be given coping skills. They need to be assertive, to be able to express themselves and firmly say, "No." Sometimes it's better to simply walk away or avoid going into a situation where your ethics could be compromised.

The Number One way for children to become ethical is for them to be surrounded by role-models who, "Walk the talk". When mom and dad, family and friends are ethical, the children are most likely to walk down the same road.

A future president of South Africa is a child sitting in a classroom today. The president of tomorrow is learning how to read, write and many other skills. More importantly though, may the child also be learning how to be ethical.

Reference

Teaching your child to be ethical.
https://www.education.com/magazine/article/Training_Child_Ethics/

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SAQI Training Programme for 2018

All courses offered by the South African Quality Institute are presented in association with other course providers and are available to all organisations and individuals. SAQI can assist with the training of a company's workforce and all training packages can be run in-house at cheaper rates. A special discount applies to SAQI members. For more information or to register contact Vanessa du Toit at (012) 349 5006 or **vanessa@saqi.co.za**

1. SAQI reserves the right to change details of the programme without prior notice. **click here** for all course synopsis.
2. The courses listed below form part of a specific Certificate and all modules should be successfully completed to qualify for the Certificate.
3. Training is presented on the CSIR campus in the east of Pretoria.
4. All courses completed previously will receive credit when proof of successful completion is received.
5. All prices **include VAT @ 15%.**

Code	Course	Days	Cost	Jun	Jul	Aug	Sep	Oct	Nov
L2	**Certificate in Quality Control for Manufacturing**	**10**	**22,790-00**	Jun	Jul	Aug	Sep	Oct	Nov
B41	Introduction to Quality Control	2	5165-00	25-26				29-30	
B90	Introduction to Statistical Techniques	3	6230-00	27-29				31-2	
B91	Introduction to Statistical Process Control (SPC)	3	6230-00		23-25				19-20
B79	A3 Problem Solving	2	5165-00		26-27				21-23
L2	**Certificate in Quality Control for Services**	**10**	**21,725-00**	Jun	Jul	Aug	Sep	Oct	Nov
B30	Introduction to Quality Control	2	5165-00			27-28			
B31	Introduction to Statistical Techniques	3	6230-00			29-31			
B33	Introduction to Quality Circles	2	5165-00				18-19		
B34	A3 Problem Solving	2	5165-00				20-21		
L3	**SAQI Certificate in Quality Assurance***	**13**	**29,020-00**	Jun	Jul	Aug	Sep	Oct	Nov
B48	ISO Requirements 9001:2015	3	6230-00				5-7		
B24	Knowledge Management	2	5165-00					8-9	
B16	Internal Quality Auditing	3	6230-00					10-12	
B92	Advanced QualityTechniques	3	6230-00					22-24	
B77	Advanced Product Quality Planning (APQP)	2	5165-00					25-26	
L4	**SAQI Certificate in Quality Management***	**3**	**31,610-00**	Jun	Jul	Aug	Sep	Oct	Nov
B38	Development of a QMS	3	6230-00						
B01	Organisational Excellence	2	5165-00		9-10				
B58	Policy Deployment (Hoshin Kanri)	2	5165-00		11-12				
B74/B76	Lean for Manufacturing/Service Industries	4	9885-00	19-22					
B93	Cost of Quality	2	5165-00		30-31				

Inhouse Training: vanessa@saqi.co.za • Public Training: info @saqi.co.za

For a list of other courses provided, please visit www.saqi.co.za
Inhouse courses provided to 10 or more delegates. Enquire from vanessa@saqi.co.za