



e - Quality Edge

bringing quality information to South Africans since 1996

SAQI
The South African Quality Institute

Tel: +27 12 349 5006
Fax: +27 12 349 1232
www.saqi.co.za

August 2019
Number 233

CONTENTS

PAGE

Welcome to the August edition of our e Quality Edge

1

What would Deming say?
By Paul Simpson

2

Quality of Governance:
Watchdog or lapdog
By Xolani Mpahlwa

4

SAQI Way Forward
By SAQI Executive

6

Progress on QCTO and SETA
Quality Qualifications
By Paul Harding

7

Celebrating Women's Month
Interview with Sareena Maharajh

8

Theme for SAQI's 2019
National Quality Week
11 - 15 November 2019

9

Generating Extra Value and Business
Resilience through the 'Six Capitals'
By Stephen Simmonds and Terrance M. Booysen

10

Conflict in the classroom:
choose consensus
By Dr Richard Hayward

12

2019 UPCOMING EVENTS

13

SAQI Quality Training 2019

14



Welcome to the August edition of our e Quality Edge



Paul Harding

In this month's edition we pay tribute to all our female supporters in Quality as we celebrate Women's Month in South Africa.

Our lead article is by Paul Simpson who takes a look at comparing Deming's 14 points for Management with the requirements of ISO 9001:2015. One of our colleagues from SASQ, Xolani Mpahlwa gives a perspective from a quality practitioner on Quality in Governance.

SAQI takes the opportunity to share with our members our way forward and our future plans. We also give feedback on the progress currently taking place on QCTO and SETA Qualifications with regards to formalizing Quality Qualifications.

To support Women's month one of our training delegates Sereena Maharajh shares some of her thoughts on what it means to be a women.

Stephen Simmonds discusses how to generate extra value and business resilience through the six capitals

Richard Hayward asks us to choose consensus when confronted by conflict in the classroom.

We remind everyone that our theme for National Quality Week that takes place from the 11th to the 15th November with World Quality Day being held on the 14th November is *"Creating Value through Quality Performance"*.

If any of you would like to contribute to future newsletters please contact us.

Please feel free to pass on our newsletter to your network and we look forward to input from you for our next edition.

Paul Harding

SAQI MD



WWW.SAQI.CO.ZA

Quality:

helping South Africans live, learn and work better



What would Deming say?

by Paul Simpson | Chair of ISO TC 176 Sub Committee 2 - Quality Systems

First posted on LinkedIn

Introduction

I'm not brave enough to put myself in the great man's shoes and put an answer to the question posed in the title of this article. In another LinkedIn post, I offered to put an opposing view to the original post that ISO 9001 was not in line with W Edwards Deming's 14 points for management. In a fairly short time, I have looked at the Quality Management Principles (QMPs) that underpin TC 176 standards and the requirements in ISO 9001 (ignoring all the other standards produced by TC 176) and cross-referenced them with each of the 14 points in turn. I'd be interested in any feedback and any inaccuracy or omissions, particularly as I'm working away from my copy of 'Out of the crisis'. Where I feel there is an overlap in either the 14 points or how ISO 9001 supports one or more points then I have cross-referred them.

1. Create constancy of purpose toward improvement of product and service.

In the QMPs that underpin all the TC 176 standards for quality, there are principles for both leadership and improvement. When we talk about quality it is (for ISO 9001) the quality of products and services. In ISO 9001 there are over 40 references to improve/improving/improvement. In clause 4.4 the organization has to continually improve its quality management system, including its processes. Under clause 5.2, policy, the organization's leaders commit to improvement and 9001 requires the organization to document and communicate its policy for quality and ensure it is aligned with business processes. In the planning section, it requires the organization to consider its interested parties and the issues they bring to identify risks and opportunities to enable it to achieve improvement. Opportunities for improvement are an agenda item for management review alongside the conformity of products and services. There is a whole clause 10 covering improvement, including '10.1 a) improving products and services to meet requirements as well as to address future needs and expectations.'

2. Adopt the new philosophy.

ISO 9001 doesn't talk about quality management as a 'new philosophy' but its focus is on quality being at the heart of the business. TC 176 exists to make standards related to quality and, as such, we have but one philosophy, even if we acknowledge other priorities. ISO 9001 requires the organization's leaders to demonstrate their commitment to the quality management system. In clause 5.1.1 ISO 9001 requires top management to 'demonstrate leadership and commitment ... by : b) ensuring that the quality policy and quality objectives are established for the

quality management system and are compatible with the context and strategic direction of the organization.'

3. Cease dependence on inspection to achieve quality.

Nowhere in ISO 9001 does it require inspection. In clause 8.6 it requires organizations to implement and complete 'planned arrangements before releasing products and services. These could include inspection but ISO 9001 does not insist on it. The standard requires the organization to use a risk-based approach to quality and to consider risks and opportunities when designing its processes. The emphasis on quality by design encourages the organization to assure the quality of products and services rather than inspect it in.

4. End the practice of awarding business on price alone; instead, minimize total cost by working with a single supplier.

The QMP 'relationship management' encourages the organization to work with its supply network and other interested parties. There is no requirement to limit your suppliers to 1. It is up to the organization to look at risks and opportunities associated with suppliers and design appropriate systems to suit those risks and opportunities. In particular, in clause 4.2 it has to determine: 'a) the interested parties that are relevant to the quality management system; b) the requirements of these interested parties that are relevant to the quality management system.'

5. Improve constantly and forever every process for planning, production and service.

Again there is a QMP, 'Improvement' and Deming's point 5 is at the heart of 9001. As mentioned in point 1 above, Improvement is addressed multiple times, in particular in covered it is covered in policy, leadership and has its own clause. Clause 10.1a again specifically refers to products and services and clause 4.4.1 requires: 'The organization shall establish, implement, maintain and continually improve a quality management system, including the processes needed and their interactions, in accordance with the requirements of this International Standard.'



...continue on page 3



6. Institute training on the job.

9001 focuses on competence but training (including on the job training) is often the way of developing competence. Also, the 9001 clause on organizational knowledge (7.1.6) requires the organization to maintain this body of knowledge in line with changing needs: 'When addressing changing needs and trends, the organization shall consider its current knowledge and determine how to acquire or access any necessary additional knowledge and required updates.'

7. Adopt and institute leadership.

As mentioned before, there is a QMP, 'Leadership'. One of the main changes in the year 2000 revision of 9001 was more emphasis on top management. This approach has continued with the 2015 edition with a whole clause on the accountability of the leaders of the organization and what they need to do to demonstrate their commitment to quality.

8. Drive out fear.

This is a difficult one to demonstrate for a requirements standard. 9001 is all about evidence-based decision making. All 9001 requirements are about the alignment of processes with customer requirements. Under their leadership responsibility (Clause 5.1.1), leaders are required to demonstrate their leadership and commitment by: 'h) engaging, directing and supporting persons to contribute to the effectiveness of the quality management system.'



9. Break down barriers between staff areas.

Based on one of the first 8 QMPs, 'Process approach' was revised

in 2012. The 2000 revision was TC 176's move of the requirements standard 9001 to the process approach. This continued in 2015 and to this day. The process approach remains about breaking down functional silo working and thinking end-to-end.

10. Eliminate slogans, exhortations, and targets for the workforce.

9001 requires organizations to establish objectives and to make them measurable where possible. This is light years away from Deming's 'targets'. The policy remains to demonstrate the commitment to quality. KPIs are milepost indicators along the road towards the objective(s).

11. Eliminate numerical quotas for the workforce and numerical goals for management.

As above in point 10. 9001 chooses to focus on policy and objectives, there is nothing in 9001 that encourages piece work or MBO, two of Deming's pet hates.

12. Remove barriers that rob people of pride of workmanship, and eliminate the annual rating or merit system.

As before, it is difficult to disprove a negative. There is no requirement for performance management in any form in 9001. The process approach encourages organizations to design implement and monitor processes based on their performance and effectiveness.

13. Institute a vigorous program of education and self-improvement for everyone.

There is nothing specific in 9001 here. The standard focuses on the outcome of employing competent people. It also requires the organization manages its organizational knowledge and has an improvement programme in place, mentioned above.

14. Put everybody in the company to work to accomplish the transformation.

Again, nothing specific here as 9001 cannot prescribe how an organization operates its QMS. The standard required processes are analysed and managed and that the organization communicates with employees. It also requires improvement programmes across the organization and, as mentioned above, for the organization's leaders to demonstrate their leadership and commitment by 'h) engaging, directing and supporting persons to contribute to the effectiveness of the quality management system.'

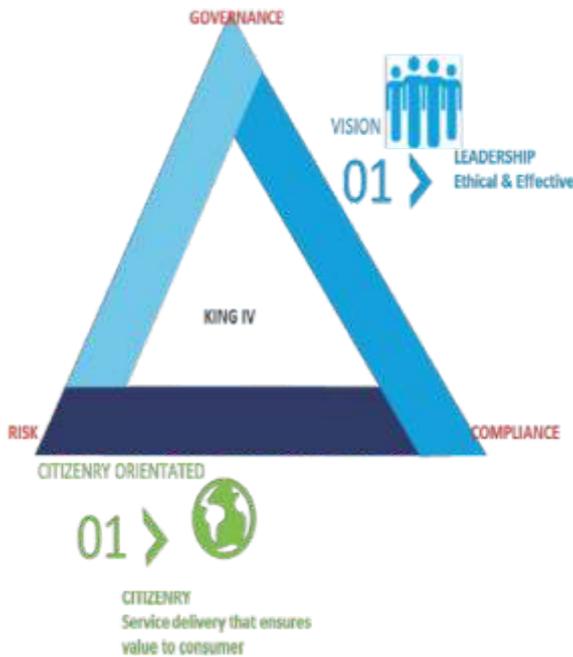


[back to contents page](#)

Quality of Governance: Watchdog or lapdog

by Xolani Mphahla

GRC is a common term in the corporate world. It refers to a triangle that enhance organizational operationability, structurally. GRC stands for governance, risk and compliance. We will map out GRC in relation to KING IV. Quality Management alignment King IV is residing with principles 9, 13 and 15.



Once upon a time, a scholar, Lorange, argued that a "balanced strategy is needed for continued success". He drew the attention to the importance of having a dual focus regarding the time horizon for strategy- both a longer-term, more visionary focus and a more short-term focus with emphasis on the revenue stream from the strategy. So what becomes the challenge for managers is to establish an explicit balance between what is to be done today for the future and what is to be done for the short-term benefits.

King IV was introduced on or after 1 April 2017 as a much bolstered version and improvement from King III with a new core theme being "ethics". King IV defines governance as "exercise of ethical and effective leadership". These two must complement and reinforce each other, aligning to the four outcomes of ethical culture, good performance, effective control and legitimacy. The principles were also revised from 75 under King III to 17 under King IV. However lest we forget that King IV is not legislated but a mere "code of conduct" or "guide" unlike companies act of 2008 which is law. The four pillars for a Governing Body (commonly referred to as the board) are; setting strategic direction, informed oversight, approve policies to effectuate strategy and lastly corporate disclosure. They are accountable to the Shareholder.

Then the issue of quality management is one that is seldom, considered within governance. ISO 9001:2015 has adopted a

'Risk-based thinking' which is about planning your objectives and actions taking into account the known risks and their potential effects. The ideal situation being, that which seeks to minimise the likelihood or impact of unwanted outcomes. Leadership in the context an organization aligning its objectives with overall business strategy and promoting the adoption of risk-based thinking, the process approach and evidence-based decision-making. Looking at governance principles; number 9 focuses on performance evaluation and continued improvement; number 13 focuses on compliance to laws, protocols, codes and standards while number 15 focuses on assurance services, external auditors, internal audit function to support integrity of information. These principles are essentially ensuring quality management is upheld within governing body. Continued Improvement is a key theme quality management and principle 9 requires it as evidenced.

Let us examine the case of ESKOM SOC with regards to application of GRC. There was a recent event that irked the public the wrong way and led to much uproar thereafter. The minister of Public enterprise, Pravin Gordhan appointed, the current Chairman of the Board, Mr Jabu Mabuza, to be the CEO as well. The concern that arose was; is the law permitting such? Is it ethical? Does governance allow it? Is the board not talented enough? etc. Eskom has two types of culture, person and power cultures in it's DNA which prohibits it's potential.

Firstly, Eskom is a schedule 2 entity, a major public entity, which exists to support government mandate of electrification. Remember, their three legs are Generation, Transmission and Distribution. In conducting their business they must balance being commercially sustainable and fulfill socio-economic mandate, access to electricity. The latter is done through Municipal Systems Act of 2000 Section 7, where "free 65kw" is deemed access under National Energy Act. Eskom's mission is to "grow the economy". King IV requires compliance to be understood as a source of rights and protection with a holistic view on how laws, rules, codes and standards relate to one another.

Governance in this scenario of a public entity begins with the Shareholder Compact, between Minister and the Board taking effect, with an annual review mechanism in place. Legal framework of this Shareholder Compact will be then be imposed via National Treasury Regulations Public Entities. The Board, led by the Chairman is responsible for oversight and strategic direction of Eskom, ensuring achievement of APP and finances are not in the red. It is the board to which the CEO reports and is accountable to. Similarly, the CFO and CEO generally are part of the board, as Executive Board members (two required from executive team). On both accounts, a CEO is appointed by a process and as Board members are appointed by a nominations process. Cross-directorship within a group of companies is now an indication of possible non-independence. Non independence relates to

...continue on page 5

exercising objective and unfettered judgement with absence of interest, relationship position, association that is likely to influence unduly in decision making. In essence, this is where ethics begin to get threatened and integrity is suppressed. Remember, integrity is possessing the quality of being honest and having strong moral principles.

Taking the case of ESKOM SOC, there seems to be questions around the justification to appoint the Chairman as CEO. In terms of King IV, it is stated that "office of Chairman and CEO office must not be occupied by the same person". However, companies act of 2008, says "nothing prevents the CEO from being the Chairman". This would be indicative of no law was broken but governance principle was shredded to pieces. This very scenario, happened in 2009, where Mr Jacob Maroga resigned as CEO and Mr Mpho Makwana took over as Chairman and CEO, appointed by Minister Babara Hogan then. For the past 10 years, seemingly, we have progressed at all. What an own goal, for an organization that drives the economy of the country.



Let's examine two principles, starting with number 7 in particular. It indicates that the board should have a diverse set of skills, qualifications, knowledge and independence. Principle 10 states "appointment of, delegation to, management contribution to role clarity and effective exercise of authority and responsibilities". These two principles were to enhance the balance of diversity while ensuring the separation of roles and responsibilities.

Principle 7 gives a clear "directive" that for a functional board, there should be diverse set of skills such that when a CEO resigns, a board member can be placed at the helm in the interim, generally 3 months period. It is good corporate governance when such a board member is not the Chairman. Principle number 10 focuses on role clarity as it is the board that delegates authority (DOA) to the CEO ie approvals. These two principles with this SOC, are both broken, whether intentionally or not, under King IV governance, it is not permissible.

Leadership must be visionary and need two characteristics; insight and foresight. This is clearly not visible currently at the SOC, and perhaps that is what worries the public so much. If a test was put as to "effective leadership" was enacted, I doubt the result would be a "pass".

Ethics are an act that shows selflessness by an individual towards the society. One great mind Niccolo Machiavelli said "Politics have no relation to morals". It has been evidenced many a times that board members cannot separate themselves from their interests within the entities they occupy board positions. In King IV governance, this act breaks the core theme of ethics (exercise ethical and effective leadership). In essence, a board member, is not permitted to do business with the entity he/she oversees, it is DOWNRIGHT unethical.

Succession planning is at the centre of the problem here. When we fail to plan, we are planning to fail. Lack of succession planning details lack of a risk approach. Risk is about mitigation. The executive management team is expected through HR Strategy to craft succession plan to limit or remove exposure from the potential risk. It is imperative to have a risk strategy and in this case loss of Intellectual Property (knowledge base of individuals). Talent Pipeline Management feeds into such HR Strategy which includes profiling of such talent. This could extend to external candidates if internally, there is shortage of talent. There is misguided approach instead of profiling candidates at SOC's, deployment. Eskom is an engineering firm, not a financial institution hence the notion of an Accountant is not a fit as experience has shown, it requires an Engineer.

The most complex part about not attracting interest to the CEO position internally or externally is the recent appointment of a CRO (Chief Restructuring Officer) who by the way will be "a mini board". The CRO has been given a blank cheque basically by the Shareholder and will create a challenge to anyone arriving as a CEO of the entity. It's unclear whether the CRO will "turnaround" the business or will "tear it down" as speculation was rife before the appointment of SAICA CEO, Mr Nomvelo. It must be said that it's a mammoth task for the CRO as he must take the entire organization into his confidence, under difficult circumstances. Engineers, are technocrats, who love what they do and don't want to be exposed to "politics" of this CEO position hence they show no interest thus far.

In conclusion

The question is "is it not time King IV get's legislated or incorporated into companies act? Shareholder Compact reviews to be bi-annually rather than annually. This would be continued improvement exercised positively and impactful. Leadership needs to prevail and power culture contained throughout an organization, executive and board level. The country needs ethical businesses that serve the society while protecting the environment. It is doable, so let's make it work, together. Quality of Information and Integrity thereof is key in averting risk in governance. Eskom is a reflection of a pandemic, a South African problem.

Xolani Mpahlwa, MBA - is an Independent Columnist, GRC Strategist, Management Coach. He is CEO of Blackstone Advisory, SASQ Chairman of the Board and Service Seta Business Chamber Committee, SA Representative to ISO Congress, SANAS STC GHG & Technical Expert on QMS and Energy Management.

[back to contents page](#)

SAQI Way Forward

by SAQI Executive

Overview of need for changes to SAQI's Memorandum of Incorporation (MOI)

Since SAQI is no longer directly affiliated with the department of trade and industry and after dissolving the previous Board we felt it was necessary to move away from our original articles of association and introduce a more appropriate memorandum of incorporation. The previous Section 21 not for profit organisation had become obsolete so we had to fall in line with new regulations.

Objectives and adoption of Memorandum of Incorporation

SAQI is a non-profit company ('NPC') with Members having the following objectives:

- to promote a culture of 'quality' in South Africa by assisting Member's to identify the skills needed to produce quality products and quality services such that overall business competitiveness – and thereby business sustainability – is enhanced;
- to promote a culture of 'quality' in educational institutions throughout South Africa;
- to contribute to enterprise development by promoting the use of Quality Management Systems and focussing on customer needs in the delivery of products and services;
- to contribute to enterprise quality development across all sectors of business by promoting the use of International Quality Standards for enterprises to be more cost effective and competitive;
- to promote and advance the professional, legitimate and common interests of its Members in order to promote quality awareness in South Africa;
- to promote and protect the trust, image and integrity of quality as a profession and uniformity of standards in quality application and implementation;
- to provide continuing professional education and training opportunities to Members to enable them to remain abreast of the latest developments in the quality profession;
- to promote professional standards in the conduct of its Members;
- to represent the interests of Members within the sector wherein they operate.

SAQI is in the process of adopting this unique form of Memorandum of Incorporation ('MOI') and, accordingly, the standard form of MOI for non-profit companies as contained in the Regulations to the Companies Act (No.71 of 2008, as amended).

This MOI will be presented for adoption by Resolution at a Special meeting to be held in early 2020. in substitution for the Company's existing Memorandum of Association and Articles of Association in accordance with Section 16(1)(c) of the Act.

Proposal for composition of the new board

- The Board shall consist of a minimum of nine (9) Directors and a maximum of twelve (12) Directors, which shall include:
- a minimum of four (4) Directors who represent Members who meet the criteria of Platinum Membership;
- a minimum of two (2) Directors who represent Members who meet the criteria of any other membership category;
- a minimum of one (1) director who actively participates in one (1) or more education and training bodies;
- a minimum of one (1) independent Director who is appointed by the Members as set out in this MOI; and one (1) Managing Director.
- Only those Associate Members who have at least five (5) years of experience practising as a quality practitioner may be eligible to serve as Directors of the Board;
- All the Directors of the Board, save for the Managing Director who shall be appointed by the Board, shall be appointed by the Members in terms of this MOI provided:
- the Board shall co-opt a minimum of one (1) independent individual, who need not necessarily be a quality practitioner or have experience in the quality industry, to be a Director of the Board; and
- such co-opted individual is eligible to be a Director in terms of this MOI and/or the Act; and
- such co-opted individual is not a Member of the Company at the time of their co-option

Achievements

Over recent times SAQI has consolidated its position as a leader of Quality Promotion in South Africa and has also cemented its position with affiliations with many other International role players in the Quality Promotion field.

In the area of Quality Training SAQI has successfully implemented a career path development program that has been utilised by the manufacturing, service and construction industries. We are also in the process of introducing a food and cosmetic industry training program.

Despite a period of financial uncertainty SAQI has now achieved a healthy balance sheet and is looking forward to sustained growth into the future.

SAQI is grateful to its loyal members who have supported us over recent times during our transition from a Government funded entity to an independent not for profit organisation.

We will keep our members informed of the next steps leading to our Special meeting early next year.

[back to contents page](#)

Progress on QCTO and SETA Quality Qualifications

by Paul Harding

The question is often asked, “Are SAQI training programs accredited to the Sector Education and Training Authority (SETAs) requirements?”

The South African Quality Institute has cooperated with the Services Sector Education and Training Authority (SSETA) and the Quality Council for Trades and Occupations (QCTO) originally in 2008-2010 and again in 2014-2015 to produce a curriculum for Quality Management training. This latest training curriculum was set against the Organizational Framework for Occupations (OFO) code 121908 that described the function of a Technical Quality Specialist. A series of workshops, involving key stakeholders, was set up by the SSETA and the QCTO to develop this curriculum. The group immediately reached consensus that this title and scope was too limited and needed to be expanded to cover the more generic Quality Management and support functions.

SAQI along with other Quality role players have since aligned the current OFO codes with the needs of Quality stakeholders specifically those with broad Quality training needs. New codes now include:-

121908 Quality Systems Manager, Management Systems Auditor, Quality Manager, Quality Control Manager.

132107 Quality Manager, Quality Manager Services, Quality Control Manager, Quality Assurance Manager, Supplier Quality Assurance Manager.

684305 Quality Controller, Quality Assurer, Quality Inspector, Quality Auditor, Quality Examiner.

There are currently two legacy Quality qualifications sitting at SAQA.

These comprise 66189 National Certificate QMS and 22949 Certificate Quality Assurance (City and Guilds).

The updated qualification 121908 (Technical Quality Specialist) that was developed for the QCTO in 2014 was never approved and is now being updated at a series of workshops taking place in August and September 2019 that SAQI representatives and other Community of Expert Practitioners (CEP's) are participating in.

The first phase is to align a qualification for a Quality Controller (QC) that has been proposed by the Chemical Industry Education and Training Authority (CHIETA) at NQF level 3 and 4 to fit into the broader requirement for a general Quality Control function across all sectors. This part qualification can then be placed as part of the broader 121908 that will cover Quality Management up to NQF level 6. Once the curriculum for this QC qualification has been satisfactorily completed then SAQI, along with other service providers, may approach the SSETA to have its courses accredited in line with the new curriculum. The broader Quality Management qualification is then expected to be completed in the New Year.

SAQI is currently in talks with the Services SETA to accredit its existing courses against both the National Certificate QMS and the Certificate Quality Assurance until the new Quality Manager qualification is finalised. In the meantime SAQI will continue to offer its training courses as non-SETA accredited but will be consistently peer reviewed.

Delegates attending current SAQI training will have the opportunity to receive qualifications retrospectively once the qualifications have been approved based on RPL.



**SAQI's third group of delegates to complete Level 4 SAQI Certificate in Quality Management.
From left: Francois Joubert, Refilwe Makopo, Paul Harding (Facilitator), Louise Orr, Sareena Maharajh and in front Logan Edwards**

[back to contents page](#)



Celebrating Women's Month

Interview with Sareena Maharajh

On 9 August Anglo American plc celebrated women who love, care and inspire those around them. One of SAQI's successful Quality Management Program delegates responded to some questions put to her.

Sareena Maharajh : Rustenburg Base Metals Refiners (RBMR) safety, health, environment and quality (SHEQ) management systems practitioner

Who are you?

I'm a warrior.

What distinguishes you from the rest?

I'll always find an optimistic viewpoint in a negative situation.

To be a woman... what does it mean and how do you play an active role in bettering the lives of others?

Women aren't born strong; we are forged by the challenges of life. With each challenge, we have the potential to grow mentally and emotionally. We can move forward with our head held high and a strength that cannot be denied... A strong woman is one who's been through the storm, adopted the right attitude and survived—strengthened.

Interesting facts about you?

- *I'm very family orientated.*
- *I love people and making them feel special, putting a smile on someone's face, puts a smile on mine.*
- *I am creative and enjoy the creative ideas of others.*
- *I have a twin sister, and no, we are not identical!*

Who is your role model and why?

Oprah Winfrey; she has endured many challenges at a young age, and she rose to being one of the most successful women in the world. She is a true inspiration to me and so many other women around the world.

Whenever I find myself doubting how far I can go; I will remind myself of how far I've come. I'll reflect on everything I've faced, all the battles I've won, and all the fears I have overcome.



[back to contents page](#)

Theme for SAQI's 2019 National Quality Week

We are pleased to announce our theme for National Quality Week that takes place from the 11th to the 15th November 2019. World Quality Day will be held on Thursday the 14th November 2019.

“Creating Value through Quality Performance” ©SAQI 2019

This year we want to encourage our member organisations and our associates to view Quality improvement as the vehicle to create value for all their stakeholders.

Very often Quality Management is seen as an on-cost to the organisation and something that should be left to the Quality department.

We need to see Quality Performance elevated to the Boardroom and inculcated into organisation strategy to be used as the driver to create value and long term sustainability to the organisation.

Quality Performance cannot be seen in isolation. We need to link our Performance with our Organisational Purpose, our Processes and our People.

SAQI senior personnel will be available on a first come first serve basis to assist our member organisations during National Quality Week.

For more information email vanessa@saqi.co.za



[back to contents page](#)

Generating Extra Value and Business Resilience through the 'Six Capitals'

by Stephen Simmonds (Director: SynergyGRC) and peer reviewed by Terrance M. Booyen (Director: CGF Research Institute)

In a world where the interconnected and constantly changing relationships between financial, social and environmental issues are becoming more evident, businesses that remain unaware of their impacts and dependencies on their non-financial relationships attract unnecessary risk. Indeed, these organisations also fail to recognise new opportunities for efficiency, growth, resilience and development.

Resilience is a challenge for many businesses. In this article we look beyond *financial* and *manufacturing* capitals (See Figure 1), and delve into the manner in which the business can leverage the remaining capitals to deliver reliable services to customers and manage their overall resilience.

Business resilience is the ability an organisation has to adapt quickly to any and all forms of business disruption, while maintaining its operations and safeguarding its stakeholders, including its assets and overall reputation. Accordingly, the measure of an organisation's resilience goes beyond mere disaster recovery. Fundamentally, the organisations most likely to survive any form of disruption are those who consistently review their governance processes, including their operational procedures, to ensure these are capable of responding to a change event.

Business continuity strategies must aim to reduce costly downtime, mitigate vulnerabilities, limit damage and restore operations as quickly as possible. The organisation's Corporate Governance Framework® plays a crucial role in strengthening the organisation's resilience by ensuring that business continuity management is prioritized and incorporated into the organisation's risk management frameworks.

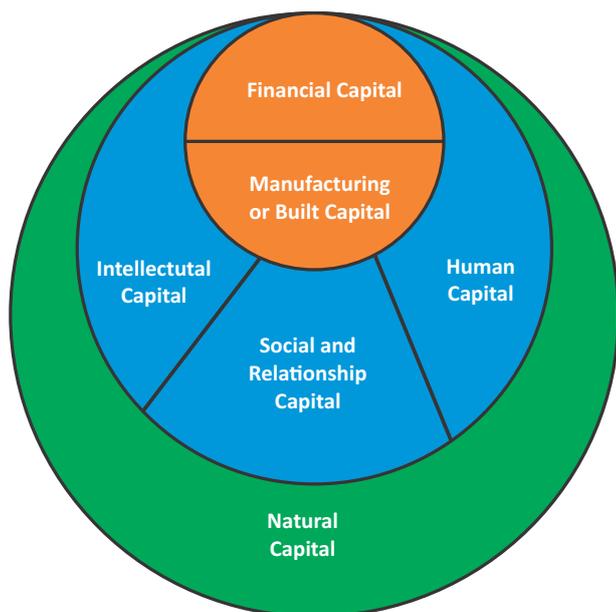


Figure 1

Appreciating the capital stocks of value

Environmental stewardship -- being a part of *natural* capital -- is not usually expressed as a form of 'capital' within an organisation's bottom line reporting. This being said, with increasing environmental legislative demands, the organisation's sustainability reporting has become interwoven with its strategic ethos. The increasing occurrence of environmental events such as global warming, ozone depletion, air and water pollution, acid rain and waste management require businesses to be able to adapt, quickly respond and recover from the negative impacts of these change events.



By recognizing the importance of the natural, social and human capital, as well as intellectual capital, organisations have a far greater chance of driving sustainable growth particularly with informed institutional investors and environmental activists increasingly focusing on ethical business and governance practices. These socially and environmentally aware organisations understand the value of linking long term sustainability imperatives to their business values and drivers, making them far more attractive to new generational investors.

First discussed in the King IV Report on Corporate Governance for South Africa, 2016 ('King IV™'), the six capitals illustrated in Figure 1 form the foundation of the business, and organisations are expected to publicly report on the manner in which these capitals affect, and or are used -- or enhanced -- by the organisation. The organisation's capital 'inputs' must be transformed into 'outputs' which over time deliver value to stakeholders. The process of converting inputs into outputs must be governed in a manner which is ethical, fair and takes into account the reasonable needs and expectations of material stakeholders.

Implementing the capitals

Each type of capital includes assets that provide a flow of benefits to the organisation. By strategically considering and applying the different types of capital, organisations can differentiate themselves from their peers, make better-informed business

...continue on page 11

decisions and ethically and sustainably deliver services and products.

An excellent example of leveraging natural capitals to improve business resilience is found in the OFWAT project (The economic regulator of the water sector in England and Wales) which was conducted by the United Kingdoms' National Audit Office. The OFWAT project achieved audited savings of £1.15 billion in 2014, this mainly being as a result of their recommendations and reports on improved governance practices, thereby assisting their government to improve service delivery. One of OFWAT's four key themes in 2019 was business resilience within the water sector.

To be resilient in times of flooding, a water company might traditionally build a large storage tank or divert excess flows to watercourses to prevent flooding. However, by also investing in sustainable drainage measures within urban centres, such as planting grassy verges or creating wetlands, it was possible to store, soak up and slow down the flow of rainfall naturally, thereby reducing pressure on existing drainage systems and the environment.

Making use of natural capital in this way (i.e. the run-off water), OFWAT was able to derive far greater benefits, over and above preventing sewer flooding. The project was also able to create new habitats for wildlife, as well as enhance social and human capital benefits such as improved local air and water quality and enhanced local wellbeing through the creation of green spaces.

Figure 2 illustrates the positive (sustainable) impact the OFWAT approach had on business resilience.

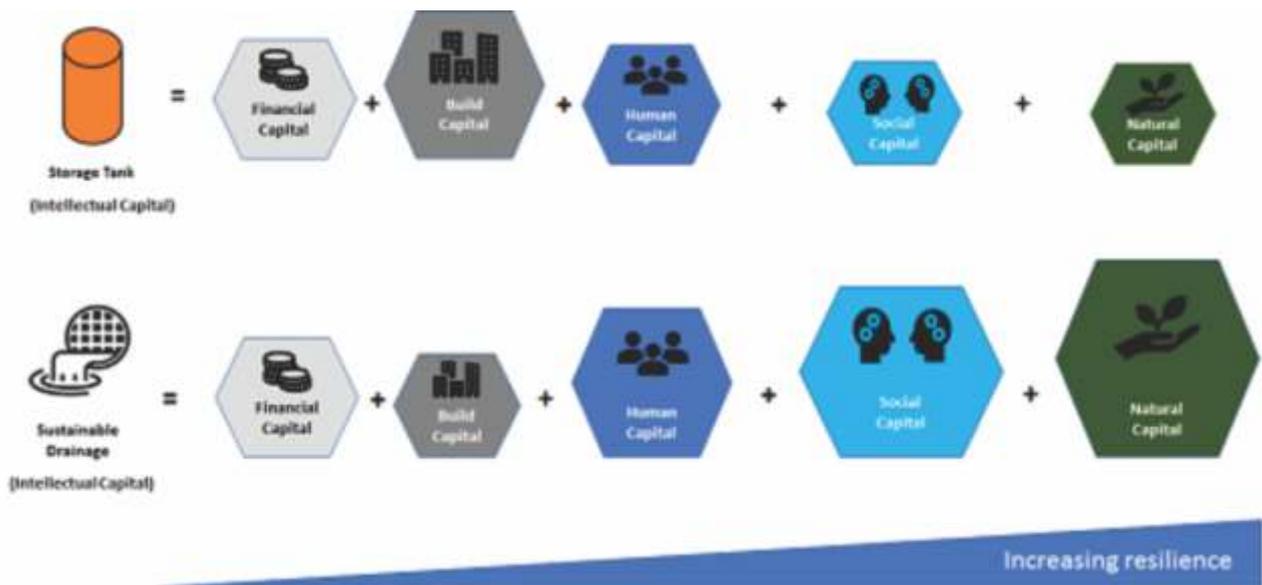
By leveraging different types of capital to inform investment decisions, organisations can generate additional value and increase their business resilience without necessarily utilising additional financial capital.

To conclude, by holistically considering all the capital inputs in business decision making and investment planning, organisations are more likely to assure investors, regulators and assurance providers that their performance -- be that in terms of service or financial measures -- is resilient and sustainable, and thereby encourage greater investment.

For further information contact:

SynergyGRC (Pty) Ltd
Stephen Simmonds (Director)
Cell: 082 881 9389
E-mail: steve@synergygrc.com
Web: www.synergygrc.com

CGF Research Institute (Pty) Ltd
Terrance M. Booysen (Director)
Tel: +27 (11) 476 8264
Cell: 082 373 2249
E-mail: tbooyesen@cgf.co.za
Web: www.cgfresearchinstitute.co.za



Adapted from: www.aecom.com Resilience 6 Capitals Approach

Figure 2

[back to contents page](#)

Quality in Schools

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

Conflict in the classroom: choose consensus

Our failures are due not to the defeats we suffer but to the conflicts we don't participate in.

Graffiti on a youth centre wall in Bern, Switzerland.

There isn't a classroom anywhere that's conflict-free. What skills can we give children to help them make the right decisions in these situations?



When there's conflict, people usually react or respond in one or more of five ways. They are: flight, fight, give up, avoid responsibility and compromise. All five ways have an element of win-lose to them. Someone or some group gets the upper hand and gets more than the other. Even when everyone makes a compromise, there's an element of loss even if it's minor.

There's a sixth way which ensures that there are no losers. Everyone wins. That approach is consensus.

If a child and the family make the right decision on how best to deal with a conflict, it can contribute towards happier days in the classroom. The six decision strategies are:

1 Flight

Not every battle can be won. The level of conflict in a classroom might be intolerable. There could literally be gang warfare. Learners stab each other and even the teacher. Bullies rule and terror reigns. Parents need to insist that their child be removed from such a classroom. If need be, take flight out of the school.

2 Fight

I'm not advocating South African parliamentary-type fist fights! Yet there are those times when the child might have the physical or verbal ability to withstand the bully. It might go against the child's nature but there are times to assertively stand one's ground.

A physical bully might need to be confronted by someone who is not scared. A bully is often a coward and will back-off when the behaviour is challenged.

Then there's the verbal bully who needs to get a taste of its' own tart

medicine. The articulate child who is sharp with words can swiftly put the bully down with a riposte or a few trenchant remarks.

3 Give up

Sadly, there are times when a conflictual situation simply has to be endured. A child, for example, is taught by a domineering teacher who seems to specialise in making cynical and sarcastic barbs. The teacher might be approached but there might be no meaningful improvement.

Perhaps, the solution is for the child to lie low and try to stay out of the teacher's direct line of verbal fire. In such an unhappy situation, the child needs reminding that the teacher will one day be out of its' life.

4 Avoid responsibility

A child might evade personal responsibility when deciding how to deal with conflict. Here the conflict is handed over to someone else to sort out. This is often the route taken by younger children. Enter mom or dad. They take up the issue with the teacher or a staff member who is in a position of authority.

Sometimes this strategy works; sometimes not. Parents have to intuitively assess the level of possible fallout. If the gamble works, school days are happier. If not, the child will be counting the days when he can wipe that teacher's chalk dust off his clothes.

5 Compromise

This is the time when all the parties in the conflict situation listen intently and respectfully to each other. Areas of agreement are sought and found. There's a willingness to compromise.

Nobody wins absolutely but everyone has made a positive contribution to reduce conflict. It's largely but not entirely, a win-win situation for everyone.

6 Reach a consensus

This is the ideal conflict resolution situation. Instead of everyone making compromises, a 'third way' is found. Here everyone finds mutual agreement. 'Light bulb' and 'out-of-the-box' thinking are needed to find consensus.

Let me give an example. In a school there was conflict amongst the parents, students and teachers regarding the amount of weekend homework. Sitting around the table someone had a 'light bulb' moment. Increase marginally the weekday daily homework and have no weekend homework. Consensus achieved!

Conflict is a guaranteed reality in every child's life – in fact, in all our lives. Yet it can often be managed and minimised. If possible, see if there's a 'third way'. That third way is not your way nor my way. It's our way. It's consensus.

Reference

Krogerus, M and Tschäppeler, R 2017. *The decision book*. London: Profile Books.

[back to contents page](#)

UPCOMING EVENTS / 2019

SAQI PLANT TOUR

SAQI invites its members to attend this years plant tour in conjunction with **Bevcan** at their Springs facility. The invitation with full details will be emailed to SAQI's active members. Open to members only.

Sept 20



**Nampak
Bevcan**
packaging excellence



SAQI KNOWLEDGE FORUM

Oct 9

Hosted by **Assupol Insurance**, this years forum will focus on the various Continuous improvement methodologies (Lean, Six Sigma & 20 Keys). We have invited 5 industry speakers to share their views with us on these topics. Open to members and non-members.

NATIONAL QUALITY WEEK

SAQI invites all business members to celebrate National Quality Week. The theme for this year is "**Creating Value through Quality Performance**" ©SAQI2019

Nov 11 - 15

[back to contents page](#)



SAQI Training Programme for 2019

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					28-29	
B90	Introduction to Statistical Techniques	3	6230-00					30-1	
B91	Introduction to Statistical Process Control (SPC)	3	6230-00						18-19
B79	A3 Problem Solving	2	5165-00						20-22
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						
B31	Introduction to Statistical Techniques	3	6230-00						
B33	Introduction to Quality Circles	2	5165-00				16-17		
B34	A3 Problem Solving	2	5165-00				18-19		
L3	SAQI Certificate in Quality Assurance*	13	29,020-00	Jun	Jul	Aug	Sep	Oct	Nov
B48	ISO Requirements 9001:2015	3	6230-00				11-13		
B24	Knowledge Management	2	5165-00					7-8	
B16	Internal Quality Auditing	3	6230-00					9-11	
B92	Advanced Quality Techniques	3	6230-00					21-23	
B77	Advanced Product Quality Planning (APQP)	2	5165-00					24-25	
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						
B58	Policy Deployment (Hoshin Kanri)	2	5165-00						
B74/B76	Lean for Manufacturing/Service Industries	4	9885-00						
B93	Cost of Quality	2	5165-00						

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

[back to contents page](#)

