

The millennial factor in corporate governance

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When it comes to good corporate governance, “the power is no longer in the boardroom. It is in the smartphone.” This was the key takeaway from a recent compliance business breakfast, hosted by LexisNexis South Africa at its Durban head office, where guest speaker, Michael Judin emphasised the influence of the digital revolution on the [King IV™](#) Report on Corporate Governance.



Judin is a director of Judin Combrinck Inc. and legal advisor to the American Chamber of Commerce in South Africa. He is also a member of the King Committee Task Team established for the review and rewrite of the King III Corporate Governance Report and Code known as King IV.

Judin's presentation, which covered the journey from King I to King IV, aimed to inspire a renewed attitude toward compliance, with a departure from the traditional tick-box approach that characterised earlier editions of the code.

“Three years ago Mervin King called the committee together to announce he was going to write King IV because we were about to embark on the biggest change in the history of man. We were moving into a whole new era. The world is going to change forever...through social media,” he said.

With the digital revolution and introduction of faster, smarter consumer solutions, Judin said there was a need for a code that addressed the demands of the new generation. “We were writing King IV for the millennials. We had to understand how their minds worked. The major thing we found in our research globally was that this was a generation that did not trust and did not believe,” said Judin. “(We found that) a millennial has no regard for a tick box. They don't care if a company has checked its boxes,” he said.

Calling for conscience

Today, in order to appeal to millennials, companies and brands have to prove that they are ethical and responsible, according to Judin. “A millennial wants to see an outcome of good governance. They are only interested in the conscience

of the company - how it (the product) is made, what it does to the community and do they care? Companies need to show transparency, authenticity, ethics, a conscience, and if they don't, millennials just vote with their feet."

Judin referenced actual incidents involving global brands where it became evident that the power was no longer in the boardroom, but rather with the people and the smartphone. From these incidents, he said it became clear that: "A boardroom can become powerless as it takes only seconds for something to go viral. If you ignore millennials, they will go to social media and trash you. No matter how powerful a brand is, they can trash it in seconds," Judin said.

This global shift in corporate governance was evident in the way products are marketed today. "We saw the power of what's happening at the Cannes Film Festival a few months ago. A decade ago, every product that won a Grand Prix for advertising was an advert that showed a product," he said. "This year, you struggled to know what the company was marketing because the ads focussed on the conscience of the company - what they were doing for communities and environment and how they were sensitive in what they did, because millennials are not interested in the product," he said.

Further evidence is that boardrooms are changing with the biggest and most powerful brands changing their top management to include a Chief Reputation Officer and Chief Social Media Officer. These individuals are expected to understand the legal framework within which social media exists. This makes it critical to have access to expert guidance such as that contained in LexisNexis' forthcoming work, *Social Media in the Workplace* authored by Rosalind Davey and Lenja Dahms-Jansen of Bowmans law firm.

Judin's advice to compliance professionals was that it is not about just about ticking a box, "It is important to become a part of the strategy of a company."

While the King IV code promotes evidence-based good corporate governance practices, a host of compliance requirements means that there's plenty on the plates of compliance professionals. With regular legislative updates, not forgetting the financial implications of non-compliance, it is increasingly important for companies to implement a solid compliance management system throughout the organisation. One of the tools LexisNexis South Africa has in place to put businesses back in power when it comes to compliance, is Lexis® GRC, a comprehensive reputation protection solution and the governance, risk and compliance software that executive boards can rely on. With a variety of modules available, clients can customise the solution to suit their business needs and requirements. Complementing Lexis® GRC, is Lexis® Assure. The solution is a pro-active compliance alert tool that informs users of any regulatory changes that could specifically put their business at risk. LexisNexis also has the exclusive right from the Institute of Directors in Southern Africa NPC to publish the [King IV](#) Report in an A4 format.

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