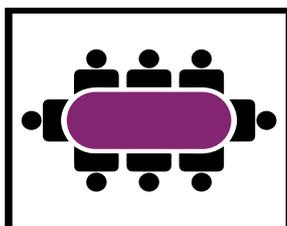


# Directors' Sentiment Index™ Report : 2<sup>nd</sup> Edition



INSTITUTE OF DIRECTORS  
SOUTHERN AFRICA

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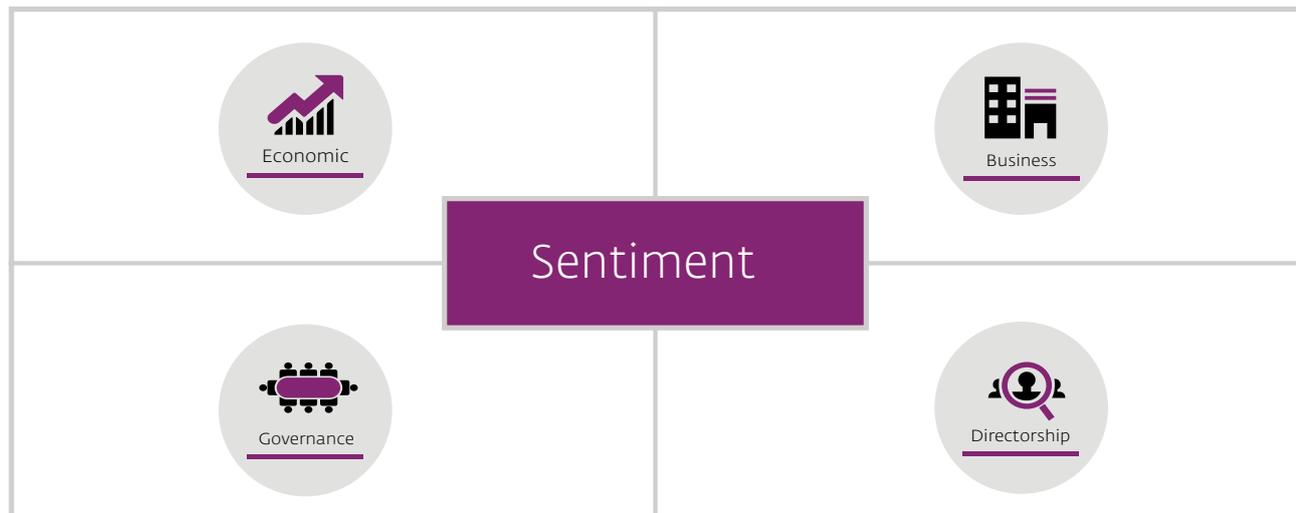
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# 1. Foreword

At the beginning of 2016, the Institute of Directors in Southern Africa ("IoDSA") conducted its first South African Directors' Sentiment Index™ research project. 2017 Marks our second year of continued effort to understand the concerns and challenges faced by South African directors.

The research followed a quantitative approach, where data was obtained by means of an online survey that was circulated to the IoDSA member database as well as a specified sample of Non-IoDSA member directors drawn from a research company's national panel.

The overall aim of the research is to survey, document and monitor the sentiment of our country's business leaders, by measuring their views on a variety of elements covering Economic, Business, Governance and Directorship conditions.



In the short term, the aim of the research is to establish the current perceptual position of South African directors on conditions impacting the execution of their duties as directors. From a long term perspective, the objective is to assess change in the sentiment of directors over time.

We believe that this study provides valuable indicators of the challenges that are most affecting members of the IoDSA and the wider director community in the execution of their directorship duties.

Parmi Natesan  
Executive: Centre for Corporate Governance

Vikeshni Vandayar  
Governance and Legal Specialist

## 2. Executive overview

The findings of this Report are reflective of the surveyed sentiment of a total of 457 South African directors, spanning both IoDSA members (356) and Non-IoDSA members (101). Groupings of overall sample are depicted in Figure 1 below.

The sample drawn from the IoDSA member base is reflective of its current membership profile<sup>1</sup>. The Non-IoDSA member sample of directors again included greater representation from the SMME sector and in other provinces, as well as greater representation of females and individuals in the 25-34 age group, thus providing a balance in the total assessment views.

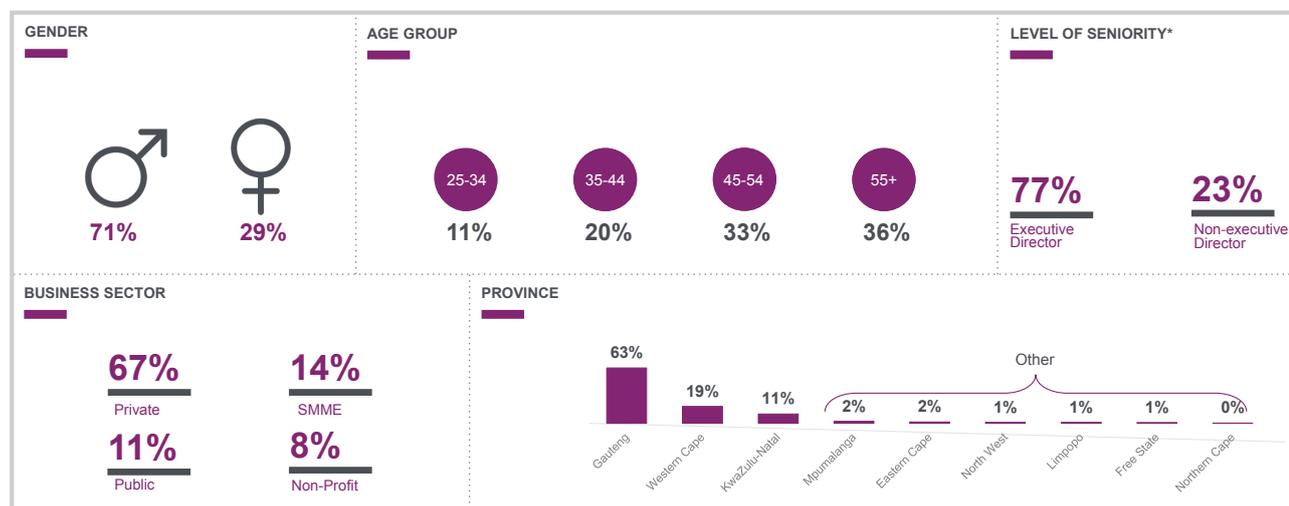


Figure 1: Total Sample Profile Overview.

At a glance, South African directors felt as follows in respect of each of the areas covered:

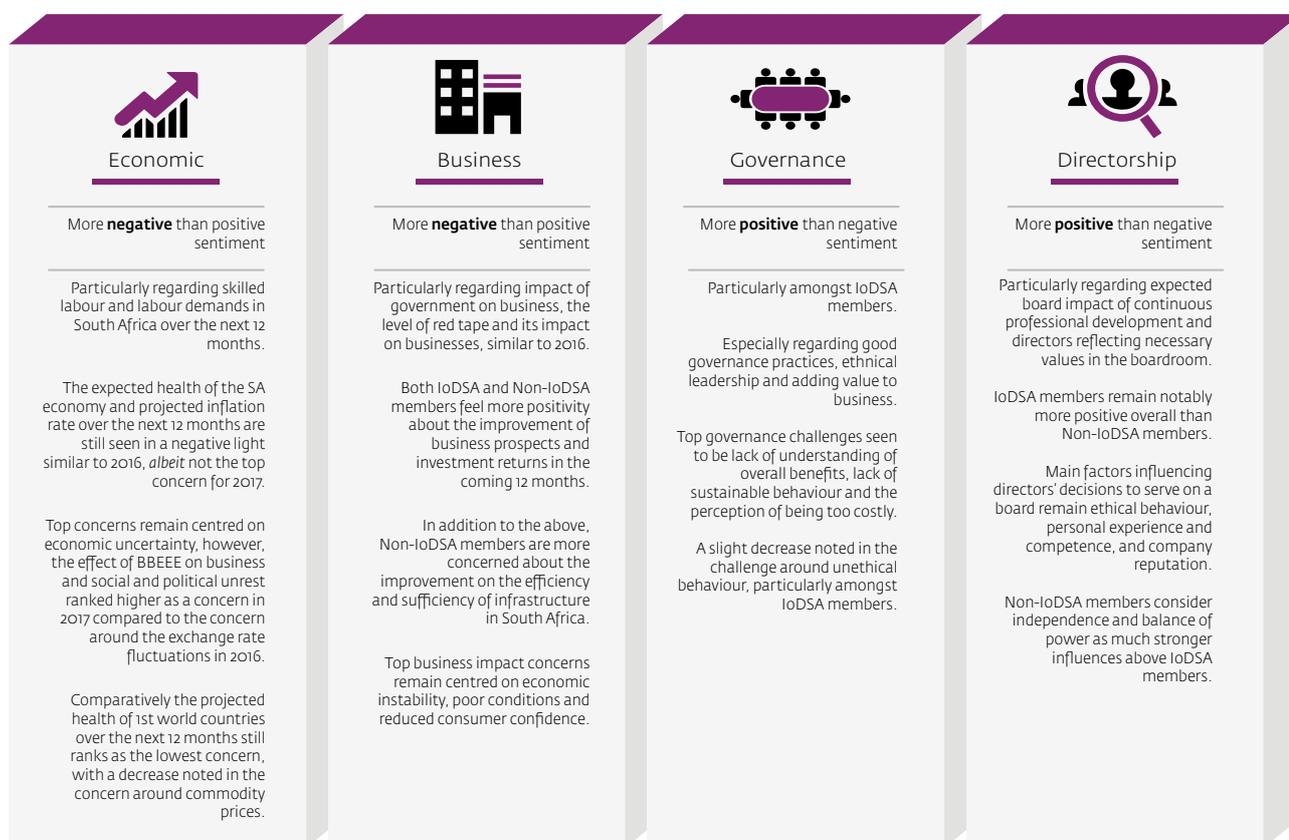


Figure 2: Overview of South African directors' sentiment on the four categories covered.

<sup>1</sup> Detailed information on the profile of IoDSA members can be found in the latest IoDSA Integrated Report accessible via [http://www.iodsa.co.za/resource/resmgr/docs/IoDSA\\_Integrated\\_Report\\_2016.pdf](http://www.iodsa.co.za/resource/resmgr/docs/IoDSA_Integrated_Report_2016.pdf)

# Executive overview

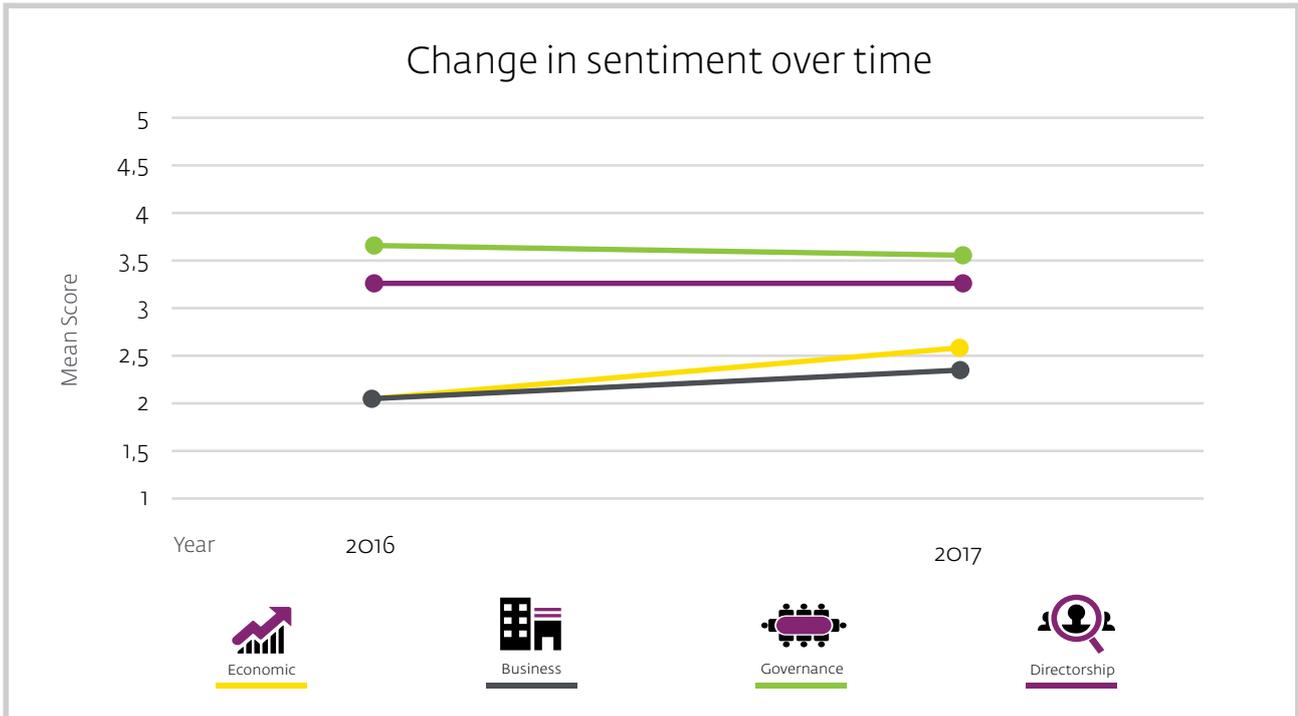


Figure 3: Comparison of mean scores over the years for each section

Whilst the overall mean scores for Economic and Business conditions have improved slightly since the 2016 survey, Governance and Directorship conditions' overall mean scores remain similar.

The conditions impacting South African directors remain variably perceived by IoDSA members and Non-IoDSA members. South African directors remain more cautious regarding economic and business conditions but more positive about governance and directorship conditions, as they are more optimistic about conditions over which they feel they have greater control.

The following sections of this Report depict the general overall perception of South African directors on current Economic (section 3), Business (section 4), Governance (section 5) and Directorship (section 6) conditions as well as further detailed commentary where noticeable differences in sentiment were observed between IoDSA members and Non-IoDSA members; as well as different genders, ages and industry sectors.



## 3.1 General perception on Economic conditions

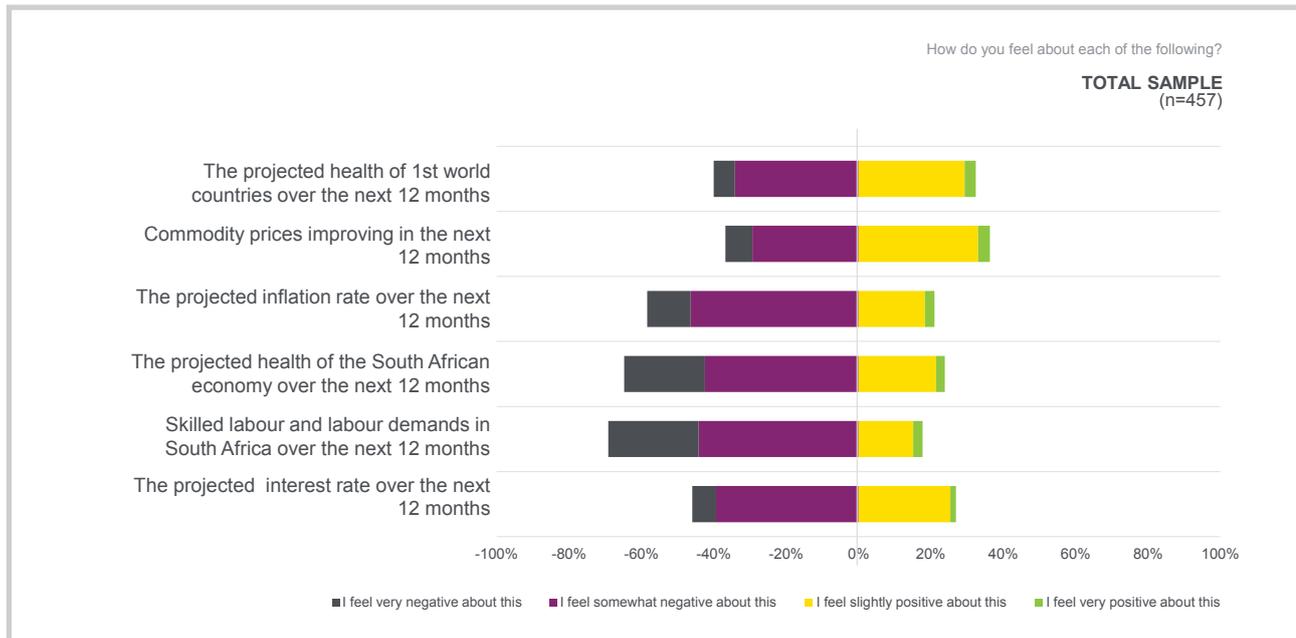


Figure 4: General Economic perceptions of total sample.

Whilst South African directors remain overall more negative than positive on current economic conditions, there has been noticeable change with more directors feeling positive on all the Economic conditions than last year. Compared to 2016, there has been a significant reduction in “very negative” ratings and an increase in “slightly positive” ratings in 2017, such as, for example:

- ▶ Directors felt less negative on the projected health of the South African economy over the next 12 months, *albeit* there was a 10% increase in “somewhat negative” rating (2016: 55%, 2017: 22% very negative sentiment).
- ▶ Directors felt more positive on commodity prices improving in the next 12 months (2016: 9%, 2017: 36% total positive sentiment)
- ▶ Directors felt more positive about the projected interest rate in 2017 compared to 2016 (2016: 7%, 2017: 27% total positive sentiment).

This trend appeared in both IoDSA and Non-IoDSA members ratings, *albeit* IoDSA members feeling considerably less negative on these areas than Non-IoDSA members.

Overall directors felt the most negative/concerned about skilled labour and labour demands in South Africa over the next 12 months, with the projected health of the South African economy following a close second. The sentiment towards commodity prices and projected interest rate over the next 12 months are far less of a concern in 2017 compared to in 2016.

Male respondents were more positive than female respondents around the projected health of 1st world countries and commodity prices improving in the next 12 months. Female respondents were far more negative around commodity prices and projected interest rate over the next 12 months.



## 3.2 Economic factors impacting business

What do you consider to be the three main economic challenges currently facing your business?

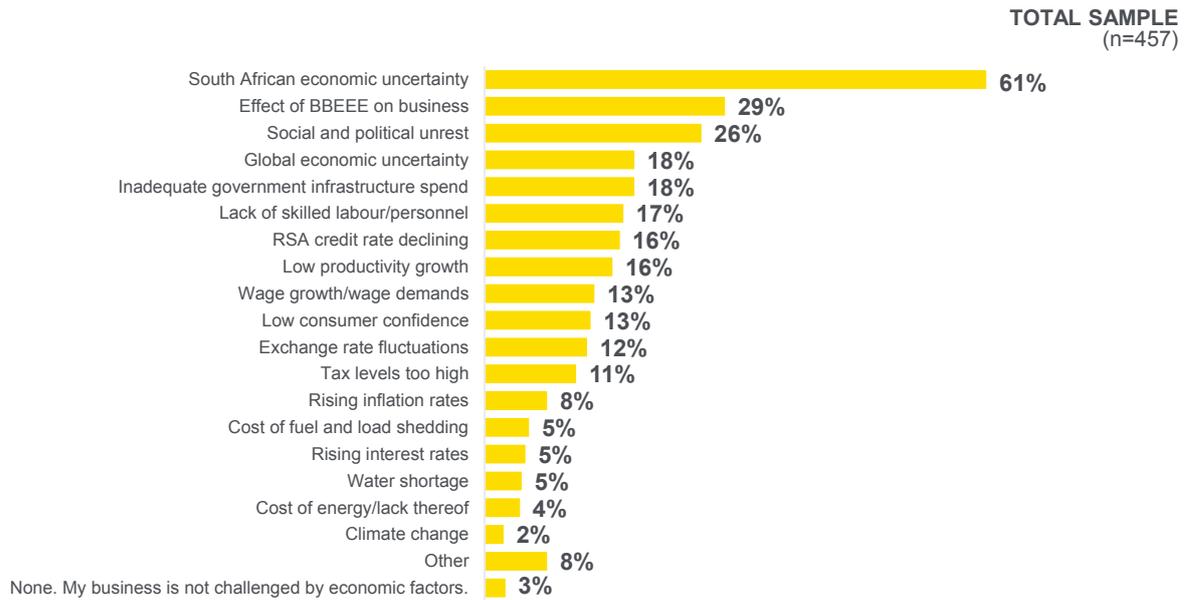


Figure 5: Economic factors impacting current business as perceived by total sample group.

South African directors considered the following to be the top economic challenges facing their business in 2016 and 2017:

	2016	2017
1 <sup>st</sup>	South African economic uncertainty	South African economic uncertainty
2 <sup>nd</sup>	Exchange rate fluctuations	Effect of BBBEE on business
3 <sup>rd</sup>	Effect of BBBEE on business	Social and political unrest
4 <sup>th</sup>	RSA credit rate declining	Global economic uncertainty
5 <sup>th</sup>	Lack of skilled labour/personal	Inadequate government infrastructure

Some of the key differences observed from the results displayed in Figure 5 in respect of the following categories include<sup>2</sup>:

### IoDSA members vs Non-IoDSA members

Both IoDSA members and Non-IoDSA members ranked South African economic uncertainty as the top challenge facing their business, followed by the effect of BBBEE. However Non-IoDSA members felt that high tax levels, rising inflation rates and the cost of fuel and load shedding were more of a challenge to them and ranked these as third, fourth and fifth top factors. This difference in sentiment could be attributed to the larger representation of SMMEs in the Non-IoDSA member sample.

<sup>2</sup> The shaded boxes in the Sector and Age tables highlight the key differences in sentiment in those categories.



## Sector

Ranking	Private	SMME	Public	Non-profit
1	South African economic uncertainty			
2	Effect of BBBEE on business	Effect of BBBEE on business	Global economic uncertainty	Social and political unrest
3	Social and political unrest	Social and political unrest	Social and political unrest	Lack of skilled labour/personnel

Additional notes on sector differences:

- ▶ The SMME sector felt that the impact of high tax levels and wage growth/demands were more of challenge in comparison to the other sectors.
- ▶ Both the Private and the Non-profit sectors felt that the inadequate government infrastructure spend and global economic uncertainty was more of challenge in comparison to the other sectors.
- ▶ The Public and the Non-profit sectors on the other hand were more concerned about RSA credit rate declining than other sectors.
- ▶ The Non-Profit sector does not view the effect of BBBEE on business as a main factor impacting their business.

## Gender

Both male and female respondents were aligned with the overall sentiment as to the top 3 factors as presented in Figure 5. Female respondents however felt more concerned around inadequate government infrastructure spend, global economic uncertainty and RSA credit rate declining compared to their male counterparts. Male respondents on the other hand felt that the lack of skilled labour/personnel and tax levels being too high had a greater impact on business.



## Age

Ranking	Ages 25 – 34	Ages 35 – 44	Ages 45 – 54	Ages over 55
1	South African economic uncertainty	South African economic uncertainty	South African economic uncertainty	South African economic uncertainty
2	Effect of BBBEE on business	Effect of BBBEE on business	Social and political unrest	Exchange rate fluctuations
3	Low productivity growth & Exchange rate fluctuations	Social and political unrest & Wage growth/wage demands	Effect of BBBEE on business	Lack of skilled labour/ personnel

Additional Notes:

- ▶ The 25 -34 age group felt less concerned around social and political unrest in SA and RSA credit rate declining.



## 3.3 Economic factors impacting industry

What do you consider to be the three main economic challenges currently facing your industry?

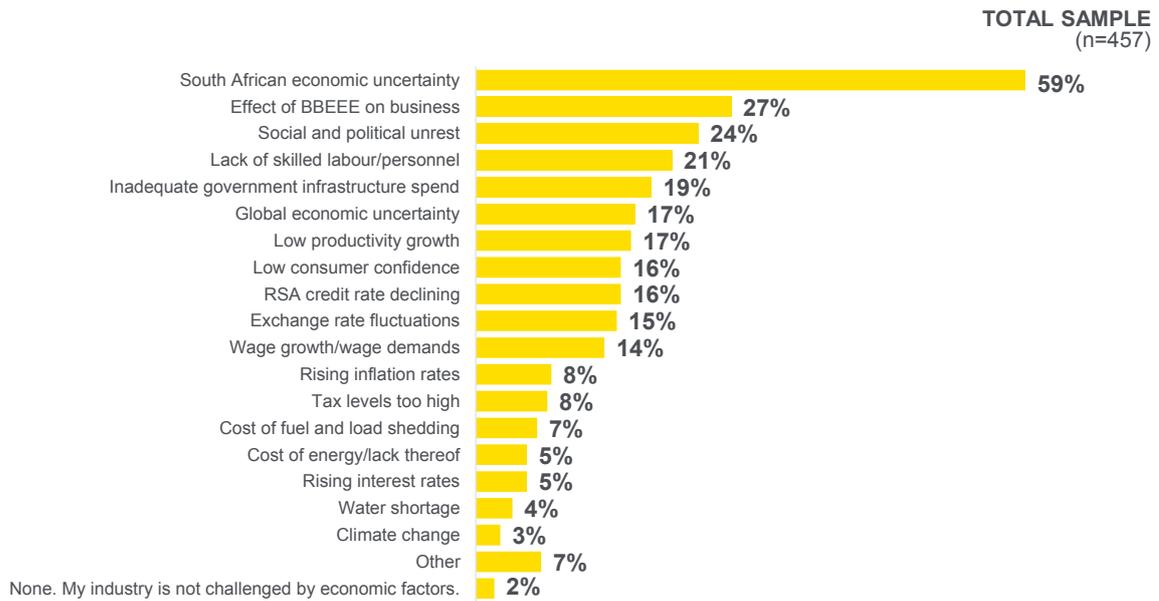


Figure 6: Economic factors impacting industry as perceived by the total sample group.

South African directors considered the following to be the top economic challenges facing their business in 2016 and 2017:

	2016	2017
1 <sup>st</sup>	South African economic uncertainty	South African economic uncertainty
2 <sup>nd</sup>	Exchange rate fluctuations	Effect of BBBEE on business
3 <sup>rd</sup>	Lack of skilled labour/personnel	Social and political unrest
4 <sup>th</sup>	Wage growth/wage demands	Lack of skilled labour/personal
5 <sup>th</sup>	Social and political unrest	Inadequate government infrastructure spend

It is evident from the results that South African economic uncertainty, effect of BBBEE and social and political unrest are major concerns to South African directors. This is because these factors impact both their business as well as the industry in which they operate. From an industry perspective, however, South African directors' feel that the lack of skilled labour is more of concern than global economic uncertainty.

The next section presents some of the differences observed from the results displayed in Figure 6 in respect of the following categories<sup>3</sup>:

### IoDSA members vs Non-IoDSA members

IoDSA members and Non-IoDSA members agree that South African economic uncertainty and the effect of BBBEE are the top two factors/challenges that will impact the industry in which they operate. However, Non-IoDSA members feel that the exchange rate fluctuations are of greater concern than social and political unrest. Furthermore, Non-IoDSA members rank wage growth/wage demands, and cost of fuel and load shedding higher than inadequate government spend and global economic uncertainty.

We found that IoDSA members and Non-IoDSA members were more aligned in their ranking of the top economic factors/concerns facing industry in 2017 than in 2016.

<sup>3</sup> The shaded boxes in the Sector and age tables highlight the key differences in sentiment in those categories.



## Sector

Ranking	Private	SMME	Public	Non-profit
1	South African economic uncertainty	South African economic uncertainty	South African economic uncertainty	South African economic uncertainty
2	Effect of BBBEE on business	Effect of BBBEE on business & Social and political unrest	Social and political unrest & RSA credit rate declining	Lack of skilled labour/personnel
3	Social and political unrest	Inadequate government infrastructure spend	Global economic uncertainty	Effect of BBBEE on business & Social and political unrest

## Gender

Both male and female respondents ranked South African economic uncertainty as the top factor impacting their industry. Female respondents differed from the male respondents rating the lack of skilled labour/personnel as a factor that impacted the industry more than the effect of BBBEE.

Again we see a difference between male and female respondents in the ranking of the other factors. Female respondents felt stronger about the impact of low productivity growth and exchange rate fluctuations on their industry compared to their male counterparts.

## Age

Ranking	Ages 25 – 34	Ages 35 – 44	Ages 45 – 54	Ages over 55
1	South African economic uncertainty			
2	Low productivity growth	Effect of BBBEE on business	Social and political unrest	Effect of BBBEE on business
3	Effect of BBBEE on business	Social and political unrest	Lack of skilled labour/personnel	Social and political unrest

Additional notes on age differences:

- ▶ The 25-34 and 35-44 age groups felt significantly stronger about exchange rate fluctuations compared to the other age groups.
- ▶ The 45-54 age group differed from the other groups. They felt that the RSA credit rating declining was a more important factor impacting industry than the effect of BBBEE.



## 4.1 General perception on Business conditions

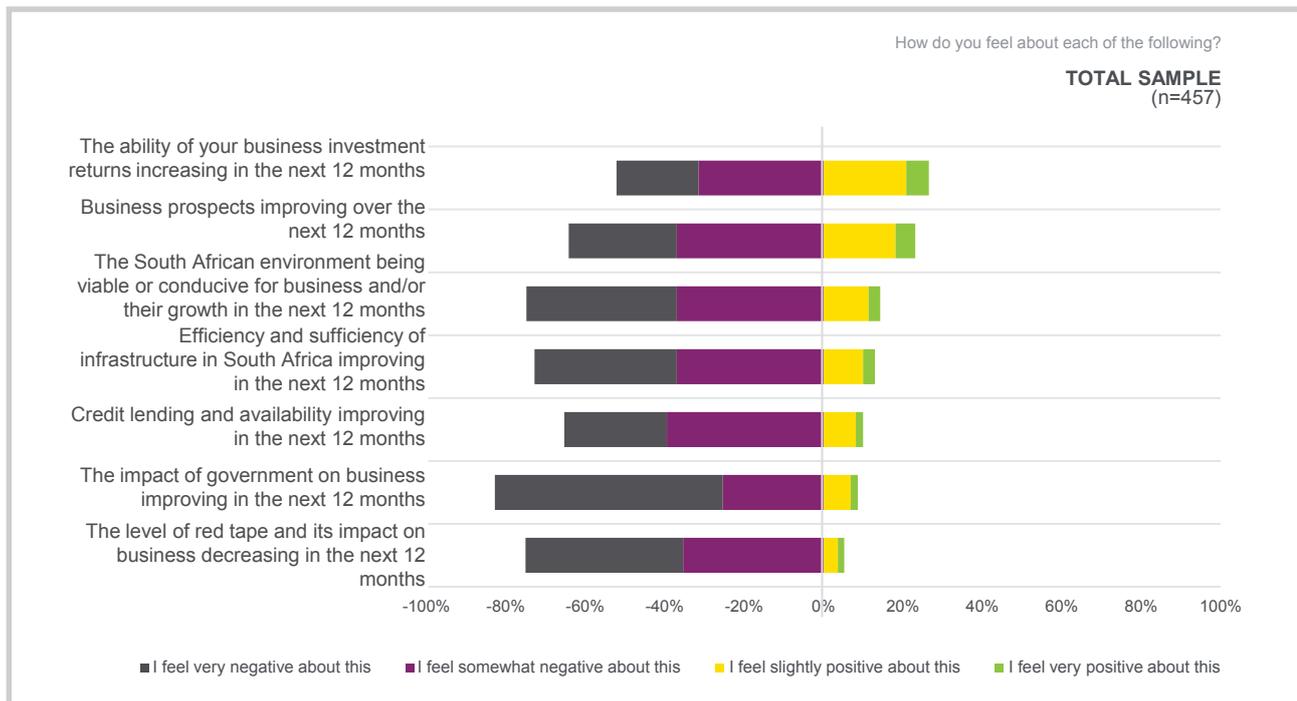


Figure 7: General Business perceptions of total sample.

Whilst the overall South African directors' sentiment on business remains more negative in 2017, the responses indicate that South African director's sentiment on business has improved since 2016.

There has been a significant decrease in the "very negative" sentiment (for example, "very negative" sentiment ratings on impact of government on business improving went down from 57% in 2016, to 39% in 2017) and a slight increase in "somewhat negative" and "slightly positive" sentiments.

The impact of government on business remains the highest concern of South African directors.

Both IoDSA and Non-IoDSA members felt the most negative in the same 3 areas, namely: impact of government on business improving; the level of red tape and its impact on business decreasing; and, efficiency and sufficiency of infrastructure in South Africa. IoDSA members are very negative around the South African environment being viable or conducive for business and/or growth in the next 12 months. IoDSA members' overall sentiment appears to have improved (i.e. slightly more positive) compared to 2016. Whereas Non-IoDSA members' overall sentiment appears to have declined (i.e. more negative) in comparison.

The Private, SMME, Public and Non-profit Sectors continue to have a very negative sentiment towards the impact of government on business improving in the next 12 months, the Non-Profit Sector more so than last year. We have seen a significant shift in sentiment with the Non-Profit Sector being far more negative in 2017 than in 2016 on business conditions. Specifically the Non-Profit Sector was the only sector with zero "very positive sentiment" in this section and a significant jump in overall negative sentiment in respect to the South African environment, impact of government and level of red tape over the next 12 months. The Public Sector is also noticeably less "very positive" compared to 2016, *albeit* there was a slight overall increase in "slightly positive" ratings across all sectors.

Female respondents are noticeably more positive on the efficiency and sufficiency of infrastructure in South Africa improving in the next 12 months (which increased by 12% from 2016) than male respondents. Male respondents however are more negative in 2017 on the impact of government on business improving in the next 12 months. Compared to 2016, male respondents' "very negative" sentiment has declined substantially, with an increase in "neutral" and "slightly positive" sentiment in 2017.

*The impact of government on business remains the highest concern of South African directors.*



## 4.2 Business factors impacting business

What do you consider to be the three main business growth/productivity impediments currently facing your business?

**TOTAL SAMPLE**  
(n=457)

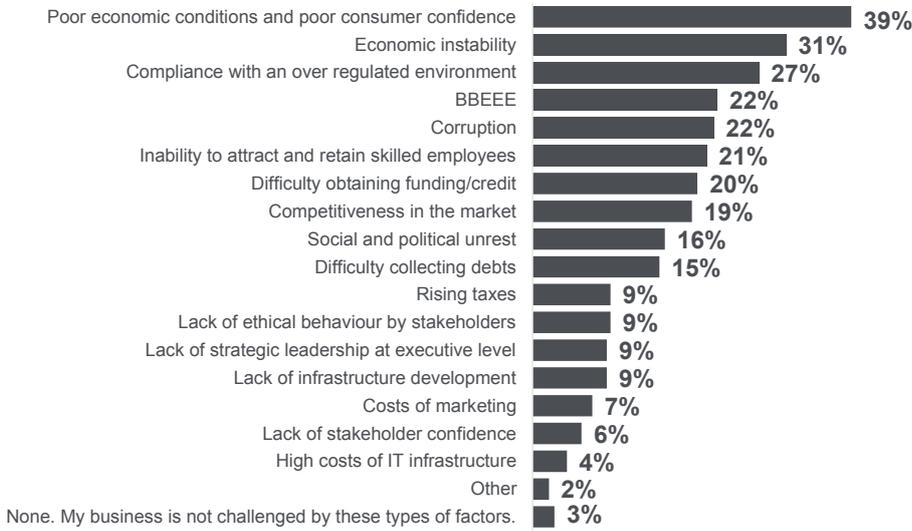


Figure 8: Business growth/productivity impediments current facing business as perceived by total sample group.

South African directors considered the following to be the top business factors impacting their business in 2016 and 2017:

	2016	2017
1 <sup>st</sup>	Poor economic conditions and poor consumer confidence	Poor economic conditions and poor consumer confidence
2 <sup>nd</sup>	Economic instability	Economic instability
3 <sup>rd</sup>	Compliance with an over regulated environment	Compliance with an over regulated environment
4 <sup>th</sup>	Corruption	BBBEE
5 <sup>th</sup>	Social and political unrest	Corruption

The next section presents some of the differences from the results displayed in Figure 8 in respect of the following categories<sup>4</sup>:

### IoDSA members vs Non-IoDSA members

IoDSA and Non-IoDSA members had completely different sentiment on the business factors impacting their business as depicted in Figure 9 below. The rankings of these business factors were different to those presented in Figure 8 above, *albeit* economic instability & poor economic conditions and poor consumer confidence did rank in the top 3 for each. Both IoDSA and Non-IoDSA member sentiment regarding the top 3 business factors did not change from 2016.

<sup>4</sup> The shaded boxes in the Sector and Age tables highlight the key differences in sentiment in those categories.



What do you consider to be the three main business growth/productivity impediments currently facing your business?

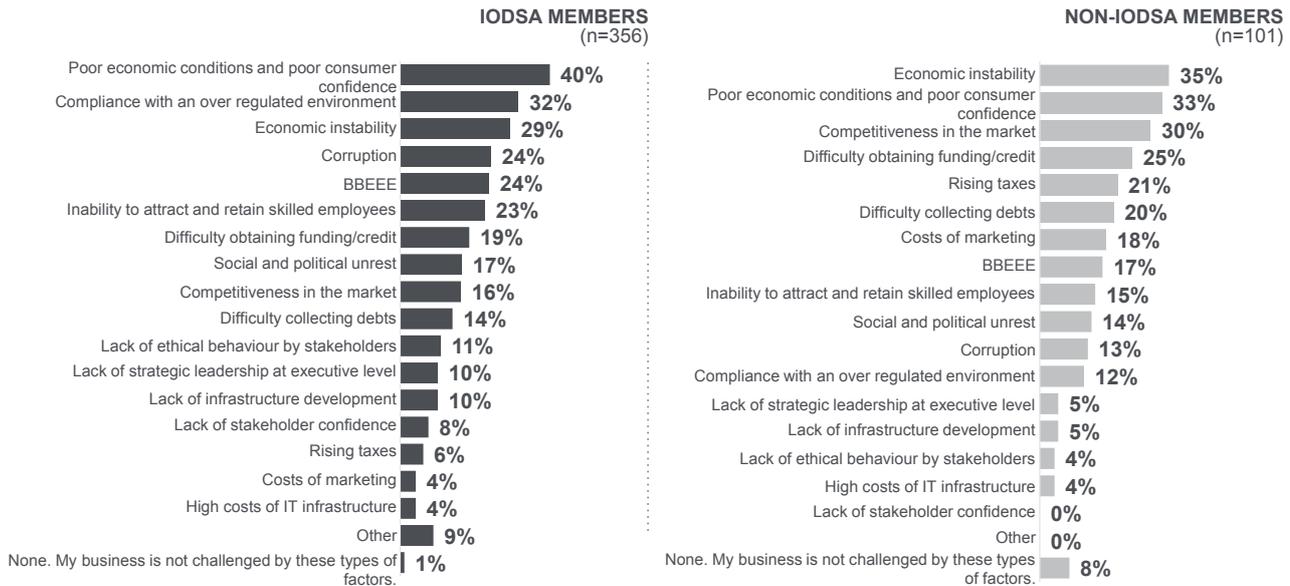


Figure 9: Business growth/productivity impediments current facing business as perceived by IoDSA and Non-IoDSA members.

## Sector

Ranking	Private	SMME	Public	Non-profit
1	Poor economic conditions and poor consumer confidence			
2	Economic instability	Economic instability	Corruption	Economic instability
3	Compliance with an over regulated environment	Difficulty obtaining funding/credit	Inability to attract and retain skilled employees	Difficulty obtaining funding/credit

Additional notes on sector differences:

- ▶ The SMME sector felt that the competitiveness in the market and corruption had more of an impact on their business in comparison to compliance with an over regulated environment and BBEE.
- ▶ The Private sector also viewed competitiveness in the market and corruption as top contributing factors impacting their business.
- ▶ Compliance with an over regulated environment was far less of a concern/challenge for the Non-Profit sector compared to the other sectors.
- ▶ The lack of strategic leadership at executive level continues to be of concern for the Non-Profit sector. There is however a considerable shift in sentiment, with the Public sector (2016: 9%, 2017: 20%) now also feeling that this area is a challenge.
- ▶ Public sector ranked difficulty of obtaining funding/credit and difficulty collecting debts as top factors impacting their business.



## Gender

Both male and female respondents ranked poor economic conditions & poor consumer confidence and economic stability as part of their top 3 challenges facing business, *albeit* female respondents felt that difficulty obtaining funding/credit had more of an impact than compliance with an over regulated environment.

A noticeable difference with regards to the other factors listed is that male respondents felt stronger about BBBEE and corruption than female respondents. The female respondents saw competitiveness in the market as a greater challenge.

## Age

Ranking	Ages 25 – 34	Ages 35 – 44	Ages 45 – 54	Ages over 55
1	Competitiveness in the market	Poor economic conditions and poor consumer confidence	Poor economic conditions and poor consumer confidence	Poor economic conditions and poor consumer confidence
2	Difficulty obtaining funding/credit	Corruption	Economic instability	Compliance with an over regulated environment
3	Economic stability	Difficulty obtaining funding/credit	Compliance with an over regulated environment	Economic instability

Additional notes on age differences:

- ▶ All age groups except for the 25-34 age group, felt significantly stronger than last year about BBBEE being a main factor impacting business.
- ▶ The 25-34 age group, in 2017, felt stronger around the difficulty of collecting debts compared to the other age groups.
- ▶ The 35-44 age group were less concerned about economic instability and compliance with an over regulated environment than the other age groups. This age group ranked these factors as its top 4 and 5 business conditions impacting business as well as competitiveness in the market.



## 4.3 Business factors impacting industry

What do you consider to be the three main business growth/productivity impediments currently facing your general industry?

**TOTAL SAMPLE**  
(n=457)

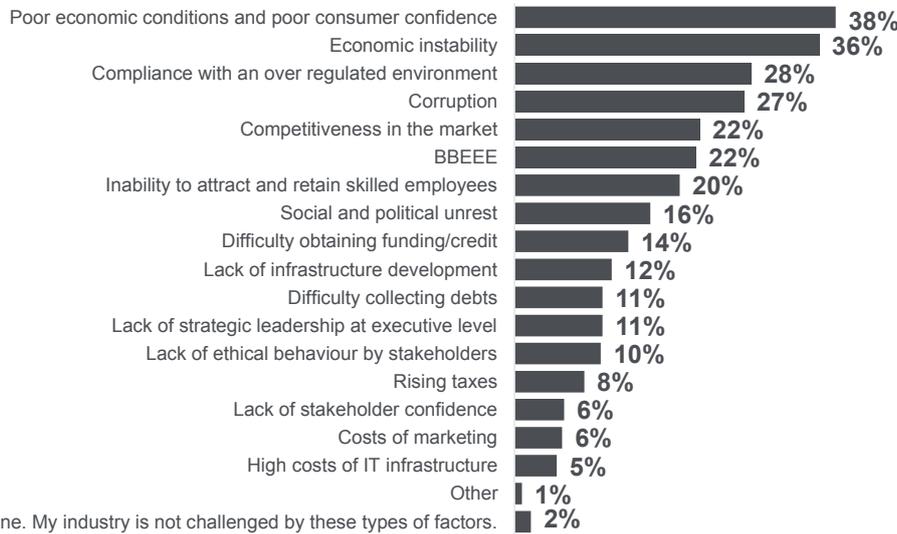


Figure 10: Business growth/productivity impediments currently facing industry as perceived by total sample group.

Overall South African directors considered the following to be the top business factors impacting the industry in which they operate in 2016 and 2017:

	2016	2017
1 <sup>st</sup>	Poor economic conditions and poor consumer confidence	Poor economic conditions and poor consumer confidence
2 <sup>nd</sup>	Economic instability	Economic instability
3 <sup>rd</sup>	Compliance with an over regulated environment	Compliance with an over regulated environment
4 <sup>th</sup>	Corruption	Corruption
5 <sup>th</sup>	Social and political unrest	Competitiveness in the market

The same top 3 factors are found to affect South African director's business and industry. South African director's sentiment in this section has also not changed since 2016.

The next section presents some of the differences observed from the results displayed in Figure 10 in respect of the following categories<sup>5</sup>:

### IoDSA members vs Non-IoDSA members

Both IoDSA members and Non-IoDSA members felt that poor economic conditions and poor consumer confidence and economic stability were the top 2 business factors impacting the industry in which they operate. However Non-IoDSA members felt that competitiveness in the market impacted their industry more than compliance with an over regulated environment. In addition, Non-IoDSA members felt that rising taxes are more of an impediment to business compared to IoDSA members, who felt that the inability to attract and retain skilled employees is more of a concern.

<sup>5</sup> The shaded boxes in the Sector and Age tables highlight the key differences in sentiment in those categories.



## Sector

Ranking	Private	SMME	Public	Non-profit
1	Poor economic conditions and poor consumer confidence	Poor economic conditions and poor consumer confidence	Poor economic conditions and poor consumer confidence	Inability to attract and retain skilled employees
2	Economic instability	Corruption	Corruption	Poor economic conditions and poor consumer confidence & Economic instability
3	Compliance with an over regulated environment	Competiveness in the market	Compliance with an over regulated environment	Difficulty obtaining funding/credit

Additional notes on sector differences:

- ▶ Both the SMME and Private sectors felt stronger about BBBEE than the other sectors.
- ▶ Both the Public and Non-Profit sectors' view on the difficulty of obtaining funding/credit as a business impediment increased considerably in 2017 (approximately 20% more than in 2016) compared to the other sectors.
- ▶ The Non-Profit sector felt stronger than the other sectors about the lack of strategic leadership at executive level as a challenge facing the industry.

## Gender

Both male and female respondents felt that poor economic conditions and poor consumer confidence and economic instability were the 2 top business challenges affecting their industries. Female respondents, felt that competitiveness in the market was more of an impediment than compliance with an over regulated environment. Both male and female respondents ranked corruption as a major factor impacting the industry in which they operate. In addition, it was found that female respondents felt stronger about the inability to attract and retain skilled employees (as well as difficulty with obtaining funding/credit) than their male counter-parts who felt stronger about BBBEE.



## Age

Ranking	Ages 25 – 34	Ages 35 – 44	Ages 45 – 54	Ages over 55
1	Poor economic conditions and poor consumer confidence & Competiveness in the market	Economic instability	Poor economic conditions and poor consumer confidence	Compliance with an over regulated environment
2	Economic instability	Poor economic conditions and poor consumer confidence	Economic instability	Poor economic conditions and poor consumer confidence
3	BBBEE	Competiveness in the market, Corruption & BBBEE	Compliance with an over regulated environment & Corruption	Economic instability



## 5.1 General perception on Governance conditions

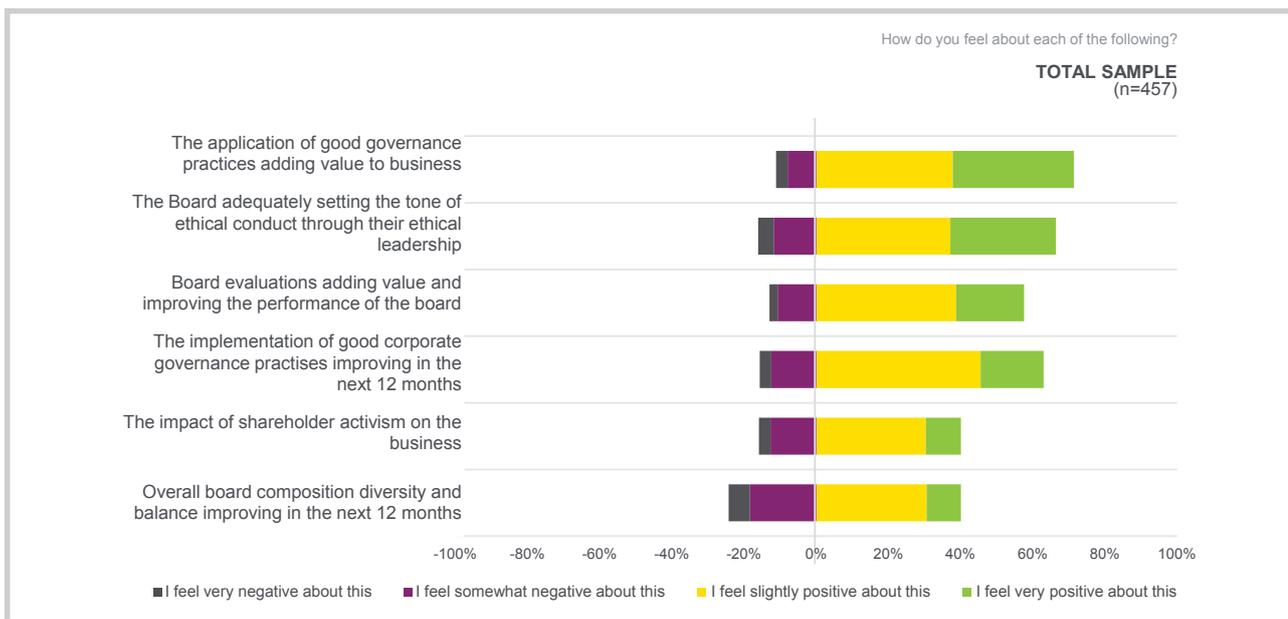


Figure 11: General Governance perceptions of total sample

South African directors have a more positive sentiment to perceptions of Governance, compared with the results for Economic and Business sentiment.

IoDSA members and Non-IoDSA members are both positive towards the impact of Governance in South Africa. IoDSA members feel more positive with regards to good governance practices adding value to business compared to Non-IoDSA members. Compared to 2016, Non-IoDSA members' negative sentiment on the implementation of good corporate governance practices improving in the next 12 months has doubled (2016: 21%, 2017: 43%); with an equal decrease in positive sentiment in this area (2016: 51%, 2017: 24%). IoDSA members' positive view on application of good governance practices adding value to business however has dropped from 34% to 25% in 2017.

The Non-Profit sector this year had a noticeably higher positive sentiment towards application of good governance practices adding value to business compared to last year (2016: 73%, 2017: 97%). The Non-Profit sector positive sentiment has increased overall in 2017 compared to the other sectors.

Female respondents felt more negative about the application of good governance practices adding value to business; the implementation of good corporate governance practices improving; and overall board composition, diversity and balance improving in the next 12 months. This is in comparison to the male respondents whose "slightly positive" sentiment in these areas increased from 2016. Male respondents were found to be more "neutral" on the impact of shareholder activism on the business compared to female respondents.

While all age groups still remain positive about the application of good governance practices adding value to business, there was a considerable increase in positive sentiment of respondents in the over 55 age group compared to 2016. Whereas as those in 25-34 age group have had a considerable decrease in positive sentiment on the implementation of good corporate practices improving in the next 12 months.

There was also a significant number of "neutral" sentiment responses in all the age groups on the impact of shareholder activism on the business.

*IoDSA members feel that good governance practices add value to business.*

*The Non-Profit sector is more positive on the application of good governance practices*



## 5.2 Governance factors impacting business

What do you consider to be the three main governance challenges currently facing your business?

**TOTAL SAMPLE**  
(n=457)

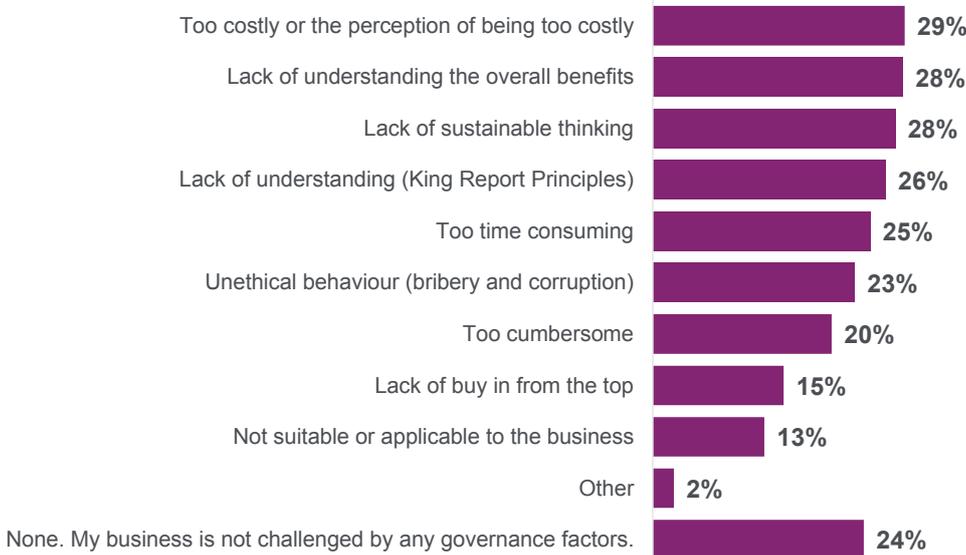


Figure 12: Governance challenges currently facing business as perceived by total sample group.

South African directors consider the following to be the top governance challenges impacting current business in 2016 and 2017:

	2016	2017
1 <sup>st</sup>	Lack of understanding the overall benefits	Too costly or the perception of being too costly
2 <sup>nd</sup>	Lack of sustainable thinking	Lack of understanding the overall benefits
3 <sup>rd</sup>	Too costly or the perception of being too costly	Lack of sustainable thinking
4 <sup>th</sup>	Too time consuming	Lack of understanding (King Report Principles)
5 <sup>th</sup>	Lack of understanding (King III)	Too time consuming

However a significant portion of the total sample did not think that their business is challenged by any governance factors. The participants who felt this way included both IoDSA and Non-IoDSA members and represented all sectors.

The following section presents some of the differences observed from the results displayed in Figure 12 in respect of the following categories<sup>6</sup>:

### IoDSA members vs Non-IoDSA members

IoDSA and Non-IoDSA members differed regarding their top governance challenges that are currently facing business. IoDSA members felt that governance being too costly or the perception of being too costly was the top challenge whereas Non-IoDSA members felt that governance being too time consuming was the top challenge. Whilst IoDSA members were aligned with the overall ranking in Figure 12, Non-IoDSA members felt that unethical behaviour (bribery and corruption) is far more of a challenge than the lack of understanding of the overall benefits or lack of sustainable thinking.

<sup>6</sup> The shaded boxes in the Sector and Age tables highlight the key differences in sentiment in those categories.



## Sector

Ranking	Private	SMME	Public	Non-profit
1	Too costly or the perception of being too costly	Too time consuming	Lack of sustainable thinking	Lack of sustainable thinking
2	Lack of understanding the overall benefits	Lack of understanding the overall benefits	Lack of understanding the overall benefits & Lack of understanding (King Report Principles)	Lack of understanding (King Report Principles)
3	Lack of sustainable thinking	Too costly or the perception of being too costly	Unethical behaviour (bribery and corruption)	Lack of buy in from top
Additional Notes:	26% felt that their business is not challenged by any governance factors Increase from 2016	23% felt that their business is not challenged by any governance factors. Decrease from 2016	12% felt that their business is not challenged by any governance factors. Significant decrease from 2016	22% felt that their business is not challenged by any governance factors. Same as in 2016

## Gender

Both male and female respondents ranked the same top 3 governance challenges as indicated above. However female respondents felt that the lack of sustainable thinking was a greater challenge than governance being too costly or perception of being too costly. Male respondents felt that the lack of understanding (King Report Principles) was as important an issue as lack of understanding the overall benefits.

In addition, more female respondents felt that their business is not challenged by governance factors compared to male respondents.



## Age

Ranking	Ages 25 – 34	Ages 35 – 44	Ages 45 – 54	Ages over 55
1	Too costly or the perception of being too costly	Lack of understanding the overall benefits	Too costly or the perception of being too costly	Lack of sustainable thinking
2	Too time consuming/ Not suitable or applicable to the business/other	Lack of understanding (King Report Principles)	Too cumbersome	Lack of understanding the overall benefits
3	Lack of understanding (King Report Principles)	Too time consuming	Unethical behaviour (bribery and corruption)	Too costly or the perception of being too costly
Additional Notes:	27% felt that their business is not challenged by any governance factors. Increase from 2016.	15% felt that their business is not challenged by any governance factors. Decrease from 2016.	29% felt that their business is not challenged by any governance factors. Increase from 2016.	22% felt that their business is not challenged by any governance factors. Remained the same as in 2016



## 5.3 Governance factors impacting industry

What do you consider to be the three main governance challenges currently facing your industry?

**TOTAL SAMPLE**  
(n=457)

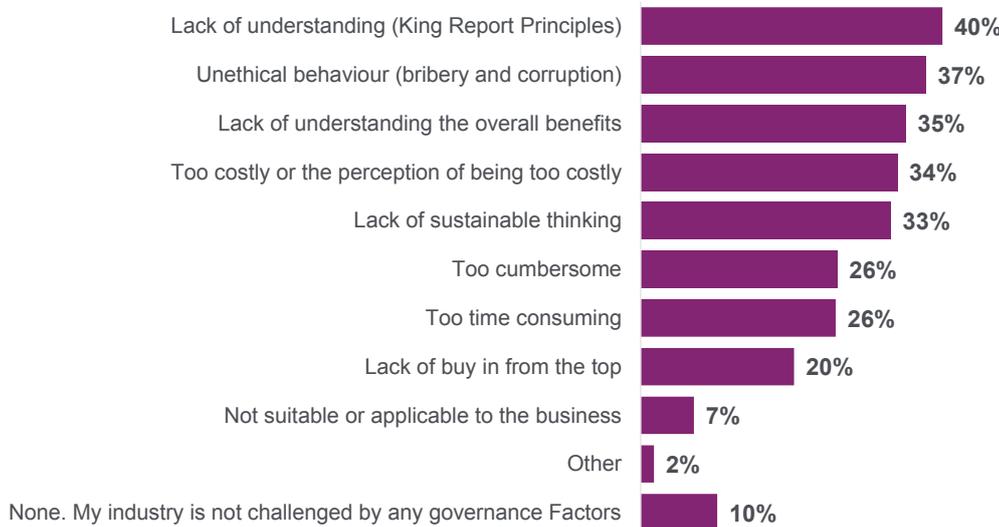


Figure 13: Governance challenges currently facing industry as perceived by total sample group.

South African directors considered the following to be the top governance challenges impacting the industry in which they operate in 2016 and 2017:

	2016	2017
1 <sup>st</sup>	Unethical behaviour (bribery and corruption)	Lack of understanding (King Report Principles)
2 <sup>nd</sup>	Lack of sustainable thinking	Unethical behaviour (bribery and corruption)
3 <sup>rd</sup>	Lack of understanding the overall benefits	Lack of understanding the overall benefits
4 <sup>th</sup>	Too costly or the perception of being too costly	Too costly or the perception of being too costly
5 <sup>th</sup>	Lack of understanding (King III)	Lack of sustainable thinking

The participants who felt that their industry is not challenged by any governance factors, included both IoDSA members and Non-IoDSA members, the majority of whom were from the SMME Sector.

The following section presents some of the differences observed from the results displayed in Figure 13 in respect of the following categories<sup>7</sup>:

### IoDSA members vs Non-IoDSA members

Both IoDSA members and Non-IoDSA members felt that unethical behaviour (bribery and corruption) are among the top 3 governance challenges facing their industry. They however differed thereafter, with Non-IoDSA members of the view that the lack of sustainable thinking and too costly or perception of being too costly was more of a challenge than the lack of understanding of the overall benefits and/or lack of understanding (King Report Principles).

<sup>7</sup> The shaded boxes in the Sector and Age tables highlight the key differences in sentiment in those categories.



## Sector

Ranking	Private	SMME	Public	Non-profit
1	Lack of understanding (King Report Principles)	Lack of understanding (King Report Principles)	Lack of sustainable thinking	Lack of understanding (King Report Principles)
2	Unethical behaviour (bribery and corruption)	Unethical behaviour (bribery and corruption) & Lack of understanding the overall benefits	Lack of understanding the overall benefits	Lack of sustainable thinking & Lack of understanding the overall benefits
3	Too costly or the perception of being too costly	Too costly or the perception of being too costly & Too time consuming	Unethical behaviour (bribery and corruption)	Unethical behaviour (bribery and corruption)
Additional Notes:	10% felt that their industry is not challenged by any governance factors. Increase from 2016	18% felt that their industry is not challenged by any governance factors. Increase from 2016	4% felt that their industry is not challenged by any governance factors. Decrease from 2016	6% felt that their industry is not challenged by any governance factors. Increase from 2016

Additional notes on sector differences:

- ▶ The SMME sectors felt stronger about governance being too cumbersome as a challenge compared to the other sectors.
- ▶ The Non-Profit sector on the other hand felt that the lack of buy in from the top was also a big challenge faced in their industry.
- ▶ 50% of the Public sector felt that lack of sustainable thinking is a major challenge.
- ▶ Whereas 50% of the Non-Profit sector, 40% of the Private sector and 36% of the SMME sector felt that the lack of understanding (King Report Principles) was the top challenge in the industry.

## Gender

Female respondents felt that unethical behaviour (bribery and corruption) was the number one challenge in the industry compared to male respondents who felt that it was rather the lack of understanding (King Report principles). Female respondents further felt more strongly about the lack of sustainable thinking as a challenge over lack of understanding the overall benefits and too costly or the perception of being too costly. Male respondents also shared the sentiment that the lack of sustainable thinking was also a major challenge.

Furthermore, more female respondents felt that their industry was not faced with any governance challenges compared to their male counterparts.



## Age

Ranking	Ages 25 – 34	Ages 35 – 44	Ages 45 – 54	Ages over 55
1	Too costly or the perception of being too costly	Lack of understanding the overall benefits	Unethical behaviour (bribery and corruption)	Lack of understanding (King Report Principles)
2	Unethical behaviour (bribery and corruption) & Lack of understanding overall benefits	Lack of understanding (King Report Principles)	Unethical behaviour (bribery and corruption)	Unethical behaviour (bribery and corruption)
3	Lack of understanding (King Report Principles)	Lack of sustainable thinking	Lack of sustainable thinking & Too costly or the perception of being too costly	Lack of understanding the overall benefits

Additional notes on Age differences:

- ▶ All but the 35-44 age group feel that unethical behaviour is a top challenge, and ranked this higher than lack of sustainable thinking.
- ▶ The 25-34 age group feel that the industry is not challenged by any governance factors.



## 6.1 General perception on Directorship conditions

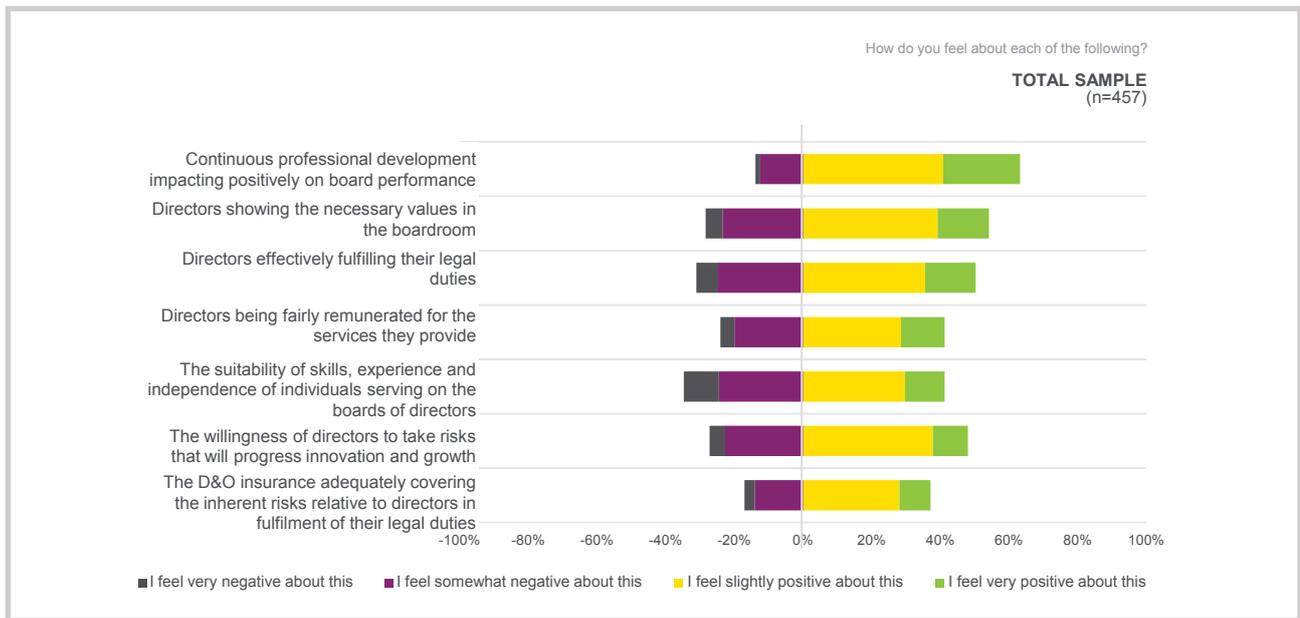


Figure 14: General Directorship perceptions of total sample.

The South African directors' sentiment on Directorship in South Africa remains overall more positive, particularly with regards to the expected impact of continuous professional development on the board.

IoDSA members are notably more positive in this section than Non-IoDSA-members. All Sectors felt positive about continuous professional development impacting positively on board performance.

Female respondents showed a marked increase in "slightly positive" sentiment, in comparison to male respondents.

There is a higher number of neutral responses in all age groups on perceptions. A contrary view found that the 25-34 age group are neutral as to whether directors show the necessary values in the boardroom, whereas the over 55 age group are more "slightly positive" in this area.

*IoDSA members feel that continuous professional development positively impacts board performance.*



## 6.2 Factors influencing the willingness to serve on a board

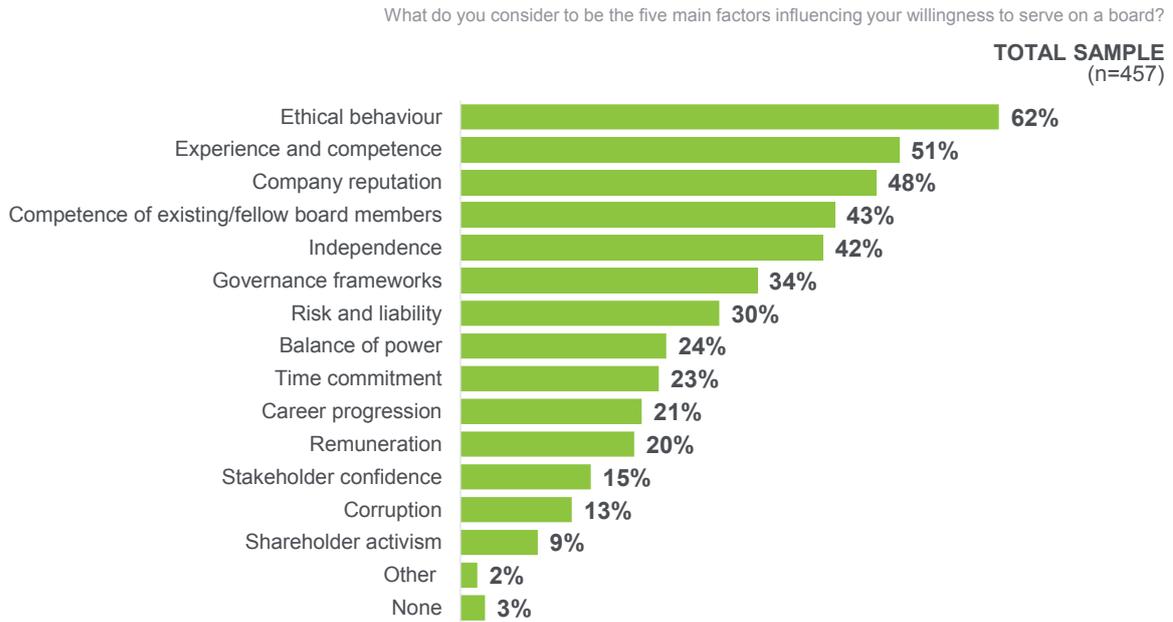


Figure 15: Factors influencing willingness to serve on a board as perceived by total sample group.

South African directors consider the following to be the top factors influencing their decision to serve on a board in 2016 and 2017:

	2016	2017
1 <sup>st</sup>	Experience and competence	Ethical behaviour
2 <sup>nd</sup>	Ethical behaviour	Experience and competence
3 <sup>rd</sup>	Company reputation	Company reputation
4 <sup>th</sup>	Competence of existing/fellow board members	Competence of existing/fellow board members
5 <sup>th</sup>	Independence	Independence

The top factors influencing directors remain unchanged from 2016. This suggests that South African directors have a high regard for these factors when deciding whether to accept a board appointment.

The following section discusses some of the differences observed from the results displayed in Figure 15 in respect of the following categories<sup>8</sup>:

### IoDSA members vs Non-IoDSA members

Both IoDSA and Non-IoDSA members felt that the ethical behaviour of the board and their personal experience and competence are the two main factors that influence their decision as to whether to serve on a Board or not.

Non-IoDSA members however felt independence and balance of power on a board are far more important/of concern when considering appointments compared to the company's reputation. Whilst IoDSA members still hold a strong view that the competence of existing/fellow members plays a major factor in their decision making.

<sup>8</sup> The shaded boxes in the Sector and Age tables highlight the key differences in sentiment in those categories.



## Sector

Ranking	Private	SMME	Public	Non-profit
1	Ethical behaviour	Ethical behaviour	Ethical behaviour	Ethical behaviour
2	Company reputation	Experience and competence	Experience and competence & Governance frameworks	Experience and competence & Company reputation
3	Experience and competence	Independence	Independence	Governance frameworks

Additional notes on sector differences:

- ▶ All sectors feel strongly about the competence of existing/fellow board members.
- ▶ SMME and Public sector see risk and liability as a deciding factor.

## Gender

Both male and female respondents list the same top three factors that influence their decision to serve on a board. Male respondents feel more strongly about the company reputation than their personal experience and competence.

In addition, male respondents feel stronger about the competence of existing/fellow board members when making a decision, whilst female respondents feel stronger around independence.

## Age

Ranking	Ages 25 – 34	Ages 35 – 44	Ages 45 – 54	Ages over 55
1	Ethical behaviour	Ethical behaviour	Ethical behaviour	Ethical behaviour
2	Experience and competence	Company reputation	Experience and competence	Company reputation
3	Independence	Independence	Company reputation	Competence of existing/fellow board members

Additional notes on age differences:

- ▶ Only the 25-35 age group view remuneration and balance of power as the main influencing factors.
- ▶ Age groups 35-44 and over 55, feel that personal experience and competence closely follow the top 3 factors listed above.









## Institute of Directors in Southern Africa

National Office-Johannesburg PO Box  
908 Parklands 2121 Johannesburg  
South Africa

144 Katherine Street  
Grayston Ridge Office Park  
Block B 1st Floor Sandown Sandton 2196

Tel: 011 035 3000  
Email: [iodsa@iodsa.co.za](mailto:iodsa@iodsa.co.za)  
Web : [www.iodsa.co.za](http://www.iodsa.co.za)