Perspective
Investment Management

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Why an isolated corporate disaster must not result in systemic change

Even with the best intent and oversight, sometimes things do go very badly wrong in any business, for many reasons. Limited liability corporations allowed the formation of ambitious ventures, many of whom failed, that ultimately spawned innovation on our planet like never before. Equity shareholders would not invest in ventures if they could not be guaranteed limited liability. Directors would not accept responsibility if they could not insure themselves against expected and unexpected adverse business outcomes.

From the 2017 annual report of a South African business with an impeccable reputation for integrity since the 1940's:

"The Board of Directors are ultimately accountable for the performance of the Company, appreciating that strategy, risk, performance and sustainability are inseparable"

In design and principle, in every limited liability corporation in the world, (1) **Shareholders** nominate and manage a **Board of Directors**, then (2) the **Board of Directors** nominate and manage **Executive Management**, approves strategy and manages risk, and (3) **Executive Management** executes on the agreed strategy and risk framework.

These basic principles raise questions about Steinhoff that demand honest answers and the introspection of all its stakeholders.

However, I reason that the occasional unmitigated corporate disaster is to be expected and not enough reason for regulators and investors to panic and mess with a design and system that has on balance successfully delivered a fair return to risk since the 15th century.

Our work continues...