

**AN INVESTIGATION OF FACTORS INFLUENCING THE PERFORMANCE OF  
STATE OWNED ENTERPRISES IN NAMIBIA: COMPARATIVE CASES OF  
ROADS CONSTRUCTION COMPANY AND ROADS AUTHORITY**

**A THESIS SUBMITTED IN PARTIAL FULLFILMENT**

**OF THE REQUIREMENTS FOR THE DEGREE**

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## ABSTRACT

This study undertook a comparison on the performance of two SOEs in Namibia. The main aim of the study was to find out the factors that contribute to success and failure of SOEs. Thus, the researcher identified the Roads Authority as one of the well performing and successful SOEs with the Roads Construction Company representing the non-performing SOEs. These SOEs were selected since they operate in the same industry but have been performing differently. The study chose a case study research design and the qualitative research method was used. A sample of 50 participants from both SOEs was used and it was selected from the middle and senior management. Interviews with semi-structured questions in the interview guide were used to gather data. From the data collected it was found that the success behind the Roads Authority was as a result of good management, good corporate governance, effective internal control systems, transparency and accountability. On the contrary the failure of the Roads Construction company was due to these attributes, i.e. mismanagement, lack of transparency, lack of accountability, corruption, nepotism, and poor corporate governance. It was further noted that the management at RCC was not focused on achieving organisational goals but rather to serve

self-interests. Malpractices in recruitment were also reported, leading to some of the managers holding senior positions not having the required qualifications and expertise to hold such posts. However, the research found out that the government is very supportive of SOEs and always bails out those non-performing SOEs. Finally, the research recommended the board of directors to take an active role to ensure the success of the SOEs in particular the RCC. The board is the focal point and plays an important role in ensuring adherence to the policy and vision of the company. They are responsible for providing the vision as well as recruitment of the right staff that can drive the organisation towards the attainment of organisational goals.

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## LIST OF ACRONYMS

GDP	Gross Domestic Product
MTFF	Medium Term Expenditure framework
NITS	Namibia Traffic Information System
NDP	National Development Plan
NWR	Namibia Wildlife Reserve
OSCE	Organization for Economic Co-operation and Development
PTC	Public Transport Company
RA	Roads Authority

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## LIST OF ACRONYMS

GDP	Gross Domestic Product
MTEF	Medium Term Expenditure framework
NaTIS	Namibia Traffic Information System
NDP	National Development Plan
NWR	Namibia Wildlife Resorts
OECD	Organisation for Economic Co-operation and Development
PwC	Price waterhouse Coopers
RA	Roads Authority

RCC Roads Construction Company

RMS Road Management System

SOEs State Owned Enterprises

UNAM University of Namibia

## DEDICATION

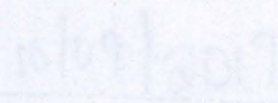
First and foremost, I would like thank the Almighty God for guiding me and seeing me through this journey. Your grace is sufficient for me.

My heartfelt appreciation goes to my beloved husband Kennedy Kalundu and my precious sons: Tangi Jabari, Sean Kennedy and Barnabas Alfred Kalundu for their unreserved support and patience while I completed my studies. Without their endless love, support and encouragement, I would never have been able to complete my studies. Thank you for all the unconditional and constant love, guidance and support that you have given me. To my Mom, Ms Mariane Uusiku Muvangua, you are the epitome of strength. Words are not enough to express all the love and appreciation I have for you. Thank you sincerely for all that you do for me.

This thesis is dedicated to my dearest mother. May our GOD bless you always.

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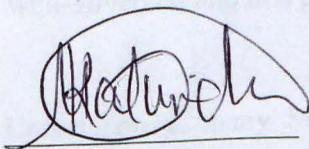


## DECLARATION

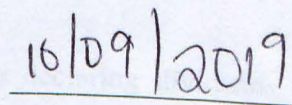
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## CHAPTER 1

### INTRODUCTION AND BACKGROUND OF THE STUDY

#### 1.1 Background of the Problem

Government has through its various ministries embarked on fulfilling the mandate of providing services and amenities to achieve better service delivery and economic development. Under the directive of government, State Owned Enterprises (SOEs) were created to carry out the mandate of the government by adopting various state policies and national development plans (NDPs). Gcabashe (2005) stated that the existence of SOEs plays a pivotal role by contributing to the reconstruction and transformation of both society and the economy. In fulfilling this mandate, enormous expectations weigh on SOEs in providing amenities such as water, electricity, housing, infrastructural development as well as contributing towards the reconstruction and transformation of both society and the economy. To achieve their objectives, SOEs need to be effective, efficient, well-governed and in a position to deliver what they are mandated by the government.

Unfortunately, many SOEs have not been successful in declaring dividends to the government, and have failed to provide audited financial reports timely. In fact, the recently presented Medium Term Expenditure framework (MTEF, 2017-18) reveals that

many SOEs are falling short of the contribution to the government or annual financial collections. However, it can also be argued that, there are some SOEs that have embraced the mandate of the government and have continuously performed to deliver sound financial performance. The focal point of this research was to investigate the factors affecting SOEs in their performance by doing a comparison of two SOEs namely: the Roads Construction Company (RCC) representing poor performing SOEs and Roads Authority (RA) as a representative of best performing SOEs.

### **1.1.1. An overview of the two Enterprises**

#### **Roads Authority**

The Roads Authority of Namibia was established according to the Roads Authority Act (Act 17 of 1999), with the mandate to construct and maintain Namibia's road sector, and it plays a pivotal role towards road safety in Namibia. It also engages in quality control of materials and supervision of work contracted out and the operation of the Road Management System (RMS). In addition to its core functions, the RA also provides transport and traffic related services to vehicle owners, operators and drivers as assigned functions from the Minister of Works and Transport.

Since its establishment, the RA is regarded as one of the most successful SOEs in Namibia.

In terms of roads, Namibian roads are regarded as the safest roads in Africa (Masawi and Chiringa, 2016). The Roads Authority has made great strides with regards to developing Namibia's road infrastructure.

The road network has and it is being expanded to many areas, especially the rural areas, as indicated in the RA road master plan. Currently, there are numerous major projects running in most of the 14 regions of the country and these roads will bring a lot of benefits to the local people, and also to the road users. Moreover, due to good road networks, Namibia is playing a pivotal role in transport and logistics and it is a preferred transport link by such countries such as Zimbabwe, Zambia, Angola and DRC, through its Trans-Kalahari corridor. Thus, the enterprise has and is contributing immensely to the economic development of the country.

Furthermore, the enterprise continues to diligently carry out those functions assigned to it by the Minister of Works and Transport, such as the transport and regulatory services (NaTIS) and road transport inspectorate. These functions continue to play a pivotal role towards road safety in Namibia. To date the NaTIS division manages 32 viable registration centres in Namibia.

## **RCC Background**

The Roads Contractor Company LTD is an SOE that was established according to the Roads Contractor Act of (1999) and it was born from what used to be. The Department of Works, Transport and Communication. The Enterprise was established with almost similar purpose with the RA i.e. “to undertake work relating to the construction or maintenance of roads or any other construction works in accordance with sound and generally accepted business principles”. However, since its establishment in 1999, the company has failed to perform positively and it has been a burden to the government. Currently the SOE is bankrupt and it is on the verge of being closed due to poor performance even if it receives tenders from the Roads Authority. For the past years the company has been surviving from government bailouts that triggered debates in parliament on whether the company should continue operating at the expense of the tax payers or should be closed (Mongudhi & Tjihenua, 2014).

The company management were blamed for poor management and irregularities in awarding of tenders. This year, the Cabinet has recommended the cancellation of a multi-billion-dollar contract between the RCC and a Chinese company (Shinovene, 2018). The company is further accused of acting as a middlemen and sub-contract other companies even if it has the capacity and equipment to do the work itself (Mongudhi & Tjihenua,

2014). It is against this background that the researcher wants to undertake a comparative study to investigate why some SOEs are performing well whilst others are failing.

## **1.2 Statement of the Problem**

SOEs are essential to the economy for economic development because they render important services such as road infrastructure, water, electricity and telecommunication. The expectation of government towards the performance of SOEs has been dealt a heavy blow. According to a report by Deloitte and Touche (2012) SOEs in Namibia are among the worst performing institutions, as they lack sound corporate governance policies and a clear demarcation between the duties of the appointing officer, the management and the Board. With the exception of a few performing SOEs, a majority of SOEs have been defined by poor management and leadership, low productivity and loss of revenue. It is thus imperative to investigate why some SOEs continue to perform very well and while others struggle to carry out their mandates.

## **1.3 Objectives of the Study**

The main objective of the study was to conduct a comparative analysis on the performance of the SOEs, focussing on why others are performing well (represented by the RA) while others are failing perform (represented by RCC) in the same market.

### **The specific objectives of the study are:**

- To conduct a comparative analysis of the performance of RCC and RA;
- To investigate the reasons behind their successes and failures;
- To analyse the impact of the amended Public Enterprises Governance Amendment Act, 2015, on the performance of state-owned entities.
- To provide recommendations and guidelines to improve the effective and efficiency of SOEs in Namibia.

### **1.4 Significance of the study**

The government of Namibia has made several investments in SOEs with the hope that there will be a return on investment. However, the return on investment (ROI) has not been in abundance with the exception of a few SOEs such as the RA, hence the need to understand why some SOEs are inefficient and ineffective, while others have a more favourable outcome. This study bridged the gap of knowledge that existed between an efficient and effective SOE represented by the RA and the inefficient and ineffective SOE represented by the RCC, and designed a rubric of factors that impede or accelerate efficiency and effectiveness among SOEs in Namibia.

### **1.5. Limitations of the Study**

The main limitation of the study was the limited time available to gather information. In addition, respondents' failure to accurately disclosing sensitive information such benefits for senior managers needed for further analysis being gathered for analysis.

### **1.6 Delimitation of the Study**

Namibia has a large number of State-Owned Enterprises, but due to time and financial constraints, this study only focused on two SOEs: the RCC which has recently made the "watch list" for experiencing problems in terms of performance and governance, and RA as an example of better performing and governed SOE by Namibian standards.

### **1.7 Summary**

This chapter provided the overview of the introduction, problem statements, objectives and the limitations of the study. Therefore, the chapter offers the study dimension and direction of the arguments to be expected in the study. It is expected that the findings of this study will provide a platform of new knowledge that bridges the gap that existed between an efficient and effective SOE: the RA and inefficient and ineffective SOE. Understanding the concepts explained in chapter one paves a foundation to follow the discussions in the next chapters.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This chapter reviews literature from various authors and provides the theoretical framework of the study. It defines and provides the description of SOEs. It provides the background and history of SOEs and how they have transformed over the years. The chapter further explains the legal and regulatory framework of SOEs. Also covered in this chapter are the advantages and disadvantages of SOEs, the economic rationale of SOEs, SOE performance and the reasons behind the success and failure of SOEs. The chapter also discusses the SOEs in Namibia.

#### **2.2: Defining State-Owned Enterprises**

SOEs differ from place to place or nation to nation therefore, there is no single definition that can describe them. In some cases, SOEs can be defined and differentiated on the basis of whether it is commercial or non-commercial. Commercial SOEs are government business owned entities or public owned companies that were set by the government to operate business entities and provide services to the public on behalf of the government (Shabalala, 2011).

Whereas, a non-commercial SOE is a public entity established and exclusively owned by government to carry out a specific mandate on behalf of the government with the main purpose of providing goods and services to its citizens (OECD, 2005). In most cases these are agencies of government created to pursue objectives that are not financially driven.

According to Kowalski, Büge, Sztajerowska, and Egeland, (2013), SOEs are defined and configured differently depending on:

- the way in which it was established,
  - its listing on the stock market or not,
  - the purpose of the enterprise,
  - state enabled rather than state owned, status of the entity if it is in the public administrative set-up,
  - as well as governments shareholdings via tools such as government pension funds,
  - restructuring company and development lenders and asset management
- (Kowalski, *et al.*, 2013).

Kowalski *et al.*, further argues that the issue of transparency arises with SOEs when government imposes ownership policies which make government as owner have the flexibility to run the entity (Kowalski, *et al.*, 2013).

According to Bantug (2013) SOEs exist in two main groupings, depending mainly on the services they provide and involve in. The first category of SOEs deliver the essential public infrastructural services, such as: sanitation and water; postal services; power; telecommunication; airports; and broadcasting (Bantug, 2013). This category one either operates as a commercial or non-commercial government business entity. With the non-commercial activities being basic services that are rendered to the population or services that can cut down cost to sectors of the public (Bantug, 2013).

The second category of SOEs consist of purely commercial government entities. For example, entities like banks, air transport, real estate development, shipping and retailing. Both these categories of SOEs are key actors in the economy with the main objective of generating profits (Bantug, 2013). It is also important to understand that even though commercial SOEs are focused on economic development, they are theoretically mandated to improve service delivery (OECD, 2005).

### **2.3. CONCEPTUAL FRAMEWORK OF THE STUDY**

The conceptual framework of the study is derived from issues highlighted in the literature. Shabalala (2011) defines SOEs as government owned business to provide services to the public. On this basis this study looked at the rationale and purpose of the state-owned enterprises, as well as legislations and regulations governing state-owned government

enterprises. Compounding to the above reasons in the conceptual framework, is the economic rationale (Shabalala, 2011).

### **2.3.1 Rational and Purpose of state-owned enterprises**

In developing countries SOEs came into existence during colonialism. However, it is not the case with developed countries. In developed countries SOEs existed before colonialism and they were created for the purpose of economic development (Turner and Hulme, 1997). According OECD (2013), SOEs are regarded as important players in infrastructure development. Turner and Hulme (1997) state that SOEs in developing countries were established by their colonial masters for the main purpose to speeding up economic growth. For example, the United Kingdom established SOEs in their colonies in order to get resources from their colonies back home so as to advance their own economy. This entailed the building of infrastructure in colonies. By 1840 about 80% of railway tracks across the world were private owned, come around 1910 the states owned just under 60% of most of the large railway track networks that were in operation (Stern, 2016).

Even after the attainment of independence in most of the colonised countries, the number of SOEs continually increased because the countries wanted to develop their

infrastructure. India a former colony of Britain, by 1947 when it attained independence, it had more SOEs as compared to its masters (Gang, 2013).

State ownership of most of the utilities rapidly increased in most of Europe during the first decades of the 20th century. Fourie (2011) argues that at the time government was seen as the only sector able to develop the state. This explained why there was an increase in the number of SOEs in most developing countries, including African states. During this time, most private entities were nationalised and controlled by government or state.

According to Gang (2013) SOEs played an important role in the development of China. In the past years, about 34 280 State-Owned Enterprises were created in China and generated 658 million gross industrial output. Gang (2013) goes on to state the main SOEs in China not only play a vital part in the country but also at an international level especially in strategic industries and sectors. Montes argues that during the development process in the early 20th century SOEs were seen critical due to three important grounds which are:

1. The scale of long-term capital required in new economic activities, many of which are critical foundations for other new activities, requires state involvement/leadership
2. The size of the risk of new ventures is too high for private entities to undertake for reasons of technology and absence of critical complementary economic activities

3. Private appropriation of benefits from certain new economic activities prevents more widespread access by other private sector parties and requires higher cost than if undertaken by a state enterprise with lower profit requirements and longer-term investment horizons (Montes, 2014).

SOEs were set-up to aid in the provision of services by the government. They were expected to ensure that the state provides effective and efficient goods and services to the citizens while also providing the state with revenue for further capital investment. SOEs have been created worldwide each with their own public policy agendas, such as the building of basic physical infrastructure in order to provide services like water, electricity. However, this was to be done in a manner that would generate income for the treasury (World Bank Group, 2014). While SOEs have contributed to the economy, it became evident that from the 1970s through the 1980s many SOEs had performed below expectation. SOEs did not generate revenue/profits necessary for capital investment. Compared to private sector operations, SOEs were financially not viable. However, the World Bank pointed out that SOEs (unlike the private sector) serves a multitude of policy aims and goals, many which are not profitable (World Bank Group, 2014).

OECD and World Bank have identified a range of reasons behind the establishment of SOEs, namely to:

- Provide public goods (e.g. national defence and public parks) and merit goods (e.g. public health and education), both of which benefit all individuals within a society and where collective payment through tax may be preferred to users paying individually.
- Improve labour relations, particularly in 'strategic' sectors.
- Limit private and foreign control in the domestic economy.
- Generate public funds. For instance, the state could invest in certain sectors and control entry in order to impose monopoly prices and then use the resulting SOE revenues as income.
- Increase access to public services. The state could enforce SOEs to sell certain good and services at reduced prices to targeted groups as a means of making certain services more affordable for the public good through cross-subsidisation.
- Encourage economic development and industrialisation through:
  - Sustaining sectors of special interest for the economy, and in particular to preserve employment.
  - Launching new and emerging industries by channelling capital into SOEs which are, or can become, large enough to achieve economies of scale in sectors where the start-up costs

are otherwise significant. This might be seen as an alternative to regulation, especially where there are natural monopolies and oligopolies (e.g. electricity, gas and railways).

- Controlling the decline of sunset industries, with the state receiving ownership stakes as part of enterprise restructuring (World Bank Group, 2014)

State owned enterprises are considered to be a vital element of development in most economies (Büge, Egeland, Kowalski, and Sztajerowska, 2013). SOEs are tasked with providing strategic services and goods to a country's people (PwC and IoDSA, 2011: 2). Furthermore, according to Fourie (2001: 206), SOEs can contribute by improving the living conditions of the citizens. Balbuena (2014: 6) argues that SOEs mainly focus on the fiscal development of utilities and infrastructure. Other academics go on to write that with SOEs focusing on economic development, they are then seen as relevant entities in rising economies, SOEs have a responsibility to provide strategic facilities that are seen as national interests (Aproskie, *et al.*, 2014: 2).

SOEs are significant vehicles for job creation and employment because of the extent of the work they undertake. They provide the citizens with employment opportunities since these are entities, they have to employ people to work in these companies (Chavez and Torres, 2014).

SOEs further aid in the provision of vital services to the citizens at a rather affordable and cheaper rate, also they protect consumers which are the citizens from being exploited by private companies (Chavez and Torres, 2014). SOEs are often established to ensure that government is in control of the strategic sectors of the country's economy, in order to avoid the abuse of private industries monopolizing these sectors at the expense of citizens (Büge *et al.*, 2013).

SOEs are often established to remove foreign and private control over the domestic economy. As much as it aims to ensure that revenue generated in the local economy does not leave the country (Chavez and Torres, 2014). SOEs can also help to generate revenue. For example, the state might invest in particular sectors and ensure that they have control over entry so as to impose monopolization of prices, this then can result in the state using the revenue acquired as income (Chavez and Torres, 2014). Moreover, by establishing new sectors by funnelling money into state entities that are developing so that they can be sustainable.

### **2.3.2 Legal and Regulatory Framework for State-Owned Enterprises**

The literature on SOEs emphasizes the importance of having a legal and regulatory framework for SOEs in place. In order for key expectations to be communicated there has to be a well-defined regulatory and legal framework that can guide the obligations of SOEs

(World Bank Group, 2014). The primary purpose of regulatory and legal frameworks is to ensure that everyone is clear about the policy direction of the state. The boundaries of, and the relationship between shareholders the Board of Directors of SOEs need legal reference. The roles and responsibilities of SOE Boards and SOE managers need government oversight and control so as to enforce SOE accountability (World Bank Group, 2014). There cannot be one legal framework for SOEs since they vary in objective and composition. Some SOEs are created as statutory companies having their own legislative Act or other unique legal foundation, while others can be non-corporate enterprises appearing like an SOE or a government sector which at times would fall under public enterprise law (OECD, 2011). Corporatized SOE tend to fall under the jurisdiction of company law. The legal and regulatory frameworks of SOEs are important in ensuring the governance of SOEs (OECD, 2011).

Since there are different types of SOEs, the legal and regulatory framework may at times overlap. Legal framework can range from either a full-sized application of private law to public law framework or a mixture of both. While, in a few instances SOEs have to comply with constitutional and supranational/ international law (OECD, 2014). When SOEs are listed on the stock exchange, they are subject to listing needs of the exchange as well as other security laws. SOEs that are established by the Act of government as statutory companies, are governed by its own unique statute giving it autonomy such as fiscal

authority to acquire specific fees (OECD, 2014). In many states, SOEs are obliged to comply with standard company legislation. This includes codes of corporate governance (OECD, 2011).

However, there is a general critique that legal and regulatory frameworks are outdated because they were established when SOEs were operational as vertically integrated entities with limited competition in the industry. This has caused overlap, at times incompatibility resulting in conflict. This has led to undermining the accountability of the state, management and other stakeholders of the SOEs (OECD, 2014).

Most legal frameworks were put in place to ensure that there is a regulatory framework that stipulate the extent/limitations of SOEs autonomy in or to pursue commercial activities. However, they have brought about unwanted effects such as; limiting the means to change the capital structures of state enterprises or delay decision making by having long approval procedures for investment and budgets (OECD, 2011). Also, they consist of weak corporate governance requirements in areas such as preferred rights, disclosure and boards, they also carry out restrictions that limit the functional freedom of SOEs in vital areas like investments, budgeting, human resources and pricing (OECD, 2014). Other effects could be that they want SOEs to produce profits while tending to social objectives without provisions of funds to meet those objectives, and lastly, they do not state how the

state should act as a major shareholder as well as they at times overrule general company laws (OECD, 2014).

For an effective legal and regulatory framework for SOEs, the OECD (2014) has identified five recommendations states should follow, which are:

1. An effective legal and regulatory framework must be enforceable and implementable. Any additional good practices should be consistent with existing legal and regulatory frameworks.
2. There should be a clear separation between the state's ownership function and other state functions that may influence the operating conditions for SOEs, particularly with regards to legal enforcement and market regulation.
3. Governments should strive to simplify, streamline and harmonise the legal form under which SOEs operate. Unless there are strong reasons to the contrary, SOEs should be incorporated subject to ordinary company law.
4. Any obligations and responsibilities that a SOE is required to undertake beyond its normal commercial functions should be clearly mandated, disclosed to the public and their costs covered in a transparent manner.

5. Where SOEs and Private enterprises compete (or might compete) in the market place, a level playing field should be ensured and reconciled with economic development objectives. No entity should have a competitive advantage, or disadvantage, purely in consequence of its ownership (OECD, 2014).

When looking at SOEs in developing countries, it is important to note their specific socio-economic and political context. SOEs were adopted in developing countries for different reasons such as ideology, political and economic (Smith and Trebilcock, 2001). Countries tended to form SOEs to help support them in developing their economies as well as have a huge influence on the public, so the larger the SOE the more the influence the government has over the people (Smith and Trebilcock, 2001). SOEs were also used as a tool of income redistribution where by dropping the price of goods which are principally consumed by the poor, mainly in less developed countries from which income redeployment cannot nearly be achieved through the more common income tax (Smith and Trebilcock, 2001).

The main motivation economically for SOEs was capital investment increase, as well as investment in infrastructure. However, this is not the only purpose of SOEs in developing countries. Other purposes include: controlling inflation; protecting developed countries' economy from external shocks, the effective limitation of industries prone to natural

monopolies so that citizens are not forced to pay for prices that are inadequately high as well as ensuring for a more consistent provision of needed good and services (Smith and Trebilcock, 2001). SOEs are used by government to execute commercial actions for profit as well as important governmental tasks in developing countries where investment isn't suitable for private sector involvement (Bantug, 2013). Governments in developing countries provide needed goods and services to the people as well as participation in the running of public utilities, money services and other undertakings that are profit oriented using SOEs (Bantug, 2013).

In developing countries, it is clear that this was hard to keep up. Between 1986 and 1991, SOE saving-investment (S-I) recorded a loss of an average of 1.7 percent of its GDP, meaning they were not able to come up with the required resources to pay for their expansions, operations and maintenance of their debts (Smith and Trebilcock, 2001). The continuous underperformance of SOEs brought about serious issues. Firstly, SOEs obtained an uneven amount of domestic funding, considerably gathering the cost of capital of less developed countries private entities (Smith and Trebilcock, 2001). Also, ineffective levels of production within SOEs led to the removal of assets from economic areas which might have been used wisely elsewhere (Smith and Trebilcock, 2001). In developing

countries, SOEs in Africa tend to produce in the region of 15 percent of the regional gross domestic product (GDP), 6 percent in Latin America and about 8 percent in Asia. SOEs account for about 20-50 percent of the economic value in the North and Middle East of Africa as well as up to 30 percent of the total employment according to OECD (2012), while Kikeri and Kolo (2006) identified that more than 50 percent of the GDP is due to SOEs in some places in Central Asia. This shows how SOEs are vital contributors of GDP in the developing countries.

Ennsner-Jedenastik (2014) identified some issues regarding SOEs in developing countries.

Patronage, such as when staff of an SOE are solely appointed because of their loyalty to the ruling elite as opposed to being employed based on merit. Scholars such as Kopecky and Scherlis (cited in Ennsner-Jedenastik, 2014) explain that party patronage is prevalent in developing countries. In such cases, the dominant political party assigns people into key positions in SOEs which enables the political party to influence the actions of that SOE.

### **2.3.3. The Economic Rationale for the existence of SOEs.**

- In most economies, decisions regarding production and the use of various factors of production are taken by the private sector. However, there are instances under which the market fails to provide certain goods and services and instead the state has to provide

services. The instance where the state provides services occurs where a particular service or good shows what is referred to as public good characteristics.

These characteristics are: the non-excludability and non-rivalry in consumption. With public goods it is physically impossible or prohibitively expensive to prevent consumption by all consumers, particularly those that have not directly contributed - this is the so-called non-excludability characteristic. In terms of non-rivalry characteristic, the consumption of a good or service by one consumer does not affect the quantity available for consumption by others as in the case of street lighting.

Once street lighting has been erected, anyone who walks along the lit street benefits from the light without affecting the quantity of lighting available for other pedestrians. Of course, technological advancements can make goods that previously had non-excludability characteristics excludable such as television broadcast. A good example is digital satellite television, which is only available to those that subscribe to the services.

A pure public good has both characteristics whereas a pure private good has neither.

However, many goods exhibit elements of one or the other of these characteristics.

The presence of both these features of non-exclusivity and non-rivalry prevents the provision of such goods or services by competitive private firms, as they would be unable to operate profitably, unless they are natural monopolies. As a result, pure public goods

are typically provided by the state mostly through parastatals enterprises. However, it is important to note that not all goods or services provided by the state possess these two characteristics and are therefore not public goods in the pure economic sense.

Therefore, the competitive market could profitably provide some of the services currently provided by the state under monopoly regimes. A good example is telecommunications services (Motinga, 2003).

In theory, public enterprises are there to provide public goods in addition to complementary services that the state may opt to provide based on equity or equality considerations. Good examples of the latter type of service are public hospitals and basic education and UNAM.

#### **2.4. Advantages and Disadvantages of SOEs**

Various scholars and academics have written about the strength and weaknesses of SOEs, for example Tuan (2015) identifies that SOEs are there to make sure the socialist alignment of the economy as well as reserve the economic goals of the nation. Bishnoi (2015) identifies a number of advantages of SOEs. Firstly, since most SOEs are controlled and owned by the state basic services and goods are made affordable. Secondly, commercial SOEs, tend to enjoy fiscal freedom since they only rely on government for the primary

investment, thereafter they can pursue their mandate responsibilities in the manner they see fit. Thirdly, non-commercial SOEs can supply citizens with much needed services at an affordable and cheaper rate, since such SOEs are not primarily focused on making profits (Wong, 2004). Bantug (2013) also identifies a number of advantages. SOEs protect citizens from being taken advantage of by private companies, by providing better and cheaper alternatives. SOEs assist the government to take control over some strategic industries of the economy. This is done mainly because if these sectors are not controlled and monitored properly, they stand a chance to have major risks to the citizens of the state (Wong, 2004). Scholars such as, Bantug, (2013), Kowalski, Büge and Sztajerowska, (2013) and Wong (2004) argue that SOEs have the ability to create jobs for its citizens in the roll-out of goods and services.

Another advantage of SOEs is that they are protected from bankruptcy and takeovers, because the state is the main shareholder (Shapiro and Gliberman, 2012). However, this can also be a disadvantage in the sense that the incentive for financial viability is weak since the state guarantees its financial survival through bail-outs and loans.

As much as there are strengths or advantages of SOEs, some scholars such as Ennsner-Jedenastik (2014) argue that there are more disadvantages in the SOE system. Agesa (2000) states that SOEs are susceptible to corruption. Besides patronage and nepotism, it

is relatively easy for SOEs to procure services and goods without using proper tender channels (Zvavahera and Ndoda, 2014). In addition, the incentive for procuring value-for-money goods and services is lessened because SOEs know they can rely on government bail-outs.

SOEs are criticized for their poor performance compared with the private sectors. This results in the majority of the population who can afford private sector services and goods to choose them over the SOEs (Kim and Chung, 2007).

Kim and Chung (2007) argue that SOE managers tend to be more interested in trying to maximize their own prestige, resources under their control as well as power. The prevalence of patronage and nepotism and management levels can result in low staff morale. This leads to workers not motivated to work, hence low performance. This is often due to the fact that they are not in control or there are no incentive measures in place to try and combat this weakness (Kim and Chung, 2007). As a result, the call for reform in the public sector, includes SOEs became prevalent.

In theory, public enterprises are there to provide public goods in addition to complementary services that the state may opt to provide based on equity or equality considerations. Good examples of the latter type of service are public hospitals, basic education facilities and public universities such as UNAM.

## 2.5. Performance of SOEs

One vital question we have to answer is the meaning of "the performance of public enterprise"? Generally speaking, we tend to focus on the losses, and if enterprises are profitable, we focus on the level of prices of these profitable SOEs. "There is naturally something of a contradiction here, when both losses and profits arouse public criticism. It suggests a general presumption that public enterprises are in some sense inefficient. Losses are then taken as an indicator of this inefficiency while profits are regarded as having been generated by use of monopoly power in pricing, rather than, as would be the case for a price-taking competitive firm, superior efficiency" (Rees, 1989).

This view is held differently in Namibia, though. We assume SOEs that are of monopolistic in nature and at the same time profitable, those are SOEs we praised as being efficient and better performance.

This general view has been widely supported by economists in attempting to assess public enterprise performance. The conclusions that were made from thorough survey of the wide range of studies which tried to compare the costs of production in public and private enterprises in a number of countries and types of activity, Borchering and *et al.*, (1982) found that large majority show higher cost levels in public enterprises than in private enterprises carrying on comparable activities. All over the world, there has been great

dissatisfaction with the performance of public enterprises (PEs). Like in most developing countries, OEs are dominant economic entities in the Namibian economy.

The international track record of OEs in delivering goods and services effectively and efficiently is in general viewed critically. The major contributing factor to this has been SOEs' closeness to corrupt political regimes and the concomitant introduction of political considerations into their operational management. In addition, SOEs are often perceived as being sheltered from competitive market conditions. As a result, SOEs world-wide have become strongly associated with operational inefficiencies, low service levels and productivity and bureaucratic structures. This had led to a large-scale adoption of policies which were aimed at transferring the ownership of these entities to the private sector, although the latter has not always been with significant success, especially in some African countries.

At a time when parastatal reform is on the lips of many, privatisation, liquidation enterprise reform and private public partnership are four ways in which parastatals can be reformed. Due to public perception that some SOEs are bureaucracies that are plagued by ineffectiveness, inefficiencies, corruption and incompetence as well as being a drain of public resources, around 7 000 companies were sold or liquidated in the 1980s alone. In Africa, 2 270 privatisation transactions took place between 1991 and 2001. While it may

seem a better way of disposing of companies that do not make money, researchers have it that the process benefits the rich rather than the poor, thereby widening the gap between the haves and the have-nots (Tjaronda, 2006).

According to Nicolas van de Walle, Princeton University, "SOEs were created for complex and varied reasons. First, it was widely thought that nationalisation and SOEs in general would provide government's access to much needed revenues.

## **2.6. Reasons behind successes & failures of SOEs**

### **2.6.1. Transparency among SOEs**

Openness to shareholders and the general public (the consumers) determines the long-term financial sustainability of any enterprise, be it publicly or privately owned. A key element in achieving openness for any organisation is the publication of a comprehensive and accurate annual report. However, despite the fact that this requirement is contained in many parastatals' founding legislation, Namibia's parastatals do not archive past reports. In addition, the quality of reports differs very much from one year to the next both in terms of the clarity of the report and the detail of information provided. As a result, the construction of time-series data based on these reports proved difficult if not possible (Kim and Chung, 2007).

The following questions than answers concerning accountability and transparency (these two concepts go hand in hand):

- how can anyone perfectly monitor what public enterprises are doing and if they are delivering at all?
- how frequently do they prepare and submit annual reports and are these available for public scrutiny and dialogue?

Existing institutions such as the different line ministries and Parliament are not able to keep track of what is going on. There are chances that parastatals prepare "secret reports" that are only available to line ministries but this would go against the whole spirit of public openness and accountability. Sound corporate governance and openness are at the core of any successful enterprise and can make or break an institution irrespective of ownership (Kim and Chung, 2007).

### **2.6.2. State involvement**

There are two different models which the public sectors can choose to play. The 'minimalist' model as the name depicts is where the government exists to address certain market failures in the most efficient way, by delivering a certain service. Just like any other enterprise.

The second one is the 'redistributionist transfer model' incorporates a high degree of redistribution; it provides essential services as well as transfer of money from the better off parts of the population to the worse off (Nepru 1999). These two models both support the classical theorists who believed that governments must have a minimal role to play in the economy mostly by provision of public goods and the distribution of equity. On the alleged state interference, state owned enterprises by creation are owned by the state and utilize public assets, hence the involvement of the government in ensuring their efficiency and productivity. It is worth pointing out that Article 40 of the Namibian constitution entrusts Cabinet with the duty of direction, co-ordination and supervision of parastatal enterprises and to review and advise both the President and the National Assembly on the rationale, desirability and wisdom of legislations, regulations or orders pertaining to such state enterprises taking into account the public interest.

The trend in the restructuring process has been towards greater decision-making autonomy for boards and executive management. In line with the South African King Report and the UK's Cadbury Report, international best practice in the governance of SOEs, Namibia moves towards less government interference in the operational decision-making of SOEs. Commercialisation means that SOEs should be run on business principles rather than political principles. Government input into SOE decision-making is seen as political interference, and something which should be actively discouraged.

### 2.6.3. Pricing Policy

It is clear that pricing policies have had a powerful and generally negative effect on African SOEs performance. Many Sub-Saharan countries have a regime of controlled prices. Controlled prices have seldom kept pace with rising costs; indeed, in most countries markets and profit calculations have taken a decided second place to socio-political considerations (Tjaronda, 2006).

Control of SOE prices for both the materials they buy and the products or services they sell has led to great inefficiencies in resource allocation, contributed to large operating losses, reduced financial responsibility and accountability, and increased the dependence of SOEs on government subsidies (Grosh & Mukandala 1994: 14). Running SOEs on a profit basis is likely to result in dramatic increase in user prices. According to the former CEO of Namibia Wildlife Resorts (NWR), price increases will be tagged to improvements in standards of services, which are to be based on international standards; "If Etosha can offer the same service standards as Mokuti Lodge, then there is no reason why we cannot charge the same prices". Clearly the focus is on international tourists who want high quality facilities and can afford the high prices. In order to make Namibia's resorts accessible to Namibians (especially middle- and working-class Namibians). Bunjon

suggests that NWR will have sales promotions in the off season, such as a Namibian week where prices will be temporarily lowered.

#### **2.6.4. Institutional Reform**

Experiences of institutional reform in some countries show that for the reform to be effective, the means to achieve the reform objective and the related complementary policy measures should be properly designed (Gala 1991). However, in many countries' institutional reform process, there were some serious shortcomings in this regard. There are three main areas of institutional reform, which can be proposed to any country seeking to improve the performance of its SOEs. These are (1) expanding SOEs managerial powers; (2) clarifying and limiting government's role in the relationship with SOEs; (3) and political which is a necessary condition for the efficient and effective functioning of SOEs.

#### **2.6.5. Management**

Provided that the various interests of a state have been accommodated and that executive management functions within the boundaries of the SOEs strategic plan the day to day operational management of the SOE should be left to the discretion of executive

management. Asked to comment on the developments around Namibia's SOEs, the chairperson of the Namibian Consumer lobby said:

"Considering the failure of many of the Namibian parastatals to make profit or at least break even, we have seen that government had to bail out to most of these cash-strapped institutions. Namibians are starting to doubt the managerial capability of the people who are put in charge of these institutions" (Kim and Chung, 2007).

In the event that executive management does not function according to the approved strategic plan of the SOE, the State has the right to intervene but must follow the proper channels through the board of directors.

## **2.7. Reforms of SOEs**

Different types of reforms have been proposed and implemented in SOEs worldwide. Privatisation was initially the most popular public sector reform approach. According to Goodman and Lovemen (1991), in the 1980s and 1990s most government in the developed countries decided to sell some or parts of their entities to generate revenue and also free themselves from losses gathered by failing entities (World Bank Group, 2014). This new shift in reforms was worldwide, private sectors procuring anything from prisons, educational utilities, railroads and anything being privatised, in 1990 alone worldwide,

government was able to generate over \$25 billion from selling state entities to private companies (Goodman and Lovemen, 1991). Developing countries were not far behind in this reform as they too also began selling off state entities either because they followed political and economic ideologies, while others sold them to build their revenue (Goodman and Lovemen, 1991). This reform did improve the performance of the firms in competitive sectors as well as the infrastructural and financial sector respectively (World Bank Group, 2014).

However, Nellis and Birdsall (2005) point out that ad hoc privatisation brought about service delivery failure. In some instances, it led to the creation of uncompetitive monopolies in the market (Pettinger, 2011). Once the private sector was able to create a monopoly, it had the power to increase user fees charges (Pettinger, 2011). For example, the privatisation of health services in developing countries led to an increase in user fees charges, which made health services unaffordable for the majority of the population (Pettinger, 2011). In order to make more profits, private companies often downsized staff resulting in unemployment.

The privatisation of successful SOEs resulted in a loss of government revenue because government was no longer entitled to profits and dividends of the entity (Pettinger, 2011). Furthermore, in some cases Privatisation led to the fragmentation of industries whereby

one large entity breaks up into smaller companies which may weaken overall accountability issues (Pettinger, 2011). Privatisation also resulted in increased foreign ownership, resulting in profits and dividends being earned by foreigners which was not reinvested in the local economy. Not only did user fees become more expensive, but profits generated left the country (World Bank Group, 2014). All these factors as well as the global financial crisis of the 2007-2008 brought about economic turmoil within the capital markets thus reducing investor confidence (World Bank Group, 2014). This in turn pushed governments around the world to focus on rather improving the performance of SOEs as opposed to outright Privatisation (World Bank Group, 2014).

## **2.8. ROLES OF STATE-OWNED ENTERPRISES IN THE NAMIBIAN ECONOMY**

Some lessons learnt from the Report on a Governance Policy Framework for State-Owned Enterprises in Namibia shows that Namibia is one of the countries that can be classified as a mixed economy because the economy is controlled by government and private sector. The contribution of SOEs to GDP has been questionable in many cases, with government investment in the SOEs being at an increasing rate (Deloitte and Touche, 2012).

Many SOEs experience high levels of debt as well as decreasing levels of capital productivity. This is with reference to Air Namibia, Namibia Airports Company,

TransNamib just to mention a few. SOEs seem to be key players in the national economy in terms of boosting Gross Domestic Product (GDP), development and poverty eradication (Jauch, 2012). SOEs in Namibia provide essential services for the economy, such as water (NamWater), electricity (NamPower), transport (TransNamib), and post and telecommunications (Post & Telecom Holdings). With this lesson, it is clear that competent board members are needed to serve on the board of SOEs. In a report Schlettwein presented at Namibia Economy Society Forum, he gave a review on the revenue performance of SOEs: over the period 2000/2001 to 2009/10, less than 1 percent of government revenue came from SOE dividends.

The Board of any Public Corporation (private and state owned) is the cradle of corporate governance. Good corporate governance helps ensure that a company honours its legal obligations. The Acts creating State Owned Enterprises leave them with some statutory mandates. Boards then have the responsibility to ensure corporate governance principles are met and also ensure that the public interest is taken into consideration at all levels. The board must understand and have monitoring systems in place to ensure management objectives are in line with the corporate mission and vision, as there are always managers who seek personal interest at the expense of the tax payers and general citizen (Chieyeyo, 2012).

SOEs are essential for economic development, especially in the sectors of electricity, transportation and telecommunications. Even though SOEs are performing poorly, (Thomas, 2012) indicated that, in developing countries, State Owned Enterprises are crucial in eradicating inequalities in income, increasing employment and contribution to the development of the region. He goes on to state that, for SOEs to be competitive, they need to be governed responsibly with transparency, and accountability (Thomas, 2012). Corporate governance can help a State-Owned Enterprise internally to achieve its goals and objectives as follows:

- Clearer decision-making structures and processes. This is calculated within SOEs, where the SOE may have a role in all three aspects of the governance triangle. Structured decision-making processes must be in place.
- Greater transparency. Proactive disclosures of information can lessen this public perception of non-transparency in SOE's. From a strictly business perspective, transparency can also help to root out potential fraud or mismanagement that might otherwise remain hidden.
- More stable board and management. Directors and executives at SOEs are more frequently subject to change based on shifts within the political leadership in the State. A well-defined board selection process and executive succession planning

can help to ensure continuity within the SOE's leadership, regardless of changes to the political climate.

- Tighter risk controls. With the recent global financial crisis, more and more investors and regulators are focused on areas of risk, and are demanding that companies become more sensitive and better prepared to deal with risk within their businesses. Corporate Governance contributes to this process of strengthening businesses.
- Reduced conflicts-of-interest and self-dealing. Potential self-dealing and other conflicts-of-interest are possible in any business environment. For this reason, well-defined policies, along with clear decision-making processes and transparency, can minimize these potential problems. Improved public and media relations. Public perception of SOEs can be improved by greater transparency and disclosure. Better long-term economic performance. Well-governed companies put themselves in a better position to have sustainable, long-term economic profitability, and better access to capital markets.
- Increased business competitiveness. Well-governed companies are in a better position to respond to business hurdles, regulatory changes and industry competitors (Wilcox *et al.*, 2012).

## 2.9 Summary

It is very crucial to do an analysis of an organization's performance as compared to its goals and objectives. Ramsden (2010) points out that in order for an Organization to move into the future, it's performance is vital and provides a window into how every element of the business is work. This chapter reviewed literature from various authors. Topics covered in this chapter included, definition of SOEs, the background and history of SOEs, success and failure of SOEs, SOE performance, SOE reforms, the economic rationale of SOEs, and the advantages and disadvantages of SOEs. The next chapter covers the research methods applied in the research.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

The term research methodology refers to a systematic way to solve a problem. It is a science of studying how research is being carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called methodology. It is also defined as the study of methods by which knowledge is gained. Its aim is to give the work plan of the research (Neuman, 2006).

This chapter outlines the methodology that was used in gathering data, analysing the data and reporting the results. The areas which were taken into consideration include: Research design, population and sample, data collection instruments, data analysis and data validity and reliability as well as ethical considerations.

#### **3.2. Research design**

Research design is a framework specifying the relationship among the study's variables and it starts with a plan for selecting the sources and types of Information used to answer the research question (Saunders, Lewis & Thornhill, 2012). This thesis, followed a qualitative research method, utilising a case study research design to allow deep

understanding from a practical point of view of the factors affecting SOEs' performance. It was a comparative study of RA and RCC. Neumann, (2006) defines a case study design as a detailed analysis, investigation or exploration of a social phenomenon bounded by time, activity, and space. Both the primary and secondary data sources were teased for information. Hesser-Biber and Leavy (2006) as quoted by Mbunge (2015) states that a qualitative method is aimed at gaining complex knowledge directly from people with certain attributes or life experiences while Gerring (2007) argued that a qualitative approach is often associated with case studies. As a result, a qualitative approach was relevant for this research. The researcher believed this approach aided in getting a proper contextual narrative in describing the situation around the performance of RCC and RA by getting insights directly from the key informants who were directly involved in the management of the SOEs. This included a review of the policy frameworks regulating the SOEs; including the State-Owned Enterprises Governance Act of 2006 as well as related articles by various sources including media. An analysis of the performance of the RCC and RA's governance structure, the accountability instruments utilised to enforce performance and failure thereof were all investigated through primary data collection.

### **3.3. Population**

Greener (2008) proposed that, in the process of collecting information from the people or individuals they are studying, a researcher needs to try to come up with a targeted group with common characteristics and from whom the information can be found. This is referred to as the population, and implies the total number of people from which the researcher wants to draw conclusions. In this study, the population of the study was 52 managers from RA and 49 managers from RCC. Thus, in total the population consisted of 101 managers.

### **3.4. Sampling**

Barker (2003), in De Vos *et al.*, (2011, p. 224), defined a sample as “a small portion of the total set of objects, events or persons from which a representative selection is made”. The sample of the study was drawn from the management of the two institutions that comprised of middle and senior management. A total of 50 participants were engaged in this study, i.e. 25 were from RCC and 25 from RA. 50 respondents were chosen based on the non-probability sampling principle and adequate to be representative for the population of senior and middle management at both the RCC and RA, therefore, no mathematical formula was required but rather to interview participants who were willing

to participate in the study. This approach follows the recommendations of Berg (2007).

The sample is summarised in the table below:

Institution	Middle managers	Senior managers	Total
RCC	13	12	25
RA	12	13	25

**Table 3.1. Sample size**

Based on the nature of the research design and the sample type, this study used non-probability sampling in the form of convenience sampling. The chosen sampling technique allowed the researcher to interview the participants that were available and willing to participate in the study.

### 3.5. Research Instruments

The study used a semi-standardised interview. Berg (2007, p.107) explains that by using semi-standardised structure it will be possible for the interviewees to more freely develop and elaborate their answers and explanations further. Moreover, Berg (2007, p.105) argued that a semi-standardised structure allows the interviewer to change the order of the questions and the wording. The interviewer also holds the flexibility to make clarifications and add information during the interview.

### 3.6. Procedure

The data collection process for the study followed several procedures. Firstly, the interview guide was piloted on six participants (3 from RCC and 3 from RA) to test for language accuracy and clarity. Based on feedback of the pilot process, the interview guide was revised to accommodate participants' suggestions. At each interview session the researcher explained to participants the purpose of the study, assured the participants of their voluntary participation in the study and guaranteed them privacy and confidentiality of the collected data. The semi-structured interviews allowed the participants to speak more openly and widely on issues probed by the researcher (Denscombe, M, 2011). Not all questions were designed and phrased ahead of time. Some questions were created during the interviews, to allow both the interviewer and the person being interviewed the flexibility to probe for details or discuss issues. Berg (2007) commended qualitative research's ability to get to the bottom of the subject by probing through follow-up questions that the researcher may pose during interviewing. In addition, extensive field notes were recorded during interviews and the researcher prepared transcripts of each interview for data analysis.

### **3.7. Data Analysis**

Data collected was presented in Microsoft Excel (MS Excel) to obtain summaries of data, specifically descriptive statistics. Thereafter, the researcher used a summative content approach in analysing the qualitative data using the Analysis Toolpak in MS Excel. In a summative content approach, the analysis comprised of counting and comparing the means and mode, in most cases of the keywords or content from each respondent and the interpretation of the text followed thereafter. Therefore, the researcher would analyse the means and modes of data by comparing the responses from the 50 participants on each respective question on the questionnaire.

### **3.8. Research Ethics**

In line with this notion, the researcher ensured that all ethical considerations were adhered to. This included requesting permission from the RCC and RA authorities to conduct a research at their institutions. After approval from the authorities, the respondents were informed of the research and its purpose and their consent to participate in the study were requested too. Appointments, were made prior to the visit mostly through emails. The information collected was kept confidential and no individual names were used in the process. Moreover, any literature used in this study was correctly referenced. The data

gathered during the research is being kept in a lockable safe accessible only to the researcher and will be destroyed by shredding and burning five years after the research.

## DATA PRESENTATION, FINDINGS AND DISCUSSION

### 3.1 Introduction

The overall purpose of this study was to conduct a comparative analysis on the performance of state-owned SOEs, private owners were performing well (represented by the RA) while others were performing poorly (represented by the RCC) in the same field and the same market. The reason for excluding the two SOEs for analysis is that their mandate is to provide and maintain the most infrastructure in the country. Despite the differences in their nature and management, both SOEs are guided by the same principles for SOEs to be successful and profitable to government.

The study was guided by the following research objectives:

1. To compare the performance of the performance of RCC and (RA);
2. To identify the strengths and weaknesses and failures;
3. To provide recommendations for the Public Enterprises Governance Amendment Act 2012, which addresses the performance of SOEs;
4. To provide recommendations and guidelines to improve the effectiveness and efficiency of SOEs in Namibia.

## CHAPTER 4

### DATA PRESENTATION, FINDINGS AND DISCUSSION

#### 4.1 Introduction

The main purpose of this study was to conduct a comparative analysis on the performance of the selected SOEs, on why others were performing well (represented by the RA) while others were failing to perform (represented by the RCC) in the same field and the same market. The reason for selecting the two SOES for analysis is that their mandate is to facilitate and improve the road infrastructure in the country. Despite the differences in Board member and management, both SOEs are guided by the same principles for SOEs and same reporting structure to government.

The study attempted to address four broad objectives, namely:

- To conduct a comparative analysis of the performance of RCC and (RA);
- To investigate the reasons behind their successes and failures;
- To analyse the impact of the amended Public Enterprises Governance Amendment Act, 2015, on the performance of state-owned entities
- To provide recommendations and guidelines to improve the effectiveness and efficiency of SOEs in Namibia

To answer the four broad questions, the study adopted a qualitative research design, and collected data from fifty (50) Roads Authority and Road Construction company employees and management using interview guides with semi-structured questions. The respondents were coded from 1 to 50. Respondent 1 to 25 were from the RA and respondents 26 to 50 were from the RCC. The data was transcribed verbatim and analysed through repeated re-reading of participants' narratives for purposes of coding and establishing themes and patterns.

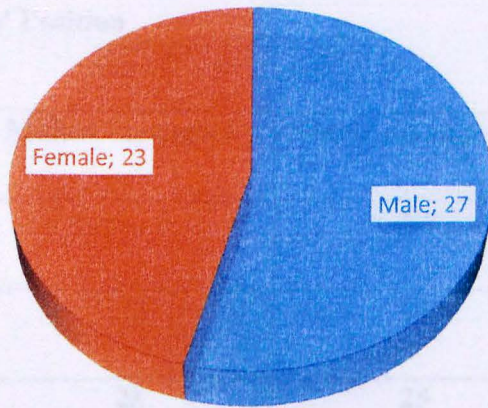
The following sections present the findings of the study presented according to the main questions that guided the research.

## **4.2. SECTION A: DEMOGRAPHIC DATA**

### **1. Gender**

Figure 4.1. below shows the participants' gender distribution. The figure contains the gender distribution for both companies.

## GENDER DISTRIBUTION



**Figure 4.1. Gender Distribution**

As shown in figure 4.1 above, we had more male participants as compared to females. Male participants were 27 whereas female participants were 23. In this study, female participants account for 46 percent compared to 56 percent for males, this is attributed to existing facts and ongoing arguments that female workers still occupy few positions in middle to senior management. The significance of the disequilibrium in managerial position occupancy has led to debates and policy directives that birthed the Affirmative Action (Employment) Act 29 of 1998. The Act advocates the need to eliminate any form of disadvantaging minorities, women and vulnerable groups in any form of employment opportunities in Namibia.

### 2. Position

Table 4.1 shows the positions of the participants.

**Table 4.1. Participants' Position**

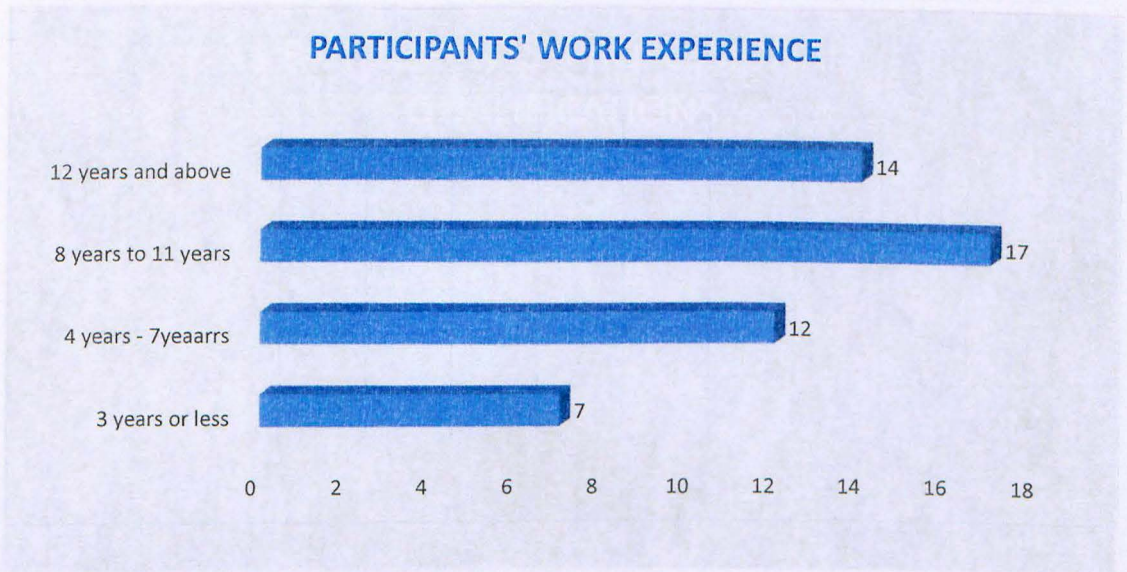
<b>Institution</b>	<b>Middle managers</b>	<b>Senior managers</b>	<b>Total</b>
RCC	13	12	25
RA	12	13	25
<b>Total</b>	<b>25</b>	<b>25</b>	<b>50</b>

The researcher managed to gather data from the participants as was given in the sample.

Thus, as given in the sample 25 middle managers were interview and 25 senior managers as indicated in table 4.1 above.

### **3. Years of experience in management**

Figure 4.2 below presents the participants' work experience at their respective organisations



**Figure 4.2. Participants' work experience**

As indicated in figure 4.2 above the majority (17) of the participants at the two organisations have 8 to 11 years of work experience, followed by those with 12 years and above who were (14), 4 years to 7 years and 3 years and less with 12 and 7 participants respectively. The majority of the participant's work experience is enough to be knowledgeable on their organisation's activities and provide reliable information.

Figure 4.3 below shows the participants' professional qualifications.



**Figure 4.3. Participants' Professional Qualifications**

According to figure 4.3 above most of the participants (19) had a bachelor's degree, 8 with masters, 7 diplomas and 6 had other qualifications.

### 4.3. SECTION B: SOE PERFORMANCE

#### ROADS AUTHORITY

##### 1. How do you rate your performance over the last 5 years?

All the participants from Roads Authority agreed that the company has been doing well in terms of performance for the past 5 years. Respondent 6 expressed that “*Roads Authority is one of the best performing Public Enterprises in Namibia that has managed to sustain itself and realize profits from its business operations*”. Respondents 13 also shared the same sentiments that “*as much as SOEs performance is concerned, I can proudly say RA has been performing well for the past years and is one of the profit making SOEs in Namibia, providing value and quality services to the public*”.

##### 2. What do you think are the reasons behind your successes/ failures? Critical success factors.

Various reasons were presented as why RA has been successful in its operations. These include: good management, accountability, transparency and good corporate governance. According to respondent 20, “*good leadership and management has played a centre stage on the success of Roads Authority. We have visionary leaders who runs the organisation like a private sector entity and I believe that’s where our success lies*”. Respondent 2 affirms that “*the success of this organisation is a result good corporate*

*governance. Good corporate governance means that there is good leadership, accountability, responsibility and transparency. If an entity thrive on this success is eminent”.*

**3. What suggestions/ideas would you recommend to the non-performing SOEs in Namibia?**

Most of the respondents pointed out that for non-performing SOEs to be successful they need to recruit the right people for the right positions. It was highlighted that most SOEs fail because they do not have the right personnel who have the right qualifications and expertise to run the institutions. It was indicated that most positions are filled on nepotism thus the people fail to deliver. According to **respondent 17** *“SOEs need right people who can run the institutions. Like private sector company, the SOEs need expertise to be competitive and remain relevant”*. It was also indicated the institutions should be run as private organisations who aim at making profits and remain standing in the market. **Respondent 22** urges the SOEs *“to avoid over reliance on government handouts and bailouts but work in a way that it can sustain itself”*. Moreover, it was indicated that if SOEs deal with the issue of corruption it will save them from sinking.

**4. How would you rate your services to the end users? Quality, affordability?**

All the respondents that Roads Authority offers quality service to its clients and customers are satisfied. **Respondent 5** states that *“Our services are excellent in all departments and we receive less complaints from our customers. Moreover, our turnaround time in all our services is good and we ensure our customers are satisfied”*.

**5. In your views what reforms initiatives have the government embarked on, to transform SOEs in Namibia?**

All the respondents indicated that there is nothing much the government is doing to enhance SOE performance other than pumping money to some non-performing SOEs. **Respondent 11** indicated that *“there is less monitoring on behalf of the government to ensure the SOEs are performing in line with their mandate”*. It was revealed that SOEs work in isolation and even if there is an Act that govern their activities there is less monitoring to ensure that the SOEs are adhering to the ACT.

**6. How do political interventions affect your day to day business operations? Is it negative/positive?**

According to the Roads Authority there is no political interference in their operations.

**7. Strenuous government controls: do they inhibit u from fulfilling your mission, is this positive or negative please explain?**

As indicated above, there are no strenuous government controls in the operations of SOEs other than the Public Enterprises Governance Amendment Act, 2015, that govern the operations of the SOEs. However, in some cases of non-performing SOEs the government intervenes to ensure they are fulfilling the purpose why they were established.

18. Please indicate how you agree or disagree with the following statements about

**8. What do you think will be the impact of the Public Enterprises Governance Amendment Act, 2015, on the performance of state-owned enterprises?**

**Amendment Act, 2015, on the performance of state-owned enterprises?**

Figure 4.4 presents the distribution of the responses on the performance of the

All the respondents indicated that the Public Enterprises Governance Amendment Act, 2015, is a good blueprint that is lacking proper implementation. It was agreed that the Act is not being enforced to ensure good corporate governance in SOEs in Namibia. Therefore, it didn't make much impact on enhancing performance in SOEs in Namibia.

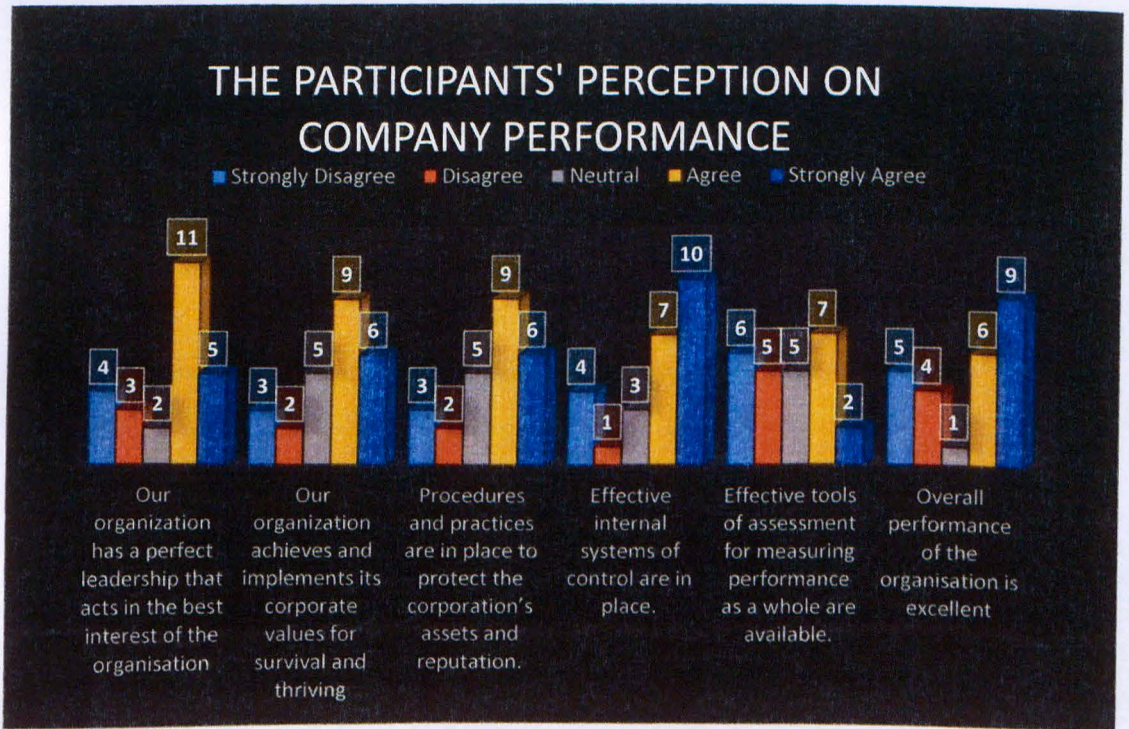
**9. Finally, please elaborate on the factors that inhibit SOEs performance in Namibia against those that enhances their performance?**

Most of the respondents pointed that corruption is the major factor that inhibits SOEs performance in Namibia. It was indicated that most of the senior managers make decisions in favour of their pockets. According to **respondent 15** "*most unsuccessful SOEs lack proper procurement transparency which will result in overpricing of services in order to feed a few senior managers and this cost the public*". Corruption in procurement has also led to acquisition of poor services and in some cases some suppliers fail to deliver at

all. Another inhibition is lack of transparency, accountability and responsibility on the side of SOE officials.

**10. Please indicate how you agree or disagree with the following statements about your organisation**

Figure 4.4 presents the perceptions of the respondents on the performance of the organisations rating from given statements.



**Figure 4.4. The Participants' Perception on Roads Authority Performance.**

As shown in figure 4.4, the majority participants at Roads Authority have rated the company to be well performing in all aspects. The results show that the organisation has much strength on effective internal systems of control. The other most effective attributes are a perfect leadership that acts in the best interest of the organisation, and the organisation was rated at par considering those who agree and strongly agree on ability of the organisation follow procedures and practices that are set in place, achieving and implementing the corporate values, and an overall excellent performance of the organisation.

## **ROAD CONSTRUCTION COMPANY**

### **1. How do you rate your performance over the last 5 years?**

All the participants indicated that RCC was one of the worst performing SOE in Namibia.

It was indicated the company was failing to fulfil its mandate and been operating at a loss.

**Respondent 26** at the RCC echoed that *“RCC is the worst performing SOE, despite the government’s effort trying to bail it out through funding, the company failed to resuscitate”*. And **respondent 35** said, *“we are a company that has failed to deliver, despite the opportunities available to us. Currently the company is bankrupt at face*

*closure due to poor performance*". And **respondent 47** also expressed that *"our performance for the past 5 years was miserable; the company has operated at a loss. However, looking at the nature of our business, the company was supposed to be one of the profitable public entities, but to the contrary the company has been a burden to the government, the public and even us the employees"*. Some of the participants indicated that in reality RCC is non-existent.

**2. What do you think are the reasons behind your successes/ failures? Critical success factors.**

All the participants agreed that the leadership and management of the company should take responsibility of the failure of the organisation. **Respondent 32** states that *"This company failed because of mismanagement and maladministration. This can be attributed to both the executive and the board of directors"*. Respondent 39 was quoted saying *"the leadership of this company has failed us; they are responsible for the failure of this company"*.

**3. What suggestions/ideas would you recommend to the non-performing SOEs in Namibia?**

All the respondents emphasized that non-performance of SOEs is as a result of poor management of the entities. Thus, they all recommended that the SOEs need quality

leaders who are visionary and who have the required expertise. **Responded 28** states that “*success of any organisation is on leadership, if we have good leaders the company can perform well. It was proven that financial bailouts cannot sustain a company if there is no proper leadership. So, I recommend the government to appoint proper leaders in non-performing SOEs and see if they cannot be successful*”. **Respondent 41** expressed that “*non-performing SOEs need turnaround strategies. The strategy should include a total refurbishment of the management of the non-performing SOEs*”.

#### **4. How would you rate your services to the end users? Quality, affordability?**

All respondent indicated that there is no service that the public is admiring from RCC but rather with it closed because it is a burden to the government and tax-payers at large.

#### **5. In your views what reforms initiatives have the government embarked on, to transform SOEs in Namibia?**

The entire respondents indicated that the government has been doing much to transform SOEs in Namibia. **Responded 44** echoed that “*if it was not the government intervention RCC should have been closed by now. The government has been helpful in trying to resuscitate the SOEs by providing financial assistance. However, the government is reluctant to change the SOE leaderships*”.

**6. How do political interventions affect your day to day business operations? Is it negative/positive?**

All the respondents indicated that the political interventions on SOEs operations was positive. *“If it wasn't of the positive support of the politicians some of the non-performing SOEs like RCC should have been closed already but we are surviving on their mercy”*

**Respondent 38.**

**7. Strenuous government controls: do they inhibit u from fulfilling your mission, is this positive or negative please explain?**

All the respondents indicated that the government has been positive to SOEs and strived to ensure all SOEs are performing and are serving the purposes that they were established for. *“The government has been positive with SOEs always showing support and providing financial support even though some SOEs like RCC are disappointing despite the support”*, **Respondent 29.**

**8. What do you think will be the impact of the Public Enterprises Governance Amendment Act, 2015, on the performance of state-owned enterprises?**

The Public Enterprises Governance Amendment Act, 2015 will be effective if it is well implemented by all SOEs. The respondents indicated that the ACT highlights on the

crucial issues that most non-performing SOEs are failing on. These issues include good corporate governance, leadership, accountability and transparency.

**9. Finally, please elaborate on the factors that inhibit SOEs performance in Namibia against those that enhances their performance?**

All the respondents pointed out that mismanagement is the most hindrance for the success of most SOEs. *“We have managers who are mainly focused on enriching themselves, getting lucrative salaries and benefits at the expense of the organisation”*, said **respondent 34**. **Respondent 27** shared the sentiment and echoed that *“we have board members who are focused on sitting allowances, and managers who enjoy good salaries while they overlook the performance of the organisation”*. Respondent suggests that one of the factors that inhibits SOEs’ performance is *“lack of checks and balances within the organisations, i.e. the companies do not have proper internal controls that gives more room for mismanagement and misappropriation of resources”*.

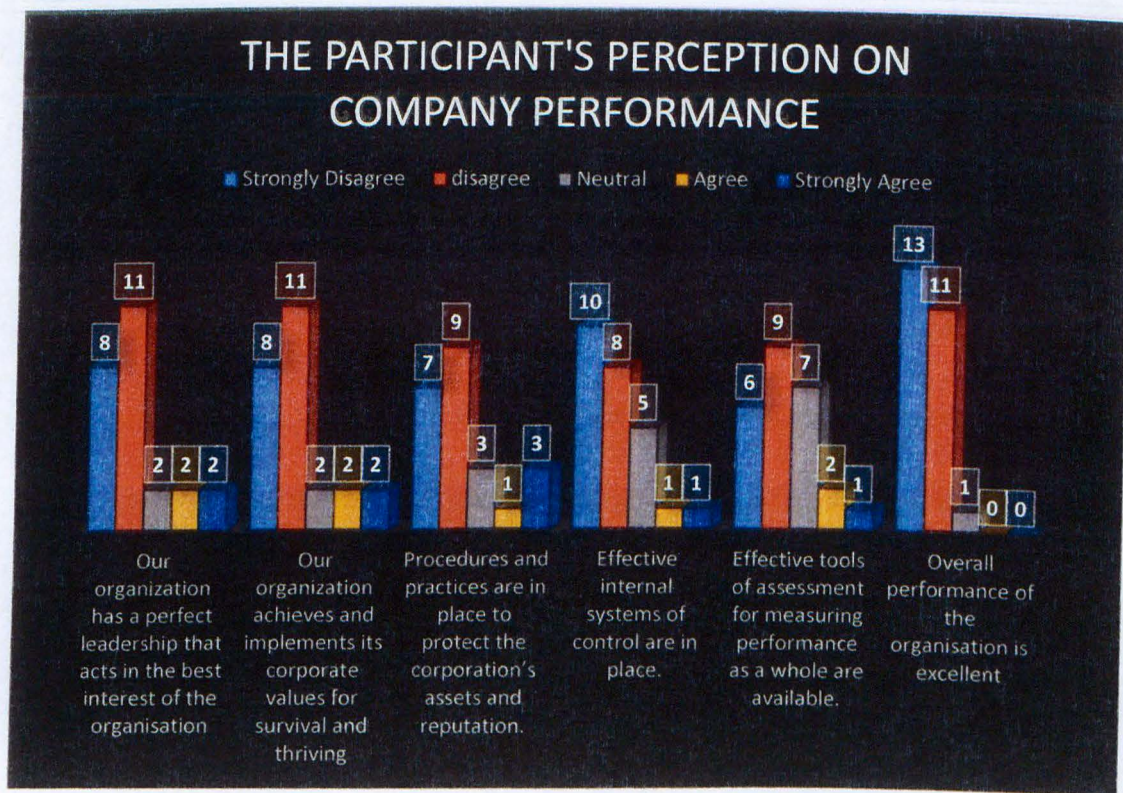
Other factors that inhibits SOEs’ performance include corporate governance, corruption, lack of accountability, and transparency. **Respondent 40** emphasized that *“if SOEs embrace good corporate governance most of the SOEs will be successful. Corporate governance encompasses all the attributes that makes an organisation to be successful, it*

*includes good leadership, responsible leadership, accountability, and transparency. And if a public enterprise possesses these then it is bound to be successful”.*

In addition, the respondents indicated that the recruitment process in most of managerial post in SOEs is characterized by nepotism and favouritism. Thus, people are not employed on merit hence they will fail to deliver as expected. Respondent 36 *“we have wrong people in influential positions and they are clueless on how to run the organisations. The SOEs should focus on finding the right people for the positions and invest in Human capital development”.*

**10. Please indicate how you agree or disagree with the following statements about your**

Figure 4.5. below shows how RCC employees perceive the performance of their company rating it with given statements



**Figure 4.5. The Participant's Perception on Company Performance**

As shown in figure 4.5 above shows that the RCC participants has rated poorly the performance of the company in all areas. It shows that the company's leadership does not act in the best interest of the organisation. It further shows that the internal control systems are ineffective, as well as poor procedures and practices that protect the corporation's assets. In addition, the company's performance was rated poor and the organisation does not follow and implement the corporate's values.

#### 4.4. Discussion

The data presented above shows a comparison of two State Owned Enterprises, (the Roads Authority and the Roads Construction Company). The two companies have almost similar business and, in some cases, work together, thus, the RA provides some jobs to RCC to complete them on their behalf. However, the results show that the RA is well performing whereas the RCC is not performing at all. Managers at the RA indicated that the RA is one of the best performing public enterprises whereas the RCC management indicated that the RCC is the worst performing Enterprise and faces closure due to its bankruptcy. Table 4.2 provides the summary of the comparative analysis of the attributes associated with good or poor performance. Deducing from the table 4.2, it is noted that RA respondents attributed their success to good management, whereas the RCC respondents blamed poor management as the cause of the company's failure.

**Table 4.2. Summary of comparison of factors / attributes associated with good / poor performance at RCC and RA.**

<b>RCC Attributes of poor performance</b>	<b>RA attributes of good performance</b>
<ul style="list-style-type: none"> <li>• Mismanagement of the company</li> <li>• Lack of corporate governance</li> <li>• Lack of internal control systems that protect the organisation's assets</li> <li>• Corruption and nepotism</li> <li>• Lack of leadership that has the drive to implement company policies and achieve organisational goals, but rather ambitious to feel their pockets through lucrative salaries and sitting allowances.</li> <li>• Poor recruitment procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Good and responsible management</li> <li>• Good corporate governance</li> <li>• Effective internal control systems that protects the assets of the organisation</li> <li>• Transparency and accountability</li> <li>• Adherence to the procedures, practices, culture and value of the organisation</li> <li>• Leadership that is focused on implementing the strategies of the organisation with the aim of achieving organisational goals</li> </ul>

The question however was why the companies operating in the same industry and sector were performing differently. The results from both companies indicated that management plays a major role in the success and failure of an organisation. Thomas, (2012) also noted that most SOEs fail because of mismanagement. SOEs require good management that can run the companies as a private entity, as one would do in the private sector.

In addition, respondents from both companies indicated that lack of accountability and transparency is the major hindrance of the success of non-performing SOEs. Kim and Chung, (2007) suggested that openness to shareholders and the general public (the consumers) determines the long-term financial sustainability of any enterprise, be it publicly or privately owned. A key element in achieving openness for any organisation is the publication of a comprehensive and accurate annual report. Thus, SOEs should provide the public with annual reports on their performance. This is not the case in most SOEs in Namibia. Sound corporate governance and openness are at the core of any successful enterprise and can make or break an institution irrespective of ownership (Kim and Chung, 2007).

In addition, the results also indicated that the RA was successful due to good corporate governance, which encompasses transparency, responsibility, accountability and good leadership which is not found at RCC. The RCC failure has also been linked to corrupt

practices, and this is imminent if management is not accountable and lack transparency in its operations. Thomas (2012, p. 77) suggested that *“Greater transparency. Proactive disclosures of information can lessen this public perception of non-transparency in SOE’s. From a strictly business perspective, transparency can also help to root out potential fraud or mismanagement that might otherwise remain hidden”*.

The other notable difference between the two companies was in internal control systems. The RA has proven to have effective internal control systems whereas the RCC has no internal control systems at all. Internal control systems will help to protect the assets of the organisation and as well as close all the loopholes for corruption.

Finally, the results above show that for an organisation to be successful it needs to recruit the right people for the right position. Non-performing SOEs were blamed of lacking the right personnel to drive the organisation to achieve its mandate. Results from the RCC also indicated that some of the personnel holding influential positions do not have the right qualifications to hold such office and they were clueless on how they can drive the organisation to achieve its goals. In some cases, employees are employed on nepotism rather than merit.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Introduction

The main purpose of this study was to conduct a comparative analysis on the performance of the selected SOEs, on why others were performing well (represented by the RA) while others were failing to perform (represented by the RCC) in the same market.

The study attempted to answer four broad objectives, namely:

- To conduct a comparative analysis of the performance of the RCC and the RA;
- To investigate the reasons behind their successes and failures;
- To analyse the impact of the amended Public Enterprises Governance Amendment Act, 2015, on the performance of state-owned entities
- To provide recommendations and guidelines to improve the effective and efficiency of SOEs in Namibia

This chapter will summarise the findings of the study presented in the previous chapter, and provide recommendations.

## 5.2. Summary of findings

Hereunder the researcher summarises the findings from both the RA and the RCC.

### 5.2.1. Roads authority.

Results from the empirical study presented in the previous chapter showed that the RA is one of the most performing SOEs in Namibia. The company has been making profits for the past 5 years and it is positively contributing to the socio-economic development of Namibia. The company is providing quality services to its clients and remains competitive in the market. Its success is attributed to the following factors:

- Good and responsible management
- Good corporate governance
- Effective internal control systems that protects the assets of the organisation
- Transparency and accountability
- Adherence to the procedures, practices, culture and value of the organisation
- Leadership that is focused on implementing the strategies of the organisation with the aim of achieving organisational goals

### 5.2.2. Roads Construction Company

On the contrary, the RCC is one of the worst performing SOEs, and for the past 5 years it has been performing poorly. The results show that the RCC is a burden to the government, the public and the employees themselves. For the past couple of years, the company has been surviving on government financial bailouts and besides that the company has been failing to recover. Currently, the company is bankrupt and the public is demanding for it to be closed. The results further show that the company is surviving on the mercies of the politicians and government financial bailouts.

The failure of the company has been associated with the following factors:

- Mismanagement of the company
- Corruption and nepotism
- Lack of leadership that has the drive to implement company policies and achieve organisational goals, but rather ambitious to feel their pockets through lucrative salaries and sitting allowances.
- Lack of corporate governance
- Poor recruitment procedures. The company does not have the right personnel that has the quality of driving the organisation towards achieving its goals.
- Lack of internal control systems that protect the organisation's assets.

### **5.3. Conclusion**

Looking at the summary of the results of the two companies above, it can be concluded that the factors that have been making the RA to be successful were the same factors that were lacking in the RCC and that have caused the company to sink. The difference between the success and failure of these two companies is in finding the right leadership that is ambitious and knowledgeable on how to drive the company towards achieving its mandate. The SOEs require: good leadership, good corporate governance, the right employees, effective internal control systems and managers who value the procedures, culture, values and practices of the company. If these principles are implemented, Namibian SOEs can be successful and all corruption and maladministration loopholes can be automatically closed.

### **5.4. Recommendations**

After an analysis of the findings, the following recommendations were made:

1. Every SOE has a board of directors that is responsible for overseeing the management of the enterprises. This board is crucial for the success of every public enterprise, since they are the ones responsible for recruiting the management of the company. So, the most important factor is how this board is appointed. The

public entities should appoint board members who meet the requisite qualifications, experience or skills of persons to be eligible for appointment as members of the board, according to the requirements of the Public Enterprises Governance Amendment Act, 2015.

2. The board must give strategic direction to the company, appoint the chief executive officer and ensure that succession is planned. As much as the board is to delegate authority, it must retain full and effective control over the company, and monitor management in implementing board plans and strategies.
3. These enterprises should demonstrate that the company's key risks are being managed in a way that enhances shareowners' and relevant stakeholders' interests. This they should do this by incorporating mechanisms to deliver a demonstrable system of dynamic risk identification, demonstrating a commitment by management to the process. This is because just simply summing up that the strategies are aimed at improving efficiencies and reducing costs, without identifying what costs need to be reduced, may not be a complete strategy. The operational costs of the business might be escalating and needs to be curbed strategically.
4. The board of directors should ensure that the company complies with all relevant laws, regulations and codes of business practice, and should go further to

communicate with its shareowners and relevant stakeholders, both internally and externally, openly and promptly and with substance prevailing over form.

5. The boards should have unrestricted access to all company information, records, documents and property. The information needs of the board should be well-defined and regularly monitored.
6. The boards should consider developing a corporate code of conduct that addresses conflict of interest, particularly relating to directors and management, which should be regularly reviewed and updated as necessary.
7. The office of the auditor general should ensure that all public entities are audited every year according to the law and ensure publication of such audited reports.
8. Finally, it is important to regularly review the environment in which the businesses operate, and find new and innovative ways to remain relevant in a changing environment.

#### **5.5. Recommendations for further study.**

This study focused on a comparison on the performance of two SOEs. The results indicated that the RA is performing well whereas, RCC is sinking despite government support and financial bailouts. Thus, this study recommends “An investigation on how non-performing SOEs can be resuscitated”.

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## APPENDIX 1

### QUESTIONNAIRE

#### SECTION A: DEMOGRAPHIC DATA

1. Gender \_\_\_\_\_
2. Position \_\_\_\_\_
3. Years of experience in management \_\_\_\_\_
4. Professional qualifications \_\_\_\_\_

#### SECTION B: SOE PERFORMANCE

5. How do you rate your performance over the last 5 years?
6. What do you think are the reasons behind your successes/ failures? Critical success factors.
7. What suggestions/ideas would you recommend to the non-performing SOEs in Namibia?
8. How would you rate your services to the end users? Quality, affordability?
9. In your views what reforms initiatives have the government embarked on, to transform SOEs in Namibia?

10. How do political interventions affect your day to day business operations? Is it negative/positive?

11. Strenuous government controls: do they inhibit u from fulfilling your mission, is this positive or negative please explain?

12. Finally, please elaborate on the factors that inhibit SOEs performance in Namibia against those that enhances their performance?

13. What do you think will be the impact of the Public Enterprises Governance Amendment Act, 2015, on the performance of state-owned enterprises?

14. Our organisation has a perfect leadership that acts in the best interest of the organisation

a. Strongly agree

b. Agree

c. Neutral

d. Disagree

e. Strongly disagree

15. Our organisation achieves and implements its corporate values for survival and thriving.

a. Strongly Agree

b. Agree

c. Neutral

d. Disagree

e. Strongly Disagree

16. Procedures and practices are in place to protect the corporation's assets and reputation.

a. Strongly agree

b. Agree

c. Neutral

d. Disagree

e. Strongly Disagree

17. Effective internal systems of control are in place.

a. Strongly Agree

b. Agree

c. Neutral

d. Disagree

e. Strongly Disagree

18. Effective tools of assessment for measuring performance as a whole are available.

a. Strongly agree

b. Agree

c. Neutral

d. Disagree

e. Strongly Disagree

19. Overall performance of the organisation is excellent.

a. Strongly agree

b. Agree

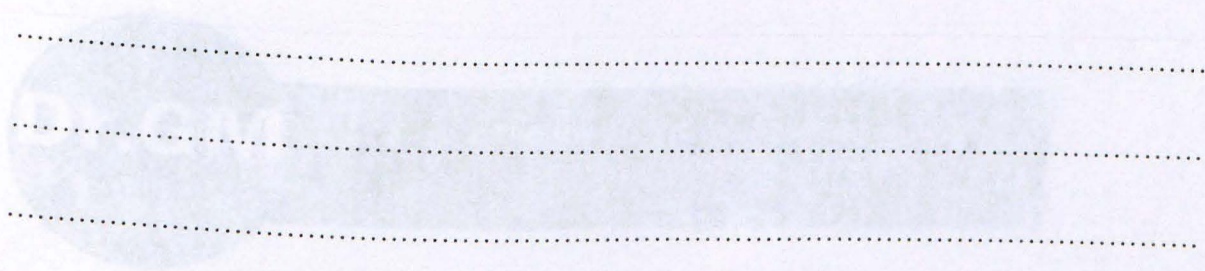
c. Neutral

d. Disagree

e. Strongly disagree

20. General Recommendations

Please feel free to add any other relevant information to this survey.



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please contact us at [language@utoronto.ca](mailto:language@utoronto.ca).

I am a first-generation immigrant and I speak English as a second language.  
I am interested in learning more about the services and programs  
provided by your organization. I am interested in learning more  
about the services and programs provided by your organization.  
I am interested in learning more about the services and programs  
provided by your organization.

I am a second-generation immigrant and I speak English as a second language.  
I am interested in learning more about the services and programs  
provided by your organization. I am interested in learning more  
about the services and programs provided by your organization.  
I am interested in learning more about the services and programs  
provided by your organization.

Please let us know if you need any other information.

Your Name



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## LANGUAGE & COPY-EDITING CERTIFICATE

26th May 2019

**RE: LANGUAGE, COPYEDITING AND PROOFREADING OF MARIANE GRACE KALUNDU'S THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA**

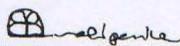
This certificate serves to confirm that I copyedited and proofread **MARIANE GRACE KALUNDU'S** Thesis for the **MASTER OF BUSINESS ADMINISTRATION DEGREE** entitled: **INVESTIGATING THE FACTORS AFFECTING STATE OWNED ENTERPRISES IN THEIR PERFORMANCE: A COMPARATIVE STUDY OF TWO STATE OWNED ENTERPRISES IN NAMIBIA**

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Namibia's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Swaziland, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,



The Rev. Dr. Greenfield Mwakipesile



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