

INVESTIGATING THE CRITERIA FOR APPOINTING BOARD MEMBERS OF
SELECTED PUBLIC ENTERPRISES WITHIN THE ROAD INDUSTRY IN NAMIBIA

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ABSTRACT

Change has become important and unavoidable in today's business environment. The dynamic business environment of today requires organisations to appoint leaders of a required calibre. To effectively appoint such leaders especially at the board level, criteria is required to determine the skills possessed by an individual. The study was conducted to investigate and establish the existence of criteria for appointment of board members in selected public enterprises within the road industry in Namibia. The qualitative, exploratory and descriptive research design was used to conduct this study. Purposive and convenience sampling methods were used to select participants for the study. The questionnaire was developed and distributed to the target groups, which were Board Members, Chief Executive Officers, Senior Managers and Company Secretaries of the selected public enterprises. Findings showed that there are no criteria in appointing board members in the selected public enterprises within the road industry in Namibia. The study concludes that lack of criterion led to appointing individuals who were not specialised in the industry and lack skills to discharge their responsibilities. It is recommended that best practices of appointing board members of public enterprises in the road industry be applied, in Namibia

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DEDICATION

This thesis is lovingly dedicated to my wife Evelina for her love and patience and to my four-year old son, Loongeleni, who during my thesis writing sits beside me and asks me a lot of questions disturbing my concentration.

DECLARATION

I, Tuhafeni Nghilifavali Nekongo, hereby declare that this study is a true reflection of my own research and that the work or part thereof has not been submitted for a degree in any other institution of higher education.

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LIST OF ACRONYMS

CEO	Chief Executive Officer
FNB	First National Bank Limited
GRN	Government of the Republic of Namibia
IoDSA	Institute of Directors in Southern Africa
MPE	Ministry of Public Enterprises
NAMCODE	The Corporate Governance Code for Namibia
NDP 4	Fourth National Development Plan
NSX	Namibia Stock Exchange
PE	Public Enterprise
RA	Roads Authority
RFA	Road Fund Administration
RUCS	Road User Charging System
SA	South Africa
SADC	Southern Africa Development Community
SOE	State Owned Enterprises
SOX	Sarbanes – Oxley Act
UK	United Kingdom
USA	United States of America

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CHAPTER 1 INTRODUCTION AND BACKGROUND

1.1 Introduction

In 1999, three public enterprises were created in the Namibian road industry, namely the Roads Authority, the Road Contractor Company and the Road Fund Administration. These public enterprises within the road industry were established to ensure that the roads infrastructure in Namibia is developed and maintained as per the international standards. Each specific enterprise was created to carry out a specific mandate within the road industry. For this study only the Road Fund Administration (RFA) and the Roads Authority (RA) mandates will be discussed because the structure and future existence of the Road Contractor Company is currently under discussion.

Good road infrastructure has been identified in Namibia's Fourth National Development Plan (NDP 4) as an enabler to economic growth. Namibia road infrastructure is not only important to herself but also to other neighbouring countries especially the landlocked countries (Botswana, Zambia, Zimbabwe etc.). The desired outcome for (NDP 4 2012, p. 75) states that *"By 2017, Namibia shall have a well-functioning, high quality transport infrastructure connected to major local and regional markets as well as linking to the port of Walvis Bay"*. For this outcome to be realised it was thus imperative to maintain a good road network in Namibia which required independent institutions that run on good corporate governance principles, to be established.

Good leadership and adhering to corporate governance principles are necessary for public enterprises to perform at their best.

The purpose of establishing public enterprises is to yield revenue from the organisation to advance the socio-economy of the country. Therefore, with the creation of public enterprises in the road industry, the Namibian government expected sufficient funding to be generated and managed properly to ensure sufficient funding for the road network. The achievement of this idea is not possible without good corporate governance. It was thus decided that each enterprise be governed by a board of directors, managers and shareholders with the mandate of developing rules and procedures and decision-making instruments for sound corporate governance.

1.2 Orientation of the proposed study

It is unlikely that the public enterprises within the road industry will contribute to the socio-economic development if the process of appointing the right leadership with required qualifications and competencies is not followed. According to (Chata 2010, p. 42), *“public enterprises are often hindered by such challenges as finding a balance between the responsibilities of the state for actively exercising its ownership functions such as the nomination and election of the board of directors and ensuring good corporate governance”*.

In 2003, Namibia adopted the South African King Report II on governance as an instrument to enforce corporate governance among Namibian companies and institutions. According to the King Report II (2002) shareholders must ensure that board

members are properly constituted. The report suggests that there should be a forum to assist the board to identify suitable candidates for consideration as board members. The King Report II was later replaced by the King Report III. *The King Report III was introduced in 2009, but Namibia could not adopt the King Report III, due to the Namibia Companies Act 2004, (Act No. 28 of 2004) and changes in governance internationally* (NamCode, 2014, p. 1) which made the economic conditions of South Africa and Namibia different. According to the (King Report III 2009, p. 79, principles 2-19), *“directors should be appointed through a formal process. Under these principles, it is further elaborated that procedures for appointment to the board should be formal and transparent and should be a matter for the board as a whole, assisted by the nomination committee, subject to shareholder approval”*.

Due to the change in international governance and in relation to the Companies Act 2004 (Act No. 28 of 2004), Namibia drafted its own Namibia Code on Governance (NamCode) and became effective as from January 2014. According to the (NamCode, 2014, p. 39, principles C2-19), *“directors should be appointed through a formal process. Shareholders are ultimately responsible for the composition of the board and it is in their own interest to ensure that the board is properly constituted from the view point of skills, competency and representation”*. The NamCode was created based on the principles contained in King III but adapted to suit the Namibia legislative landscape (NamCode 2014).

Board members of selected public enterprises within the road industry are appointed in terms of their enabling acts. The Road Fund Administration Act 1999 (Act No. 18 of 1999), indicates that the appointment of board members is stipulated under Section 4 of

the Act. It states that the board shall consist of not less than three and not more than five directors appointed by the Minister of Finance in consultation with the Minister of Works and Transport amongst persons who have experience relevant to the functions of the administration. The Minister equally shall appoint the chairperson from amongst the directors.

According to the enabling act of the Roads Authority namely the Roads Authority Act 1999 (Act No. 17 of 1999), directors are appointed according to Section 4 of the said Act. Section 4 states that directors shall be appointed by the Minister of Works and Transport from amongst persons who have expertise relevant to the functions of the authority and like the Road Fund Administration's act, the chairperson is appointed by the respective Minister.

During 2006, the Government of Namibia promulgated another act, the State-owned Enterprises Governance Act 2006 (Act No. 2 of 2006) as amended by the Public Enterprises Governance Act of 2015 (Act No. 8 of 2015). The purpose of establishing this Act amongst others was, the efficient governance of State-owned Enterprises and monitoring of their performance. Section 15 of this act, outlines the procedures of appointing directors of State-owned Enterprises. According to the Act, the head of the secretariat in consultation with the Minister shall make reports to the council containing recommendations and names to be appointed as directors of State-owned Enterprises.

The NamCode became necessary because of the Namibian Company Act No 28 of 2004 and changes in governance internationally (NamCode 2014). The NamCode makes provisions for best practices of appointing board members. The NamCode, (2014, p. 16), recommends *“that the NamCode applies to all Namibian entities regardless of the*

manner and form of incorporation or establishment and whether in the public, private or non-profit sectors". The principles have been drafted so that every entity can apply them and, in so doing achieve good governance. According to the King Reports and NamCode, directors should be appointed through a formal process and the chairperson must be appointed by the directors amongst themselves. Various legislations have been established to ensure good corporate governance. It appears however that the procedures as contained in the various established legislations, the King Reports and the NamCode are not applied when appointing board members of public enterprises in the road industry.

1.3 Statement of the problem

The reason behind the appointment of board members for an institution is for the board to provide leadership to the institution. According to Hendrikse & Hefer-Hendrikse (2014), companies should be headed by a board that should direct, govern and be in effective control of the company. The board is expected to oversee senior management's collective ownership and individual accountability for regular compliance and risk management. The board is responsible for governance by setting up and developing policies and procedures and ensuring that they are operational.

Nonetheless noncompliance to the established procedures of appointing board members continues to be violated by the Namibian road sector public enterprises, Strategic Plan (2016/17 – 2020/21). As a result, poor performance characteristics are observed. For this study the problem is identified as the perception of poor performance of the Roads Authority and the Road Fund Administration. Poor performance is linked to public

enterprises' leadership not discharging their fiduciary responsibilities and accountability over the institution because the right people are not in positions of influence, Hendrikse & Hefer-Hendrikse (2014). The public and shareholders have therefore lost trust in the administration of these road sector public enterprises. The problem being experienced is the ineffectiveness and poor performance within these public enterprises. It is assumed that those at the helm of the public enterprises are not effectively discharging their responsibilities and taking control of the situation. This study assumes that to get the right people into positions of leadership it is important to follow vigorous, clear criteria and transparent procedures.

It is on this basis that the study sought to investigate and determine whether the criteria of appointing board members exists and whether they are adhered to by public enterprises within the road industry in Namibia.

1.4 Objectives of the study

The objectives of this study are:

- To investigate the criteria used for appointing board members of public enterprises in the road industry.
- To document best practices of appointing board members globally.
- To evaluate the current appointing practices against best practice.

1.5 Significance of the study

The poor performance of public enterprises has been under public scrutiny for many years with regards to corporate governance. The findings of this study will enable the public to understand the criteria of appointing board members. There are three public enterprises within the road industry in Namibia, namely the Road Fund Administration established by the Road Fund Administration Act 1999 (Act No. 18 of 1999), the Road Contractor Company established by the Road Contractor Company Act 1999 (Act No. 14 of 1999) and the Roads Authority established by the Roads Authority Act 1999 (Act No. 17 of 1999). The results of this study will contribute to an understanding of the best practice available of appointing board members in general and specifically for road-based public enterprises. Recommendations will be made on how to rectify the situation or implement best practices of appointing board members of public enterprises within the road industry in Namibia. The study results will further enable shareholders to appoint board members based on standardised criteria for public enterprises in the road industry. Moreover, recommendations made will enable the shareholders to correct the current situation of appointing board members in the two public enterprises, and can also serve as an example for other public enterprises in Namibia.

1.6 Limitations of the study

Even though there are three public enterprises within the road industry, this study was limited to the Road Fund Administration and Roads Authority. The Road Contractor Company did not form part of this study because the structure and future existence of the company is currently under discussion. Information was thus obtained from board members, chief executive officers, senior managers and company secretaries of those

two public enterprises. The finding was not generalised, however data was gathered and analysed with the aim of establishing and learning lessons of best practices. Since completing the research instrument was voluntary, there was a possibility that some respondents may not complete the questionnaire. The researcher has no mandate to force respondents to complete the questionnaire or to provide incentives for the completion of the questionnaire.

1.7 Definitions

This section will present definitions of important concepts and terms to be used in the study. A study of this nature requires an understanding of linked concepts and terms to guide the research approach. As much as these concepts and terms are known, they may have different meanings by different people, thus a need for them to be defined to the context as intended in this study. **Corporate governance** is the overarching key concept used in this study. The concepts and terms relating to the subject matter to be defined here will be: governance, corporate, corporate governance, leadership, good corporate governance, board member/director, principles, and governance/nomination committee.

1.7.1 Governance

The Oxford Advanced Learner's Dictionary, (2015, 9th ed. p. 659) defines "*governance as the activity of governing a country or controlling a company or an organisation, the way in which a country is governed or a company or institution is controlled*". Hendrikse & Hefer-Hendrikse, (2014) elaborated that the word "govern" come from the Latin words *gubernare* and *gubernator* which refers to steering a ship and to the helmsman or captain of a ship. The English word 'governance' comes from the old

French word “gouvernance” and means control and the state of being governance and it also means good order, (Hendrikse & Hefer-Hendrikse 2014). For this study, governance will be defined as the set of principles or activities which seek to provide guidance to control an entity.

1.7.2 Corporate

The Concise Oxford English Dictionary, (2004, p. 320) defines “*corporate as relating to a large company or group authorised to act as a single entity and recognised as such by law*”. Corporate is a business organised with legal rights and governed by a body separate from the owners. Hendrikse & Hefer-Hendrikse (2014, p. 34) defined “*corporate as an entity that is either listed or a public company, a non-listed public company, a private company or a close corporation*”. For this study, corporate shall refer to a public enterprise established by its enabling act and recognised as such by the Public Enterprises Governance Amendment Act, (Act no. 8 of 2015).

1.7.3 Corporate Governance

According to (Hendrikse & Hefer-Hendrikse, 2014), “*corporate governance is a partnership of shareholders, directors and management to provide wealth creation and economic well-being to the wider community of stakeholders and society*”. The Cadbury Report (1992) defined “*corporate governance as a system by which companies are directed and controlled*”. The report further explained that boards of directors are responsible for the governance of their companies, while the shareholders’ role in

governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.

For this study corporate governance shall refer to the systems by which companies are managed, controlled, directed and governed appropriately and responsibly.

1.7.4 Board member/director

The Concise Oxford English Dictionary (2004, p. 151) defines “*board as the decision-making body of an organisation*”. Further, the Concise Oxford English Dictionary (2004, p. 406) defines “*director as a person who is in charge of an activity, department or organisation. A member of the managing board of a business*”. The Oxford Advanced Learner’s Dictionary (2015, p. 153) defines “*director as a group of senior managers who run a company*”. The State-owned Enterprise Act 2006 (Act No. 2 of 2006, p. 3) as amended defines “*board as the member of the board of directors or other governing body of the State-owned Enterprises by whatever name called holding positions comparable with those of the board of directors of a company*”.

For this study board member/director shall mean a group of individuals responsible for ensuring that corporate governance is embedded in the operations of a public enterprise.

1.7.5 Governance/Nomination Committee

In the olden days the founders of the business, existing directors or shareholders suggested possible directors and were confirmed at shareholders annual general meetings, (Tricker 2012). With the influence of globalisation and large corporations

being established and becoming complex, this was no longer feasible for shareholders to make a choice of directors. According to Tricker, (2013), in this context power has shifted from shareholders to directors and directors were nominated by the chairman and existing directors. The system of directors being nominated by the chairman and existing directors was later criticised that boards have become a club of friends and old school ties.

As a result, various corporate governance codes recommended the establishment of a governance/nomination sub-committee of the board. This is a standing committee of the board made up mostly of independent directors to recommend new or the reappointment of directors. For this study nomination committee shall mean, a sub-committee of the board charged with the responsibility of nominating and evaluating individuals to serve on the board.

1.7.6 Principle

The Oxford Advanced Learner's Dictionary, (2015, p. 1182) defines "*principle as a moral rule or a strong belief that influences your actions*". The King Code, (2009, p. 10) states that "*As far as the body of legislation that applies to a company is concerned, corporate governance mainly involves the establishment of structures and processes, with appropriate checks and balances that enable directors to discharge their legal responsibility and oversee compliance with legislation*". It refers to a law, or rule or fundamental or theory in which something is based. For the purpose of this study a principle shall refer to behaviour, attitude and moral ground that influence the actions of controlling bodies.

1.7.7 Leadership

The Concise Oxford English Dictionary (2004) defines “*leader as the person who leads or commands a group, organisation or country*”. According to Louw & Venter (2013, p. 80), “*there is a need for more responsible leadership to implement a more comprehensive model for sustainable development*”. This requires a profound change in individual mind-set and behaviour as well as overall corporate culture. For this study leadership will be defined as the behaviour that influences the organisation.

1.7.8 Good Corporate Governance

According to Hendrikse & Hefer-Hendrikse, (2014, p. 104), “*good corporate governance should be thought of as a basic business common-sense framework in which companies can systematically pursue superior performance and enhanced shareholder value*”. Good corporate governance is premised on the establishment of a good relationship among the groups for the organisation to flourish. For this study, good corporate governance shall mean appropriate relationship among, shareholders, directors, management and other stakeholders.

1.8 Chapter outline

The study attempts to investigate the criteria of appointing board members of selected public enterprises within the road sector in Namibia. Furthermore, it examines the international corporate governance of appointing board members to establish an

understanding of the best practices. The thesis is divided into five chapters as described below:

Chapter 1: introduces the study. In this chapter, an orientation is provided on what a public enterprise in the road industry entails. Not only are the backgrounds to corporate governance of the study provided, but also the problem statement is identified and the research objectives, significance of the study, limitation and clarification of terms are provided.

Chapter 2: provides an overview of literature on corporate governance. The chapter also presents the theoretical framework of the study. In this chapter, the development of corporate governance codes of selected countries has been reviewed in addition to the global criteria of appointing board members in terms of international, regional and the Namibian perspective.

Chapter 3: provides the research methodology followed in this study as well as the research design. The population, sample and sampling methods have also been discussed. The chapter further provides the procedures followed to collect the data.

Chapter 4: provides for the systematic analysis of the data collected for the study. Findings are presented according to the categories of participants in terms of the three sections of the questionnaire. Each question on the questionnaire is analysed to provide an understanding of each category's view on the subject matter.

In chapter 5: the major findings of the study are highlighted, presented and appropriate recommendations are made.

1.9 Conclusion

In this chapter, the introduction of the study, purpose of the study, problem statement, objectives of the study, significance of the study and limitations of the study were discussed. It is the intention of this study to contribute towards an understanding of the criteria for appointing board members of selected public enterprises within the road industry in Namibia.

The study attempts to investigate the criteria used in appointing board members of selected road sector public enterprises. The chapter further provided some definitions of relevant concepts and terms. The definitions provide an understanding of the concepts and terms as intended in the context of this study.

There is no one-size-fits-all approach, each company must determine the process that suits its size and needs. The requirement of the enabling acts seems to suggest one-size-fits-all when it comes to the appointment of board members in public enterprises. This chapter concludes that the complexity of the subject matter under investigation can be researched by a choice of the appropriate research methodology.

In the next chapter, theoretical and relevant literature will be discussed in relation to the context of appointing board members.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

Chapter one discussed the introduction and background of the study. Key concepts and terms were also defined in chapter one to give an understanding as intended in the context of this study.

Chapter two reviewed the literature on corporate governance and provide the theoretical framework of the study. The review mainly focused on the history and principles of corporate governance, and how different countries adopted or developed corporate governance codes. The focus was on the history of corporate governance, corporate governance principles, and corporate governance codes of selected countries. The countries to be discussed are selected based on a global grouping, i.e. the United States of America (USA) being part of the USA, the United Kingdom (UK) being part of Continental Europe and South Africa (SA) being part of Africa. SA was further selected for being part of the Southern Africa Development Community (SADC). The chapter will further give an overview of how Namibia adopted corporate governance principles.

Furthermore, the literature regarding the requirements and purpose of the enabling acts in Namibia was explored. The focus was on the purpose of these Acts and the requirement of appointing board members, with special reference to the procedures and criteria. The chapter concluded by looking at the State Owned Enterprise (SOE) Act 2006 (Act No. 2 of 2006) as amended in 2008 and the establishment of the new Ministry of Public Enterprises (MPE) in Namibia and how best performing enterprise leaders

apply it to the operations of those entities, paying attention to literature regarding the appointment of board members.

2.2 History of corporate governance

This section considered the evolution of corporate governance in shaping organisations. The focus was on how corporate governance started globally. The section will also discuss the key principles of corporate governance. The section concluded by discussing the various approaches recommended throughout the evolution of corporate governance for board appointments.

The term corporate governance is not a new term. In 1776, Adam Smith wrote “*the directors of companies, being managers of other people’s money, cannot be expected to watch over it with the same vigilance with which they would watch over their own*”. The term corporate governance was not prominent in the vocabulary then, however it existed in the behaviour and application of corporates. During the early days, companies were relatively small and owned by families, thus corporate governance was not as important as it is today. The importance and evidence of corporate governance was mainly brought up by the development of companies which developed into big and complex entities and as a result shareholders were no longer able to control the complexity of their companies, (Tricker 2012). Shareholders then started appointing other people to manage companies on their behalf and as Adam Smith (1776) wrote, they will not watch this as they would have watched their own and company failures and crisis increased.

Corporate governance is as old as the corporation and has evolved from the time when businesses were relatively small and run by families to more complicated companies which involved complex entities and where corporate failures became the order of the day and the financial crisis increased in the corporate world. Globalisation also added to further evolution of corporate governance, because shareholders are seated in other countries, and it became difficult for them to control their companies.

Several events during the 1970s to 1980s in many parts of the world pointed to serious difficulties in corporate governance (Wixley & Everingham, 2015). Events which were observed as main concerns were like, there seems to be creative accounting incorporates, unexpected business failures, fraud and negligence and conflict of interest. These events caused the world to be concerned and many countries in the world started thinking corporate governance. Corporate governance is considered to be the underpinning principle to manage events of business failures and crisis.

After the occurrence of the events during the period of the 1970s to 1980s, various developments occurred which considered the strengthening of corporate governance. In the USA for example, the Security and Exchange Commission was established which required listed companies to have an audit committee. In Europe two tier boards were promoted (Tricker 2012). The efforts of these developments were to strengthen corporate governance within institutions and minimise corporate crisis. The emphasis has been on checks and balances within boards. Board members were observed not to perform their duties satisfactorily (Tricker 2012). It was noted that the appointment of board decisions were taken by dominant shareholders and this resulted in various codes suggesting that the prospective director candidate must be measured against attributes

of the position. The criteria to assess the candidate must be developed. Institutions started assessing board members against selected criteria. As part of the board sub-committee, a nomination committee has been created as a sub-committee of the board to deal with the appointment of directors, (Hendrikse & Hefer-Hendrikse 2014).

Hendrikse & Hefer-Hendrikse, (2014, p. 112) states “*corporate governance is not a statement – it is an attitude, an aptitude, and an action plan to make the world a better place. Corporate governance is control, not constraints*”. Many if not all corporate failures and crises are a result of poor corporate governance practices. Corporate governance is known to guide the relationship between shareholders, management, employees and other stakeholders. It is expected that the corporate governance framework should promote transparency and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. Successful businesses need good management to achieve their goals. Good management means the company is operationally effective but may still be ineffective in terms of relationships among shareholders, directors, management and other stakeholders. The principle of corporate governance is to be effective in terms of relationship and eventually performance increases.

Corporate governance is premised on the spirit of trust. According to (Hendrikse & Hefer-Hendrikse 2014, p. 113) “*while business accepting the legitimacy of trade secrets, business should recognise that sincerity, candour, truthfulness, the keeping of promises and transparency contributes not only to their own credibility and stability but*

also to the smoothness and efficiency of business transactions, particularly on the international level”.

Hendrikse & Hefer-Hendrikse (2014, p. 114) identified new fundamental principles of corporate and business governance which are:

- *Integrity with independence – The objective of best interest;*
- *Equity with fairness – Right with empowerment;*
- *Authority with responsibility – Duties with powers;*
- *Action with accountability – Accountability for performance;*
- *Performance with conformance – Compliance with checks and balances;*
- *Conduct with discipline – Ethical corporate business and ethical behaviour;*
- *Profitability with sustainability – Profitability with social responsibility;*
- *Communication with transparency – Information disclosure; and*
- *Rewards with results – Performance-based.*

Directors are appointed to govern and control the company and the principles above assist to strengthen that principle. By so doing they should operate from the principle perspective which is premised on honesty, truthfulness and moral principles.

Important theories and practices were developed for the management of finance, marketing and operations of companies, although little concern was shown for the role of directors, (Tricker 2012). According to Tricker (2012) it is further stated that although the theoretical exploration of the subject is relatively new, the practice of corporate governance is as old as trade.

Due to the collapse and inadequacy of corporate governance in various economies, most of the developed countries started publishing some form of corporate governance codes (Tricker 2012). Following these developments, several guidelines were developed to guide the appointment of board members (Tricker 2012). Amongst these guidelines include that board members should be appointed annually and there should be a nomination committee, a sub-committee of the main board and should have all independent directors to deal with the appointment of directors. Wixley & Everingham (2015, p. 40) states that “*a board should possess the necessary knowledge and skills to assume the responsibility for the company*”. These should comprise both experience and expertise. Wixley & Everingham (2015) listed some of the requirements which are not exhaustive. The list includes knowledge of the industry, ability to think strategically, global understanding, financial knowledge and an analytical mind-set.

For this study, some developments of selected countries were discussed.

2.3 Development of corporate governance codes

In this study, three countries have been selected as sample cases for discussion in terms of corporate governance codes development. The literature regarding corporate governance in these countries was selected through a purposive selection and was selected to be reviewed because the countries are regarded as developed economies. The reasons for selecting these countries are based on a global grouping and they are being perceived as leading countries in corporate governance code development. These countries are also considered as strong economy countries in their respective regions. This section discussed the development of these countries' corporate governance codes

to provide an understanding of the development of various corporate governance codes around the world.

What follows are some of the reasons and the motivation why the three countries were purposively selected. The overall objective for choosing these three countries was based on the well documented corporate codes these countries have. These countries were selected to represent different regions, namely, the USA being part of the United States of America, the UK being part of the Continental Europe and SA being part of Africa and in particular the SADC. The other reason why these countries were selected is because major corporate failures and crisis occurred in these countries. SA was further selected because of economic similarity with that of Namibia.

2.3.1 United States of America

The USA is a developed economy country and is considered one of the countries with corporate governance regulations. It was widely believed that the USA's financial regulations were a model for the rest of the world (Tricker 2012). The system seemed to be working perfectly well and control was exercised. Then came the collapse in 2001 of massive companies such as Enron, WorldCom, Tyco, Waste Management etc. The response from the USA government to these collapses was the drafting of the Sarbanes-Oxley Act, Pub. L 107-204 of 2002 (Tricke 2012). The emphasis on the Sarbanes-Oxley Act was that corporate governance should be under the law and not through discretionary codes. All public traded companies were required to submit annual reports about their internal accounting controls. The SOX as it was later known has forced massive concentration on corporate governance in the USA. Under the SOX,

recommendation were made on sound corporate practice, which are not intended to be legally binding concerning the composition of the board, the creation, functions and powers of audit committees, nominating committees and compensation committees in public held corporations. The regulation required that listed companies should have a nominating/corporate governance committee composed entirely of independent directors which must have a written charter (Tricker 2012). The governance committee among other functions should be responsible for the nomination and appointment of board members.

Another legislation in the USA, the Commission on the Public Trust and Private Enterprises in the USA (2003) recommended amongst others the qualification of directors, board evaluation and role of the nominating/governance committee. According to the Commission on the Public Trust and Private Enterprise (2003) the essential director-level skills include; strategic reasoning perception and vision, a critical capability of quantitative and qualitative analytical analysis, financial, planning and decision-making capabilities; communication and interpersonal skills, network and political abilities.

Even though corporate governance was observed under SOX, it did not completely eliminate the failure and crisis in corporate governance in the USA. According to Tricker (2012), starting 2007, the collapse and bailout of some major financial institutions by the USA government evolved. The collapse and bailouts resulted in the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 being developed. This law provided a more effective regulatory structure and filled the regulatory gaps for transparency and accountability which were not part of the Oxley Act. The

legislation provided for duty imposed upon directors in controlling and dealing fairly with the corporation especially when their own interests are involved.

Alongside with the two above discussed corporate governance codes, other frameworks were developed in the USA with the purpose of filling the gaps. Some notable recommendation from various codes are the annual election of directors, most directors to be independent, the determination whether each director qualifies, board committees including governance/nomination committee and the board to appoint the chair and committee members (Tricker 2012). All these recommendations are aimed at ensuring that corporate governance takes a centre in the approach companies take to avoid crisis and corporate failures. In the USA, the appointment of board members is done by the nomination committee, a sub-committee of the board and criteria are established and candidates are assessed against these criteria. The criteria are qualifications, experience, ability to perform and deliver and personality fit with the corporate culture (Hendrikse & Hefer-Hendrikse 2014).

2.3.2 The United Kingdom

The UK was selected for this study because it is believed to have published more corporate governance reports than any other country in the world (Tricker 2012). According to Tricker (2012), the UK produced the world's first corporate governance report in 1992, leading to formal corporate governance codes. The first report, The Cadbury Report (1992) was produced by a committee chaired by Sir Adrian Cadbury in response to a series of corporate failures in the UK. The code was discretionary, meaning that listed companies were required to report that they had complied with the code and

if they had not complied they should explain why. The Report proposed that public corporations should have an effective board to lead and control business. Board and board committee composition should be balanced and their nomination and remuneration policies transparent. The emphasis in the Cadbury Report was put on the transparency of the nomination committee. The report introduced the concept of the nomination committee with independent directors to propose new board members and adherence to a detailed code of best practice.

During 1998, the UK Combined Code, a consolidation of Cadbury, Greenbury and Hampel Reports was developed and incorporated in the London Stock Exchange (Tricker 2012). The aim of this consolidation was to set standards of good practice on board composition, director remuneration, accountability and audit. The UK Companies Act 2006, (Chapter 46) stipulates that companies are incorporated at the country level and must abide by the UK Companies Act 2006, Chapter 46 (Tricker 2012).

In 2003, the UK developed another report, the Tyson Report (2003) which focused on the recruitment of non-executive directors who should exercise independence over management responsibilities. The various UK codes contained principles and various provisions on effective corporate governance. Notable provisions are leadership and effectiveness. It was suggested under these provisions that the board must be led by effective directors with a balance of skills, experience, independent and knowledge of the company. The UK codes principled that there must be formal, rigorous and transparent procedures for the appointment of new directors (Tricker 2012). It is assumed that these rigorous and transparent procedures should use skills, experience, independency and have knowledge of the company as criteria.

2.3.3 South Africa

In Africa, SA has also pioneered in the development of corporate governance codes. SA responded to corporate governance failures during 1992 by establishing a committee chaired by Judge Mervyn King. The Judge Mervyn King Committee produced its first report which was later called the King Report I and published in 1994. The King Report I was the first report to look at the integrated approach to corporate governance (Tricker 2012). The King Report I looked at social, ethical and environmental implication as well as regulatory and financial. Unfortunately, the King Report I could not minimise the corporate failures and as a result there was a need to fill the gaps as corporate decisions evolved and as a result the King Reports II, III and IV were developed.

The King Report II (2002) defined “*corporate governance as a system that is concerned with holding the balance between economic and social goals and between individual and communal goals*”. The aim of the King Reports, is to align as nearly as possible the interest of individuals, corporations and society. The definition encompasses corporate governance as the efficient use of the resources and equally to report accountability. The King Reports II and III attach great importance to the appointment of the board of directors as having the impact on the performance of the organisation. The King Reports describe the board as the focal point of the corporate governance system which is ultimately accountable and responsible for the performance and affairs of the company. The committee goes on to state that the board must give strategic directions to the company, appoint the chief executive officer and ensure that succession is planned.

There is always a link between good governance and compliance with law (King Code 2009). Good governance is not something that exists separate from the law and it is entirely inappropriate to unhinge governance from law. The duties of directors are to discharge their legal obligation and those duties are: the duty of care, skills and diligent, and the fiduciary duties. Principle 2.19 of the King Report III (2009, p. 79) states *that “procedures for appointments to the board should be formal and transparent and should be a matter for the board as a whole, assisted by the nomination committee, subject to shareholder approval”*. The King Report III (2009, p. 76) emphasised that *“when determining the number of directors to serve on the board, the collective knowledge, skills, experience and resources required for conducting the business of the board should be considered”*. The report identified three dimensions which need to be considered and these are:

- *The knowledge and experience required to fill the gap on the board;*
- *The apparent integrity of the individuals; and*
- *The skills and capacity of the individual to discharge his duties to the board.*

The board has to be assessed against pre-determined attributes developed by the nomination committee. Like any other appointment to a position, the prospective director candidate must be measured in relation to four criteria. These criteria are qualifications, experience, ability to perform and deliver and responsibility fit within the corporate culture, (Hendrikse & Hefer-Hendrikse 2014).

2.4 Namibia's corporate governance overview

The purpose of this section is to discuss how corporate governance becomes a vocabulary in Namibia. The section will discuss how various corporate codes were adopted or used in Namibia and the establishment of the two selected public enterprises and how board members are appointed under their respective Acts. The section will further discuss the State-Owned Enterprises Act, 2006 (Act No. 2 of 2006) as amended in 2008. Specific discussion will focus on the appointment of directors as stipulated in the Acts. The section will conclude by looking at the establishment of the new ministry, Ministry of Public Enterprises (MPE).

Due to the similarity in economic environment of SA and Namibia, Namibia adopted the King Report II upon its release in 2002. However, Namibia could not adopt the King Report III of 2009, because of the promulgation of the Namibia Companies Act 2004 (Act No. 28 of 2004) and change in governance internationally which made the Namibian economic conditions differ from that of SA (NamCode 2014). The new South Africa Companies Act 2008 (Act No. 71 of 2008) was introduced also at the time, which was equally significantly different from the old South African Company Act 1973 (Act No. 61 of 1973) which applied to both SA and Namibia. It was decided that criteria of appointing board members as contained in the King Report should be applied to Namibian entities.

Due to these legislative changes, both in South Africa and Namibia, the Namibia Stock Exchange and in particular Namibian businesses realised the need to introduce a code for Namibia which is based on the principles contained in the King Report III and other international practices but adapted to the Namibian legislative landscape (NamCode

2014). This evolution resulted in the introduction of the Namibia Corporate Governance Code, the NamCode (2014) which was implemented effectively 1 January 2014. The drafting process of the NamCode started in 2010 with the assistance of the Institute of Directors in Southern Africa (IoDSA), the Namibian Stock Exchange (NSX) and First National Bank Limited (FNB).

According to the NamCode (2014, p. 4), “*corporate governance involves the establishment of structures and processes with appropriate checks and balances that enable directors to discharge their legal responsibilities*”. By establishing structures and processes, directors will determine what the appropriate standards are. A public enterprise can only be regulated properly if standards of good governance are followed. Governance practices make directors to conform to meeting best standards of operation. It is imperative that a director can only establish corporate governance standards if he/she is aware of the practice and one can only be aware if he/she is qualified for the position he/she is holding. “*Companies should be directed by boards that direct, govern and are effective in the control of the company*”, NamCode (2014, p. 24). The board’s main responsibility is the positive performance of the company. The NamCode (2014) outlines the procedures and/or criteria to effectively appoint board members. The NamCode (2014, p. 39) listed dimensions which require consideration when appointing board members and these are:

- *The knowledge and experience required to fill the gap on the board;*
- *The apparent integrity of the individuals; and*
- *The skills and capacity of the individual to discharge his duties to the board.*

The dimensions outlined are aimed to appoint the correct persons for directorship. The dimensions have been developed from a view point of performance by the board members.

Public enterprises are the commercial arm of the Government of the Republic of Namibia (GRN) established to earn wealth for shareholders. Therefore, it is required from public enterprises to help the GRN in delivering the country's development goals and not to borrow from government. It will not make business sense for public enterprises in the road industry to continue borrowing for bail outs from central government, if they are supposed to assist government for developmental projects. Boards should ascertain whether potential candidates are competent to be appointed as directors and can contribute to the business judgement calls to be made by board, (NamCode 2014). To ascertain the points mentioned above requires formal process to be undertaken. Like any other appointment, the appointment of board members requires obtaining curriculum vitae, formal assessment, profiling and interviews.

2.4.1 Road Fund Administration

The Road Fund Administration (RFA) was established by the Road Fund Administration Act 1999 (Act No. 18 of 1999). The object of the RFA is to manage the Road User Charging System (RUCS) in such a manner as to secure and allocate sufficient funding required for the payments of expenditure as contemplated in Section 17 (1) with a view to achieve a safe and economically efficient road sector. The RFA was established to ensure that funds sourced from road users are managed efficiently and effectively. The RFA provides independent regulations for road funding and

economic distribution. It determines the amount of funding for road projects and programmes and how the amount shall be allocated. Under this Act, the Boards of Directors are appointed according to Section 4 of the Act. Section 4 of the Act states that the board shall consist of not less than three members and not more than five directors appointed by the Minister of Finance in consultation with the Minister of Works and Transport. According to Section 4(3), the Minister equally shall appoint the chairperson from amongst the directors. The Act makes provisions as follows in terms of board membership:

- *The names and nationality of the persons appointed shall be notified in the Government Gazette.*
- *A director may be disqualified for appointment if he/she cannot be rehabilitated, insolvent and has committed a criminal offence 10 years preceding the date of commencement of this Act.*
- *Directors shall hold office for a period of three years, eligible for re-appointment at the expiry of the term and can vacate office by resignation, absence for three consecutive meetings and removed from office by the Minister if he/she is physically or mentally ill or unable or unfit to discharge the functions.*

The Act seems not to specifically outline the process taken to have individuals nominated and eventually appointed as board members. The Act also does not mention criteria used for individuals to be considered for board membership.

2.4.2 Roads Authority

The Roads Authority (RA) was established by the Roads Authority Act 1999 (Act No. 17 of 1999). The main objectives of the authority include management of the national road network of planning, designing, construction and maintenance of roads which are part of the national network and quality control of materials used in the construction of the national road network. The authority equally supervises the work of contractors and operations of road management systems. The mandate of the RA is to manage the national road network in accordance with section 16 of the Act with a view to achieving a safe and efficient road sector. Under the Act, the board of directors are appointed according to Section 4 of the Act. Section 4 of the Act states that the board shall consist of not less than three and not more than five directors appointed by the Minister from amongst persons who have expertise relevant to the functions of the Authority and of whom the majority shall be persons who are not staff members. According to Section 4(3), the Minister shall appoint the chairperson from amongst the directors. The Act makes provision as follows in terms of board membership:

- *The names and nationality of the persons appointed shall be notified in the Gazette.*
- *A director may be disqualified for appointment if he/she is unrehabilitated insolvent and has committed a criminal offence 10 years preceding the date of commencement of this Act.*
- *Directors shall hold office for a period of three years, eligible for re-appointment at the expiry of the term and can vacate office by resignation, absence for three consecutive meetings and removed from office by the Minister if he/she is physically or mentally ill or unable or unfit to discharge the functions.*

The Act seems not to specifically outline the process taken to have individuals nominated and eventually appointed as board members. There are no criteria mentioned in the Act for an individual to qualify as a board member.

2.4.3 State Owned Enterprises Act 2006 (Act No. 2 of 2006)

The State-Owned Enterprises Act 2006 (Act No. 2 of 2006) as amended by the Public Enterprise Act of 2015 was promulgated in 2006 amongst others to set the parameters through which the Public Enterprises will be governed. The aim of the Act is to make provisions for the efficient governance of Public Enterprises and the monitoring of their performance: to establish the public enterprise governance council and define its power, duties and functions and to make provision for incidental matters. The functions of the council amongst others are to:

- *Establish generally accepted common principles of corporate governance and good practice governing State-Owned Enterprises;*
- *Develop a common policy framework for the operations of State-Owned Enterprises including policy on issues relating to human resources, assets and finance; and*
- *Determine criteria for the performance and evaluation of State-Owned Enterprises and develop appropriate means for monitoring their performance.*

According to Section 14 (1) paragraph (a) of the Act, the Council has the power to determine the number of board members to be appointed within the limits of 5 to 7 persons. This power of the council specifically talks to the composition of the board

which is rightly the function of the shareholders. Section 14(1) (b), the Council has also the power to determine the required qualifications, experience or skills of persons to be eligible for appointment as members of the board. According to Section 15 of the State-Owned Enterprises Governance Act 2006 (Act No. 2 of 2006) as amended in 2008, the following are the procedures for appointing board members of State-Owned Enterprises. Whenever there is need to appoint members of the board of State Owned Enterprises, the secretariat must, after consultation with the portfolio minister make a report to the Council containing:

- *The number of members to be appointed;*
- *The term for which the member in a position is to be appointed;*
- *The expertise required in the membership of the board;*
- *The names of persons equal to at least one and half times the number of members recommended including persons recommended to serve;*
- *Their personal details;*
- *Their knowledge, experience and skills concerning issues relevant to the functions of the state-owned enterprise concerned; and*
- *Their commitment in relation to positions held on boards of other State-owned Enterprises.*

2.4.4 Establishment of the Ministry of Public Enterprises

A council of ministers known as the State-owned Enterprise Governance Council was established during 2006. This Council consisted of cabinet ministers, i. e. the Prime Minister as chairperson, minister responsible for finance, minister responsible for trade

and industry, Attorney-General, and the Director-General responsible for planning. The Council performed the responsibilities as assigned by the State-Owned Enterprise Governance Act 2006 (Act No. 2 of 2006). In March 2015, with the inauguration of the current Government and head of state, the Government established a ministry, the Ministry of Public Enterprises (MPE). The MPE replaced the Council of ministers in the responsibility of controlling the PEs. The sole aim of establishing the MPE is to transform public enterprises in Namibia. The mission of the Ministry contained in its Strategic Plan (2016/17 – 2020/21) reads as follows; *“To provide principled leadership and create a conducive environment for Public Enterprises to contribute to socio-economic development”*. The mission of an institution defines the fundamental purpose of the organisation and its core reason of existence. Based on the mission and idea to establish the MPE one can see that there seems to be the problem of a lack of leadership in the public enterprises fraternity.

The MPE in its Strategic Plan (2016/17 – 2020/21) has equally identified ethical leadership as the single most important success factor in ensuring business sustainability. In this strategy, the Ministry resolved to ensure that the right leaders, with the right competencies are appointed in the right portfolios at the right time and shall be held accountable. The need to create the MPE seems to acknowledge that the public enterprises are not living to expectations. It is required to establish a support environment to ensure public enterprises perform efficiently. The idea to establish the Ministry seems to suggest that the leadership in charge of the public enterprises lacks ethical behaviour which is a key component of corporate governance.

2.4.5 Companies Act 2004 (Act 28 of 2004)

Before 2004, Namibia adopted the South African Companies Act 1973 (Act No. 61 of 1973). The development of Namibia's own company act started and the Companies Act, 2004 (Act No. 28 of 2004) was promulgated in 2004. The aim of the act is to provide for the incorporation, management and liquidation of companies and to provide for incidental matters. The Act is a statutory legislation which makes provision for governing the establishment and incorporation of companies in a country. The NamCode (2014) was necessitated by the introduction of the Namibian Companies Act 2004 (Act 28 of 2004) and other international governance practices. The NamCode (2014, p. 16) recommend as follows; *“that the NamCode applies to all Namibian entities regardless of the manner and form of incorporation or establishment and whether in the public, private or non-profit sectors”*. There is always a link between governance and the law, thus the two are inseparable. According to the Namibia Companies Act, 2004 (Act No. 28 of 2004) *“directors must be appointed by being voted individually”*. Nomination of individuals must first have been approved before they are forwarded to the general assembly for voting. The Act does not specify who should approve individuals first but one would conclude that there should be a committee which does the evaluation and suggest qualified individuals. A candidate must receive the majority vote and no single resolution should be moved to appoint an individual as a director. The Act defines ways in which companies are incorporated, how directors are appointed and how shareholders relations need to be run. Institutions require remaining in the jurisdiction policies which they are incorporated or where they do business.

2.5 Appointment of Board Members

The discussion in this section will focus on the appointment of directors. The section will look at the appointment of directors from three perspectives, namely a global perspective, regional perspective and Namibian perspective and criteria used at these perspectives. The appointment of directors has been associated with corporate governance globally. In this study, appointment is defined as the process of sourcing candidates for a position. This section will thus discuss the process used to appoint board members from the view point of the selected perspectives.

2.5.1 Global perspective

“The primary prerequisite for every director is integrity” (Tricker 2012, p. 306). Directors are stewards of the interests of the company. Directors owe fiduciary duties to shareholders to act openly and honestly. At appointment, these factors need to be tested before an individual director is appointed. Board members should be independent minded, objective and impartial. Character traits of board members are: tough-minded, tenacious, and resilient with courage to make a stand (Tricker 2012). These traits require systems of assessment and evaluation. If board members are nominated by individuals and have not gone through an assessment process, the chance exists that they will not be properly evaluated for the position.

Success depends on tactics and expertise of those in control of the organisation. Best evaluation criteria should be put in place to establish suitable candidates for the position. According to Hendrikse and Hefer-Hendrikse (2014) the board plays a critical role in an organisation. *“It is the board that drives strategy and succession; it will be the board*

that functions in the best interests of the company, shareholders and stakeholders. It will be the board that monitors and measures the performance of itself and individual directors' performance and it will be the board that will ensure the company and business model is in the best long-term interest for planned profits and people". The board should not tolerate incompetence, injustice, negligence and should strive to deliver the best. For an individual board to deliver these functions as mentioned above there is a need to have a clear criterion to identify the individuals.

Hendrikse and Hefer-Hendrikse (2014) further alluded success is dependent on getting the right people on board. This statement implies that you must evaluate these individuals to determine their rightfulness. Like any appointment to a position, the prospective director candidate must be measured in relation to four criteria:

- Qualification;
- Experience;
- Ability to perform and deliver; and
- Personality fit within the corporate culture.

Hendrikse and Hefer-Hendrikse (2014) further expanded that some of the criteria to be used in assessing prospective and current directors to the board are:

- Hands-on experience;
- Degree qualification;
- Experience in a sector/industry;
- Age;
- Gender;

- Contacts with government;
- Demographics;
- Interest in business that are potential suppliers or customers;
- Vision of the prospective director for the business; and
- Special areas of interest and contribution for business performance.

Boards have to establish criteria and procedures for the appointment of directors (Hendrikse and Hefer-Hendrikse 2014). It is of vital importance that the existing directors assess the qualitative characteristics necessary in an individual to effectively perform their functions and integrate with the culture and style of the organisation. Directors have the responsibility to identify and nominate candidates, assess them and recommend for formal appointment by shareholders.

2.5.2 Regional perspective

In SA, the King Report III became necessary because of the new South African Companies Act, 2008 (Act No. 71 of 2008) and changes in the international governance trends. The King Report III requires that procedures for appointment of boards should be formal and transparent and should be a matter for the board as a whole, assisted by the nomination committee, a sub-committee of the board and subject to shareholders approval. Appointments of board members have become a prerequisite for every organisation. According to the King Report III, in looking at the suitability of a prospective candidate director, three dimensions should be considered namely:

- *The knowledge and experience required to fill the gap on the board;*
- *The apparent integrity of the individual; and*
- *The skills and capacity of the individual to discharge his duties to the board.*

The effectiveness of the board of directors will depend very much on the people involved and how directors come to be on the board. As a result, it is imperative to establish clear criteria for the appointment of board members. These should include both expertise and experience.

2.5.3 The Namibian perspective

Before 2002, Namibia adopted the King Report II. Namibia could not adopt the King III due to significant differences in the South African Companies Act, (Act No. 71 of 2008) and the Namibia Companies Act 2004 (Act no. 28 of 2004). Namibia started developing its own governance code which was necessitated by the significant differences of the two Companies Acts and changes in international governance. The process of drafting the NamCode started in 2010 with the assistance of IoDSA, the NSX and FNB Holdings Limited.

The NamCode adopted the criteria of the King III principles with regards to the appointment of directors which are:

- *The knowledge and experience required to fill the gap on the board;*
- *The apparent integrity of the individual; and*
- *The skills and capacity of the individual to discharge his duties to the board.*

The NamCode recommended that the NamCode apply to all Namibian entities regardless of the manner and form of incorporation or establishment and whether in the public, private or non-profit sectors, (NamCode 2014).

2.6 Conclusion

This chapter provided an overview of the theoretical framework of corporate governance because appointment of directors is associated with corporate governance. The chapter highlighted important theoretical framework of the subject matter. To apply corporate governance, it is important to understand what it is and what it is not and how it evolved from time. The chapter further discussed the development of corporate governance codes of selected countries.

The chapter discussed how corporate governance came into the vocabulary of Namibians. The chapter specifically focused on the relevant enabling acts that established the two selected public enterprises being investigated, namely, the Road Fund Administration Act 1999 (Act no. 18 of 1999) and Roads Authority Act 1999 (Act no. 17 of 1999). These acts provide some forms of the theoretical foundation of the study. For the corporate governance to exist, shareholders-stakeholder, directors and management relationships must be in existence. The chapter ended by discussing various perspectives of appointing board members. The chapter concluded that corporate governance is premised on honest, truthfulness and transparency.

The next chapter will focus on research methodology. The chapter will discuss on how data will be collected. The focus will be to provide an understanding of the criteria of appointing board members.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter looked at the theoretical framework of the subject matter. This chapter will discuss the research methodology employed in collecting and analysing data for this study. The study follows a qualitative approach. The chapter dwelt on population selected and how the population has been classified into a manageable sample group. The chapter clarified the research instrument used for this study. The concepts of the research design and its importance was also discussed. It is the aim of this chapter to also outline how the research instruments used were administered.

3.2 Research design

This section discussed the research design for this study. Research may be classified in two types which could be quantitative or qualitative. Research design is more like a strategic plan, without it, it would not be possible to carry out the research successfully.

In this study, the researcher wants to uncover the participants' perceptions and experiences of public enterprises within the road industry in appointing board members. There are many research designs which include; phenomenology, content analysis, exploratory, descriptive and explanatory (Kothari 2011). According to Kothari (2011), there are also three types of research; namely experimental research, survey research and case study research. This study employed the exploratory research design which allowed the researcher to explore the perceptions of the respondents.

According to (Boeije 2012) “*research design is the plan that guides the decision as to when and how often to collect data, what data to collect and from whom and how to analyse the data*”. Research design is the blueprint for the research. This refers to a set of guidelines, plans and instructions to be followed in addressing the research problem. The rationale behind a research design is to enable the researcher to anticipate the appropriate research decisions to minimise errors and maximise the validity of the research.

3.2.1 Qualitative research

Qualitative research most often describes scenes, the gathering of data through interviews or analysis of the meaning of documents (Gilbert 2009). In qualitative research, one creates an account of descriptions without numerical scores. Qualitative research emphasises the importance of looking at variables in the natural setting in which they are found (Gilbert 2009). It seeks a wider understanding of the entire situation. Qualitative research is used more on researches which related to human behaviour and researches to do with habits. The qualitative research was selected for this study to help the researcher understand the real problems at hand regarding the criteria used to appoint board members and different viewpoints and attitudes of the participants. Qualitative was further selected to explore and describe the views of the respondents on the criteria used to appoint board members.

3.2.2 Quantitative research

Quantitative research is a research that aims to measure using numbers. Typical forms of quantitative research are surveys, in which respondents are asked questions and their answers are averaged and other statistics calculated (Gilbert 2009). Both quantitative and qualitative research methodologies measure the social world but quantitative design aim to create a numerical description, like coding. Quantitative research was not selected because the researcher does not intend to create a numerical description but to describe the viewpoints and attitudes of the participants without a numerical description.

3.2.3 Exploratory research design

Exploratory research design is also termed as formative research studies. *“The purpose of this design is to formulate a problem for more precise investigation or of developing the working hypothesis point of view”* (Kothari 2011, p. 35). The emphasis of exploratory research is on the discovery of ideas and insights. It creates flexibility to provide the opportunity for considering different aspects. Exploratory research design is focused on the exploration of relatively unknown areas. It reviews relevant literature and analysis to promote understanding. Exploratory design was selected for this study to determine the perceptions of target group.

3.2.4 Descriptive research design

“Descriptive research design is about the best way to describe or summarise the data on your desk” (Gilbert 2009, p. 506). The statistics that are used to describe or

summarise the characteristics of a sample. Descriptive research studies are those studies which are concerned with describing the characteristics of an individual or group, the study is concerned with specific prediction with the narration of the facts. Descriptive research design was selected to describe and gain accurate and complete information of the participants' perceptions. The method is used to obtain information concerning the status of the phenomena to describe.

3.2.5 Explanatory research design

Explanatory research aims to demonstrate causality between variables or events (Garbers, 1996). This means that correlation studies are taken a step further and the direction of the relationship is also indicated. This research design was not selected for this study because the researcher is not determining the causality of the variables.

3.2.6 Experimental research

According to Kothari (2011) experimental research is a research design in which the independent variable is manipulated to deliver the required results. This type of research was not selected for this study.

3.2.7 Survey research

Kothari (2011) defined "*survey research as the research design which is descriptive and requires comparison of all points narrated by respondents and keeping in mind the objectives of the study*". It should ensure the minimisation of bias and maximisation of

reliability of the evidence collected. This type of research was selected for this study because the researcher will describe the principles of the participants.

3.2.8 Case study research

Case study research is instances of view carefully selected cases are studied intensively. The cases are interested in their sake. They are not randomly selected. This type of research was selected due to the fact that two PEs will be studied for this research and were randomly selected by the researcher due to the fact they are known by the researcher.

3.3 Population

The population of the study was the senior management employees of the two selected public enterprises within the road industry namely; the board members, chief executive officers, senior managers, and company secretaries. The RFA accounted for 14 employees which included, 5 board members, 1 Chief Executive Officer, 7 senior managers, and 1 Company Secretary. The RA accounted for 11 employees which included, 5 board members, 1 Chief Executive Officer, 4 senior managers, and 1 Company Secretary. Therefore, the total population for this study was 25 employees.

Table 1: Population size

Public Enterprise	Board Members	Senior Managers (including CEO and Company Secretary)	Total

RFA	5	9	14
RA	5	6	11
Total	10	15	25

3.4 Sample method

“Sampling method is the process of selecting a reasonable number of elements of interest or a deliberate choice of a number of units – the sample – who are to provide the researcher with data from which the researcher will draw conclusions about some large group – the population – whom these units represent” (Jankowicz 2005). In this study, a purposive sampling method was adopted. The research chooses purposive sampling because the population selected serves as board members or are eligible to be appointed as board members. The sample is known to know the criteria of appointing board members. The whole population was selected for this study as a sample because it was a small group and can be covered.

25 questionnaires were distributed and 12 participants returned the questionnaire in this study which represents 48% response rate. This includes 4 board members, and 8 senior managers. Senior managers included the chief executive officer, senior managers and company secretaries.

3.5 Research instruments

This section will focus on the research instrument used to conduct the study. In this study, information was obtained using a questionnaire. One questionnaire was developed for all the categories as identified in the research design. The questionnaire

had three sections. Section A was biographical information, section B focused on corporate governance and section C focused on the criteria for the appointment of board members. The questionnaire consisted several structured questions arranged in a defined order. The questionnaire was structured in such a manner that it was reader friendly and easy to complete.

3.6 Data Collection Procedure

The section discussed the procedures followed to collect the data. The researcher wrote a letter to the public enterprises to request for permission from the relevant authorities to conduct the study. Once permission was granted, the researcher distributed the questionnaire to the respondents by placing them in a sealed envelope and delivered them by hand personally to ensure confidentiality. The respondents were given ten days and the questionnaire was collected by the researcher after the ten days. E-mail messages were sent to the respondents three days before the deadline as reminder.

3.7 Data analysis

“Data analysis is the process of systematically searching and arranging the questionnaire, field notes and other materials that you accumulate to increase your own understanding of them and to enable you to present what you have discovered to others” (Boeije 2012, p. 76). Data collected was summarised, categorised, and translated into themes to ensure easy understanding and manipulation of the data.

3.8 Research ethics

Ethics concerns itself with what is good or right in human interaction (Rossouw & van Vuuren 2013). It revolves around three central concepts which are self, good, and others. Ethical behaviour results when one does not merely consider what is good for oneself, but considers what is good for others.

The information is handled in a professional manner. The letter of request for permission, included a statement that the information obtained will be used for writing this thesis and will not be shared with third parties. The questionnaire was placed in a sealed envelope, no names marked to it and hand delivered to the respondents to ensure confidentiality. Personal delivery creates a trust to the respondents that no other individuals are involved in the project. Respondents were assured that the information obtained will be used for writing this thesis and will not be shared with third parties. Further respondents were assured that the information will be kept in lockable cabinet in the researcher's office and will be destroyed after five years from the completion of this study.

When conducting research, it is important to ensure that data collection techniques employed will not cause physical or emotional harm to the respondent. The participants were informed that participation is voluntary and they may withdraw from the survey at any stage. Participants were made aware that they are taking part in a research by way of individualised letters. All sources were appropriately referenced and acknowledged. The anonymity and privacy of participants was respected and information was kept confidential.

3.9 Conclusion

This chapter dealt with the research methodology employed in this study. The research design used has been discussed and explained. The research instruments and procedures used in data collection as well as research designs have been outlined in this chapter. The study adopted the qualitative research method and this has been justified. The method of collecting data by means of questionnaire has been clarified and the need for ethical consideration in conducting research was also discussed. The next chapter will dwell on the data analysis.

CHAPTER 4 DATA ANALYSIS

4.1 Introduction

The previous chapter discussed the research methodology followed in collecting data for this study. This chapter conducts a systematic analysis and presents the results of the collected data. The data was collected from the selected public enterprises by means of a questionnaire. There were two categories of participants in this study. These include board members and senior executives (which included the Chief Executive Officer, senior managers and company secretaries). The Board is responsible for the long-term

success of the organisation and its first responsibility is to provide direction and leadership within the framework of prudent and effective control.

The purpose of this study is to investigate criteria for appointing board members and come up with recommendations of best practice of selecting and nominating of directors to ensure that the board consists of members with diverse skills and competencies and can effectively control the organisation.

4.2 Presentation of findings

The instrument used during the exercise of data collection guided the presentation and data analysis of this study. The majority of the questions asked participants to strongly disagree, disagree, agree and strongly agree. The findings will be presented in two levels of positive rating (i.e. strongly agree and agree) and negative rating (i.e. strongly disagree and disagree). The questionnaire is attached as an annexure.

The questionnaire consisted of three sections. Part A looked at the biographical information of the participants and questions 1 – 6 dealt with this aspect. Part B and C of the questionnaire are the most relevant to this study and questions 7 – 14 dealt with adherence to the parameters of corporate governance while questions 15 – 30 dealt with the criteria for appointing board members and adherence to the NamCode. The respondents rated the statements as strongly disagree, disagree, agree and strongly agree.

4.2.1 Biographical information

The questionnaire was distributed to 25 respondents using a purposive sampling design and it had a 48% rate of return. Questions 1 to 6 of the questionnaire dealt with the biographical information of the participants. This section will analyse the biographical data collected from the participants. Only 4 questions will be analysed for this section since these are the only questions which have an impact to this study.

Table 2: Gender

Category	Respondents	Returned		Total Returned
		Male	Female	
Board	10	3	1	4 (16%)
Senior Manager	15	5	3	8 (32%)
Total	12	8	4	12 (48%)

Deducting from the table above with a total of 12 respondents, out of the 4 board members who responded, 3 were male and 1 female while out of 8 respondents of senior managers, 5 were male and 3 were female. This represents 66.66% male and 33.33% female population. This shows a gender imbalance and the criteria of appointing board members requires fair and equal gender representation.

Table 3: Age group

Age Bracket	Board Members	Senior Managers	Total Response
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18 - 30	0	0	0
31 - 40	1	4	5
41 - 50	1	4	5
51 - 60	2	0	2
60+	0	0	0
Total	4	8	12

Table 3 shows the age distribution of the participants. The results show that 5 respondents were between the ages of 31 - 40, another 5 between the ages of 41 – 50 and 2 were between the ages of 51 – 60. There was no participant between the ages of 18 – 30 and above the age of 60. This indicates that the respondents are mature which is required for decision making purposes. Furthermore, the retirement age in Namibia generally is 60, thus no one was beyond the age of 60.

Table 4: Highest educational level

Highest Qualification	Board Members	Senior Managers	Total Response
Doctorate	1	0	1
Masters	1	3	4
Honours	1	4	5

Bachelor	0	1	1
Diploma	0	0	0
No Tertiary Qualification	1	0	1
Total	4	8	12

Table 4 above indicates that out of 4 board member respondents, 1 has a Doctorate degree, 1 has a Masters' Degree, 1 has an Honours Degree, 1 has no tertiary qualification and there was none with a Bachelor's Degree or Diploma. While out of 8 senior manager respondents, 3 have Masters' Degrees, 4 have Honours Degrees, 1 has a Bachelor's Degree and there was none with a Doctorate Degree, Diploma or without a tertiary qualification. Qualification is a component of the criteria for appointing board members. The table shows a fair representation of qualifications.

Table 5: Number of years employed by the institution

Experience with the institution	Board Members	Senior Managers	Total Response
1 - 5	4	7	11
6 - 10	0	0	0

Above 10	0	1	1
Total	4	8	12

The results of the table 5 above indicates that 11 respondents are with the institution for up to only 5 years and only 1 is with the institution for longer than 10 years. Senior positions in the public enterprises are for a fixed period ranging from 3 – 5 years. Positions at high levels in public enterprises are of a contractual nature. However, it is important for candidates to have experience to be able to understand the industry and make proper decisions. The conclusion from the table 5 is that there seems to be a lack of experience and understanding of the industry.

4.2.2 Adhering to the parameters of corporate governance

Questions 7 to 14 of the questionnaire dealt with adhering to the parameters of corporate governance. Appointment of board members is a corporate governance matter; thus, it was important to gauge participants on the subject matter. The participants were asked to rate adherence to the parameters of corporate governance from the view-point of strongly disagree, disagree, agree and strongly agree. This section will analyse the adherence to corporate governance based on the data collected from the participants.

Table 6: Provision of leadership by board

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
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Board Members	2		2	
Senior Managers		2	5	1
Total	2	2	7	1

The purpose of the question was to understand the degree of providing leadership to the company in terms of acting to the best interests of the company. The results of table 6 above indicate that out of 12 respondents, 2 strongly disagree, 2 disagree, 7 agree and 1 strongly agrees. There is a positive agreement that board members provide leadership to the public enterprises.

Table 7: Board plays a role in strategic development process

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board	1		2	1
Senior Manager		3	4	1
Total	1	3	6	2

When participants were asked whether the board plays a prominent role in the strategic development process, 1 strongly disagreed, 3 disagree, 6 agree and 2 strongly agree. This was a positive agreement that board members play a critical role in the strategic development process of the selected public enterprises.

Table 8: Board review all aspects of the company's activities

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1		2	1
Senior Managers	0	4	4	0
Total	1	4	6	1

Table 8 above shows that, 1 strongly disagrees, 4 disagree, 6 agree and 1 strongly agree to the question of whether board members constantly review all aspects of the company's activities. The results show positive agreement in the board reviewing aspects of the company's activities.

Table 9: Monitoring of the relationship between the board, management and stakeholders by the board

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1		2	1

Senior Managers		4	4	
Total	1	4	6	1

The purpose of the question was to determine whether board members monitor the relationship between the board and management and between the company and its stakeholders. The results of table 9 indicate that, 1 strongly disagrees, 4 disagree, 6 agree and 1 strongly agrees. The results indicate a fair positive agreement.

Table 10: Independency and acting in the best interest of the company by the board

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1	1	1	1
Senior Managers	3	2	3	
Total	4	3	4	1

The question aims to deduce an understanding if board members act independently, to the best interest of the company and are not influenced by the nominating authorities. The results of table 10 indicate that, out of the 12 respondents, 4 strongly disagree, 3 disagree, 4 agree and 1 strongly agrees. The results show a strong negative that boards are not independent and are equally influenced by appointing authorities.

Table 11: Conditions and procedures of appointing new directors are identified by the board

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board		2	2	
Senior Manager	4	3	1	
Total	4	5	3	

The results of table 11 which are based on the question whether conditions and procedures of appointing new directors are identified by the board indicates that, out of the 12 respondents, 4 strongly disagree, 5 disagree, 3 agree and 0 strongly agree. The result confirms that procedures of appointing board members are not identified by the board.

Table 12: The board has a nomination-sub committee

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1	2	1	0
Senior Managers	4	3	1	0
Total	5	5	2	0

The results of table 12 indicate that, out of the 12 respondents, 5 strongly disagree, 5 disagree, 2 agree and 0 strongly agree to the question of whether the board has a nomination-subcommittee. The results show that there are no nomination committees in the boards of the selected public enterprises.

Table 13: The board is composed of a mixture of qualifications, skills, expertise and knowledge relevant to the industry

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members			3	1
Senior Manager	1	3	4	
Total	1	3	7	1

Participants were asked whether the board is composed of a mixture of qualifications, skills and expertise relevant to the industry. The results show, 1 strongly disagrees, 3 disagree, 7 agree and 1 strongly agrees. There is a positive agreement that the board is composed of a mixture of qualifications, skills and knowledge relevant to the industry.

4.2.3 Criteria for appointing board members

This section looks at how the study investigated the criteria for appointing board members. The organisational challenges require that old ways of appointing board members are no longer sufficient to manage organisations. The importance of appointing board members becomes critical. The questions to follow which were parts of the questionnaire, administered to the respondent, investigated this paradigm shift.

Table 14: Awareness of the NamCode

Category	Yes	No	Total
Board Members	4	0	4
Senior Manager	8	0	8
Total	12	0	12

Table 14 above indicates that all respondents are aware of the NamCode. There was a 100% agreement that participants are aware of the NamCode.

Table 15: Level of understanding of the NamCode

Category	Very Low	Low	Good	Very Good
Board Members			3	1
Senior Managers		2	4	2
Total		2	7	3

Similar results are recorded on table 15 above on the level of understanding of the NamCode, with the results of, only 2 having a low understanding, 7 good understanding, 3 have very good understanding and none has very low understanding. The results indicate that 83.33% of respondents have good to very good understanding of the code.

Table 16: The appointment of the board is in accordance to the NamCode

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members			3	1
Senior Managers	1	4	3	0

Total	1	4	6	1
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When asked if the appointment of board members is done in accordance with the NamCode, 1 strongly disagrees, 4 disagree, 5 agree and 1 strongly agrees.

Table 17: Over what period will the NamCode have a significant impact

Category	< 1 Year	1 – 5 Years	4– 10 Years	> 10 Years
Board Members		4		
Senior Managers		3	4	1
Total		7	4	1

Table 17 above shows, 7 are of the view that the impact of the NamCode will be realised between 1 – 5 years, 4 are of the view that the impact will be realised between 5 – 10 years, 1 believes that it will only be realised after 10 years and none viewed that the impact will be felt over a period of 1 year.

Table 18: Clear process being followed in appointing board members

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board members		1	3	0

Senior Managers	4	3	1	0
Total	4	4	4	0

The results to the question whether there is a process being followed in appointing board members and is communicated and known by all stakeholders shows that, 4 strongly disagree, 4 disagree, 4 agree and 0 strongly agree. The results show a negative viewpoint from the respondents.

Table 19: Guidelines and procedures of appointing board members are established by the board

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1	3	0	0
Senior Managers	4	4	0	0
Total	5	7	0	0

When asked if guidelines and procedures for the appointment of directors are established by the board, 5 strongly disagree, 7 disagree, and none agree or strongly agree. The results indicate a 100% negative response rate.

Table 20: The criteria is developed by individuals with expertise in the road industry

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
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Board Members		2	1	1
Senior Managers	4	4		
Total	4	6	1	1

The 12 respondents, 4 strongly disagree, 6 disagree, 1 agrees and 1 strongly agree to the question of whether the criteria is developed by individuals with expertise in the field of the road industry in conjunction with the nomination committee. The results show a strong disagreement to the statement.

Table 21: Board members are nominated by the nominations sub-committee

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1	3	0	0
Senior Managers	3	4	1	0
Total	4	7	1	0

According to the 12 respondents, 4 strongly disagree, 7 disagree, 1 agrees and 0 strongly agree to the question of whether board members are nominated by the nomination sub-committee of the board. The conclusion on table 21 indicates that there is no nomination committee among the boards of the selected public enterprises which is a requirement according to the literature review.

Table 22: Should the board be appointed or endorsed by the Minister of Public Enterprises?

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	0	2		2
Senior Managers	0	2	6	0
Total	0	4	6	2

When asked if board members should be appointed or endorsed by the Minister of Public Enterprises, of the 12 respondents, 4 disagree, 6 agree, 2 strongly agree and 0 strongly disagrees. There is a positive viewpoint of the respondents about the statement because majority of the respondents agree with the statement.

Table 23: The nomination committee considers aspects of individuals serving in other boards

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members		1	2	1
Senior Managers	2	6	0	0
Total	2	7	2	1

Deducing from the table above, of the 12 respondents, 2 strongly disagree, 7 disagree, 2 agree and 1 strongly agrees to the question that when nominating board members, the nomination committee considers the aspects of individuals serving in other boards.

Table 24: The approach followed in appointing board members is the correct one and work very well

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members		1	2	1
Senior Managers	2	6	0	0
Total	2	7	2	1

When asked if the approach followed in appointing board members is the right one and works very well, of the 12 respondents, 2 strongly disagree, 7 disagree, 2 agree and 1 strongly agrees. The viewpoint of the majority of the respondents indicates a strong disagreement.

Table 25: The board establishes criteria and procedures for performance appraisal

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	2	1	0	1
Senior Managers	1	5	2	0
Total	3	6	2	1

When asked if the board establishes criteria and procedures for the performance appraisal of directors, of the 12 respondents, 3 strongly disagree, 6 disagree, 2 agree and 1 strongly agrees. Respondents disagree with the statement.

Table 26: A process exists of how the board, its committees and individual directors' evaluation is conducted

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1	0	3	0
Senior Managers	0	4	4	0
Total	1	4	7	0

Of the 12 respondents, 1 strongly disagrees, 4 disagree, 7 agree and 0 strongly agree as to whether a process exists on how the board, its committees and individual directors' evaluation is conducted.

Table 27: Individuals in the board have relevant expertise of the industry

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	0	1	2	1
Senior Managers	2	4	2	0
Total	2	5	4	1

The table above indicates that of the 12 respondents, 2 strongly disagree, 5 disagree, 4 agree and 1 strongly agrees to the question that individuals appointed in the board have relevant expertise of the industry. 58.33% disagree with the statement.

Table 28: Do you see the Ministry of Public Enterprises playing an oversight role in appointing board members?

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	0	0	4	0
Senior Managers	1	2	4	1
Total	1	2	8	1

When asked if participants see the Ministry of Public Enterprises playing an oversight role, of the 12 respondents, 1 strongly disagrees, 2 disagree, 8 agree and 1 strongly agrees.

Table 29: The Ministry of Public Enterprises will contribute significantly to corporate governance principles

Category	Strongly Disagree	Disagree	Agree	Strongly Agree
Board Members	1	0	2	1
Senior Managers	0	2	4	2
Total	1	2	6	3

The table above indicates that of the 12 respondents, 1 strongly disagrees, 2 disagree, 6 agree, and 3 strongly agree to the question of that the creation of the Ministry of Public Enterprises will contribute to corporate governance principles.

4.3 Discussion of results

The results obtained from the questionnaire were presented earlier in this chapter. Under this topic, interpretation of the results will be done in line with the objectives of the study and to see if the objectives of the study have been met.

4.3.1 Demographic characteristics of the respondents

The age group, educational level and gender of the participants were analysed. It was important to analyse these characteristics because they have a strong bearing on the study's findings relating to the research problem. Of the 12 participants who returned the questionnaire, 4 were female while 8 were male. Under the group; 5 were between the ages of 31 – 40, other 5 were between the ages 41 – 50 while 2 were between the ages of 51 – 60. There was no participant between the ages of 18 – 30 and above 60. On the characteristic of educational level, 1 has a Doctorate Degree, 4 have Masters' Degrees, 5 have Honours Degrees, 1 a Bachelor's Degree and 1 without a tertiary qualification. There was no participant with a Diploma. Age group and educational levels are important characteristics at the board level for decision making purposes. It is equally important that there is a gender balance in the board to ensure equal representation and a mixture of viewpoints. Table 2 indicates that there is a gender imbalance among boards. Qualifications are components of criteria for appointing board members and it was important to understand the levels of qualifications for this study.

4.3.2 Adherence to the parameters of corporate governance

The study could establish the viewpoints and perceptions of the respondents; i.e. board members and senior managers. According to the findings, there is a clear positive perception that the board plays a strategic role in the development of organisational strategies. 66.67% believe that the board is involved in the strategic process against 33.33% who were of the belief that the board does not play a role in the strategic planning process. There is equally a positive agreement that the board monitors the relationship between stakeholders and reviews the aspects of the organisation's activities. Both factors received 58.33% agree to strongly agree against the 41.67% who strongly disagree to disagree.

The participants however do not agree that the board acts independently and are not influenced by the appointing authorities. 58.33% disagree that the board is independent and only 41.66% agrees that the board is independent. In terms of board appointment, there is a strong disagreement that directors are identified by the board and the nominating committee. According to Tricker (2012), amongst the guidelines includes that board members should be appointed annually and there should be a nomination committee, a sub-committee of the main board and should have all independent directors to deal with the appointment of directors. 75% of the respondents strongly disagree or disagree and only 25% agree. Furthermore, 83.33% strongly disagree or disagree that the boards in the road industry have nomination committees. Only 16.67% agreed that there is a nomination committee.

The participants however are of the view that directors have a mixture of qualifications. 66.67% agree to strongly agree with the statement. Only 33.33% strongly disagree or disagree. This is a positive view from the participants.

4.3.3 Criteria for appointing board members

In this section data collected was analysed against the objectives of the study; i.e. criteria of appointing board members. The preceding discussion relates to Part C which dealt with the criteria of appointing board members.

There was a positive agreement in terms of the awareness of the NamCode. The results revealed that 100% of the participants are aware of the NamCode. Similarly, 83.33% have a good to very good understanding of the code. However, the question one asks is why with all the awareness and understanding, the principle of the code is not being followed?

The results revealed that there is no clear process being followed in appointing board members in the road industry. Principle 2.19 of King Report III (2009, p. 79) states that *“procedures for appointments to the board should be formal and transparent and should be a matter for the board as whole, assisted by the nomination committee, subject to shareholder approval”*. 66.67% of the participants strongly disagree or disagree that there is a clear procedure being followed. Equally all participants strongly disagree or disagree that there are guidelines and procedures of appointing board members.

83.33% of the respondents strongly disagree or disagree that the criteria is developed by individuals with expertise in the road industry. Similarly, 83.33% of the respondents strongly disagree or disagree that board members are nominated by the nominations committee of the board. 66.67% of the respondents further strongly disagree or disagree that there is a clear process being followed in appointing board members. Lack of clear process compromises the good corporate governance and no transparency in appointing board members of the selected public enterprises. This statement corresponds with the literature write up on 21 which deals with good corporate governance.

The results further confirm that procedures and guidelines are not established by the board. Current board members have a good understanding of the skills and competencies required to operate that environment. Furthermore, 83.33% strongly disagree or disagree that the criteria of appointing board members is developed by individuals with expertise in the road industry. Individuals to serve in the board should be evaluated against the knowledge and understanding of the industry. If the criteria is not developed by individuals with the industry expertise, this compromises the credibility of the criteria.

4.4 Conclusion

A discussion of the findings was done in this chapter. The themes which were identified in the data collected were presented. The results show that the recommended criteria of appointing board members is not followed in appointing board members in the public enterprises within the road industry in Namibia. This specifically is clear from the

questions 19 – 24 whereby 83.33% on those questions, participants either strongly disagree or disagree. The findings of this study point to no criteria for appointing board members in the public enterprises within the road industry. The next chapter will discuss the conclusions and recommendations.

CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The previous chapter dwelt on the data analysis. It considered the detailed analysis of the findings of the data collected and discussed the findings. In this chapter conclusions were drawn from the research and recommendations presented. This study aimed at investigating the criteria for appointment of board members within the public enterprises within the road industry in Namibia. Despite the small sample, the view can be formed in terms of the criteria for appointing board members in the road industry in Namibia. Based on the data received, this study could form an opinion and come up with recommendations. The research used a qualitative research design and a questionnaire was used to collect the data in this research.

5.2 Conclusions

The research was carried out to investigate criteria for appointing board members of selected public enterprises within the road industry in Namibia. The main parameters included were adherence to corporate governance and criteria for appointing board members. The conclusion of this study is that there are no criteria of appointing board members in the public enterprises within the road industry in Namibia. The conclusions and the findings are presented below:

- If the board is not involved and does not direct the activities of the organisation, then they are neglecting their fiduciary responsibility. The involvement of the board in the company is important. The findings show that there is consensus

among participants that the board plays a role in the strategic development process. There has also been a strong agreement that the board reviews all aspects of the company's activities. Participants agree that the board monitors the relationship between the board, management and stakeholders. These considerations are important components of corporate governance.

- The findings revealed that board members are not independent and do not act in the interests of the company. Board members are influenced by the appointing authorities. This allusion compromises corporate governance as the board is supposed to use their skills and competencies to direct and control the organisation.
- Findings show that guidelines and procedures of appointing new board members are not identified by the board. The current board is best suited with the knowledge of understanding the skills and competencies required to operate at that environment. Literature review indicates that the current board should be tasked to identify and nominate new directors.
- The literature review indicates that there is a need to have a nomination committee, a sub-committee of the board which deals with the identification and nomination of new directors. According to Tricker (2012) amongst the guidelines to appoint board members includes that board members should be appointed annually and there should be a nomination committee, a sub-committee of the board. The research revealed that the boards of the selected public enterprises do not have a nomination committee. This will result in the new directors not appointed according to criteria.

- The NamCode (2014) provides guidelines in appointing board members. Despite all respondents being aware of the NamCode and having a good understanding of the code, criteria of appointing board members does not exist at the boards of the selected public enterprises in the road industry. This raises the question of corporate governance.
- There should be some clear criteria in appointing board members. The findings show that there are no criteria at the selected public enterprises' boards. This view is further strengthened by the fact that guidelines and procedures of appointing board members are not established by the boards.
- The findings of this study show that best practices are not being followed neither are criteria for appointing board members within the road industry in Namibia. As a result, various codes suggested that, like any other appointment, the prospective candidate for directorship must be measured against attributes of the position and that criteria to assess the candidate must be developed. Hendrikse & Hefer-Hendrikse, (2014, p. 112) stated as follows “*corporate governance is not a statement – it is an attitude, an aptitude, and an action plan to make the world a better place. Corporate governance is control, not constraints*”. Many if not all corporate failures and crisis are because of poor corporate governance practices and poor corporate governance is because of individuals not understanding their responsibilities.

5.3 Recommendations

The purpose of this study was to investigate criteria for appointing board members of selected public enterprises within the road industry in Namibia. As a result, the study managed to explore the subject matter. The theoretical framework was compared with the findings of the study in order to come up with recommendations. The following are the recommendations suggested for this study.

- The board should establish a nominations committee, a sub-committee of the board which deals with the identification and nomination of the new directors.
- The criteria of appointing new directors should be established by individuals with expertise in the industry in consultation with the nominations committee.
- The guidelines and procedures followed in appointing board members must be clear and communicated to all stakeholders.
- Develop criteria of appointing board members in the public enterprises within the road industry. These criteria should have clear steps to be followed to ensure correct candidates are appointed into board membership. The success of the organisation depends on the diverse experience and expertise of individuals on the board.
- The researcher suggests that a similar research be carried out on a larger sample that represents the total population of the PEs within the road industry. This research was only limited to two selected PEs within the road industry.
- Similar studies must also be done with other PEs and then there will be need to compare and contrast the viewpoints and perceptions of other PEs not within the road industry with regards to the criteria of appointing board members.

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ANNEXURE A GRANTING OF PERMISSION TO CARRY OUT POSTGRADUATE STUDIES RESEARCH



15 June 2016

To whom it may concern

Mr Tuhafeni N Nekongo of student number: 9700854 is registered for a Master in Business Administration- Management Strategy at the University of Namibia through the Namibia Business School.

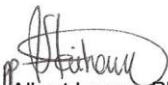
This letter serves to inform you that his research proposal was reviewed and successfully met the University of Namibia requirements.

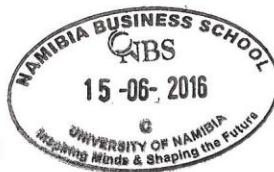
The student has been granted permission to carry out postgraduate studies research. The University of Namibia has approved the research to be carried out by the student for purposes of fulfilling the requirements of the degree being pursued.

If you have any queries please do not hesitate to contact the Business School at the University of Namibia.

Thank you so much in advance and many regards.

Yours sincerely


 Albert Isaacs, PhD
 Associate Dean
 Namibia Business School
 University of Namibia
 Tel: +246 61 413 500
 Fax: +246 61 413 512
 Email: albert.isaacs@nbs.edu.na



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**ANNEXURE B REQUEST FOR PERMISSION TO CONDUCT
RESEARCH**

Mr Conrad Lutombi

Chief Executive Officer

Road Authority

Private Bag 12030

Windhoek

20th October 2016

PERMISSION TO CONDUCT AN ACADEMIC RESEARCH

My name is Tuhafeni Nghilifavali **Nekongo**, student number 9700854, registered for a Master in Business Administration – Management Strategy at the University of Namibia through the Namibia Business School (NBS).

The University of Namibia has approved my research proposal and I am now permitted by the NBS to conduct an academic research as part fulfilment of the requirements of the degree being pursued. The topic of the study is **“INVESTIGATING CRITERIA FOR APPOINTING BOARD MEMBERS OF SELECTED PUBLIC ENTERPRISES WITHIN THE ROAD INDUSTRY IN NAMIBIA”**.

This letter serves as a request from your highly esteemed office to grant me permission to conduct the study at the Roads Authority. The information will be obtained from Board members, and Senior Executives. A separate cover letter and questionnaire will be distributed to the target sample once permission is granted.

If you have any question, please do not hesitate to contact me at the above contact details or Prof. Charles Keyter, Supervisor at cakeyter@unam.na or 061 – 206 3124 or Dr. Albert Isaacs at Namibia Business School at 061 – 413 500.

Your assistance is highly appreciated.

Kind regards,

Tuhafeni N Nekongo

ANNEXURE C QUESTIONNAIRE

This study serves as a partial fulfilment of the requirements for the Master's Degree in Business Administration (Management Strategy) at the University of Namibia. The study "**Investigating criteria for appointing Board members of selected Public Enterprises within the road industry in Namibia**". Be honest in giving your response. Confidentiality will be strictly assured. Thank you in advance for accepting to be cooperative.

SECTION A: BIOGRAPHICAL INFORMATION

Please mark with an (x) the most appropriate answer.

1. Your gender.

Male		Female	
------	--	--------	--

2. Your age bracket.

18-30		31-40		41-50		51-60		60+	
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3. Highest education level.

Doctorate		Masters		Honours		Bachelor		Diploma		No Tertiary Qualification	
-----------	--	---------	--	---------	--	----------	--	---------	--	---------------------------	--

4. Name of the public enterprise you are working for.

Road Fund Administration		Roads Authority	
--------------------------	--	-----------------	--

5. Your position in the institution.

Board Member		Senior Executive	
--------------	--	------------------	--

6. How long have you been in this public enterprise ?

1-5 Years		6-10 Years		Above 10 years	
-----------	--	------------	--	----------------	--

SECTION B: ADHERING TO THE PARAMETERS OF CORPORATE GOVERNANCE

Please select the closest answer by marking with an (x) in the appropriate box.

7. Board provides leadership in terms of acting in the best interest of the company.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

8. Board play a prominent role in the strategic development process of the organisation.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

9. The board is vigilant, looking ahead and constantly review all aspects of the company's activities.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

10. Board consistently monitor the relationship between the board and management of the company and between the company and its stakeholders.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

11. Board act in the best interest of the company and independently and are not influenced by the nominating stakeholders.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

12. Conditions and procedures of appointing new directors are identified by the board.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

13. The Board has a Nomination-Sub Committee which deals with the appointing and reappointment of board members.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

14. Board members composed of mix of qualification, skills, expertise and knowledge and these are relevant to the industry at a certain degree.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

SECTION C: CRITERIA FOR APPOINTING BOARD MEMBERS

Please select the closest answer by marking with an (x) in the appropriate box.

15. Are you aware of the Namibia Code of corporate governance (NamCode)?

Yes		No	
-----	--	----	--

16. If yes, what is your level of understanding of the NamCode?

Very Low		Low		Good		Very Good	
----------	--	-----	--	------	--	-----------	--

17. The appointment of board members in this institution is in accordance with the NamCode principles.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

18. In your opinion, over what period will the NamCode have a significant impact?

< 1year		1 – 5 years		5 – 10 Years		> 10 years	
---------	--	-------------	--	--------------	--	------------	--

19. At this institution, there is a clear process being followed in appointing board members and is communicated and known by all stakeholders.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

20. Guidelines and procedures for the appointment of directors are established by the board.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

21. The criteria are developed by individuals with expertise in the field of road industry in conjunction with the nomination committee.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

22. Board members at this institution are nominated by the nomination subcommittee of the board.

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

23. Should the Board be appointed or endorsed by the Minister of Public Enterprises?

Strongly Disagree		Disagree		Agree		Strongly Agree	
-------------------	--	----------	--	-------	--	----------------	--

24. When nominating board members, the nomination committee considers the aspects of individuals serving in other boards.

Strongly Disagree		Disagree		Agree		Strongly Agree	
----------------------	--	----------	--	-------	--	-------------------	--

25. The approach followed in appointing board members is the right one and works very well.

Strongly Disagree		Disagree		Agree		Strongly Agree	
----------------------	--	----------	--	-------	--	-------------------	--

26. The board establishes criteria and procedures for performance appraisal of directors.

Strongly Disagree		Disagree		Agree		Strongly Agree	
----------------------	--	----------	--	-------	--	-------------------	--

27. A process exists of how board, its committees and individual directors' evaluation is conducted.

Strongly Disagree		Disagree		Agree		Strongly Agree	
----------------------	--	----------	--	-------	--	-------------------	--

28. Individuals appointed in the board have relevant expertise of the industry.

Strongly Disagree		Disagree		Agree		Strongly Agree	
----------------------	--	----------	--	-------	--	-------------------	--

29. Do you see the Ministry of Public Enterprises playing an oversight role?

Strongly Disagree		Disagree		Agree		Strongly Agree	
----------------------	--	----------	--	-------	--	-------------------	--

30. The creation of the Ministry of Public Enterprises will contribute significantly to corporate governance principles.

Strongly Disagree		Disagree		Agree		Strongly Agree	
----------------------	--	----------	--	-------	--	-------------------	--

ANNEXURE D LETTER FROM RA GRANTING PERMISSION



SAFE ROADS TO PROSPERITY

Our Ref: 2/1/5/5

Mr Tuhafeni Nekongo
P O Box 96597
Windhoek
Namibia

Dear Mr Nekongo

RE: LETTER OF APPROVAL FOR MR TUHAFENI NEKONGO TO CONDUCT A RESEARCH STUDY AT ROADS AUTHORITY.

Your letter requesting to conduct research study with Roads Authority (RA) refers.

Kindly be informed that your request has been granted to conduct research on Roads Authority, as per your topic.

However, you are cautioned that any collected information should be treated with uppermost confidentiality and solely be used for study purposes.

Yours Sincerely,

C Nyati
Senior Manager: Human Resources



Private Bag 12030
Ausspannplatz
WINDHOEK
Namibia

Enquiries: C Kasika
Telephone: 061-284 7174
Fax: 061-284 7652
E-mail: kasikac@ra.org.na

ANNEXURE E

COPYEDITING AND PROOFREADING
LETTER

The Rev. Dr. Greenfield Mwakipesile

ThD. MBA. HBS | mwakipg@outlook.com

CONTACT

Namibia Business School
Windhoek
mwakipg@nbs.edu.na
+264813901701

TO WHOM IT MAY CONCERN18th August 2017

RE: COPYEDITING AND PROOFREADING OF TUHAFENI NGHILIFAVALI NEKONGO'S DISSERTATION FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (MANAGEMENT STRATEGY)

This letter serves to confirm that I copyedited and proofread **TUHAFENI NGHILIFAVALI NEKONGO'S** Dissertation for the degree of **MASTER OF BUSINESS ADMINISTRATION (MANAGEMENT STRATEGY)** entitled: **INVESTIGATING CRITERIA FOR APPOINTING BOARD MEMBERS OF SELECTED PUBLIC ENTERPRISES WITHIN THE ROAD INDUSTRY 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 UNAM guidelines with regards to borders and page numbering.

I am a language editor authorized by The Namibia Business School and have edited many Postgraduate Diploma, Masters' Thesis and Doctoral Dissertations in Namibia, Zimbabwe, Swaziland and South Africa.

Please feel free to contact me should the need arise.

Yours Sincerely,

The Rev. Dr. Greenfield Mwakipesile



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Dr. Greenfield Mwakipesile