TESTING THE APPLICABILITY OF A PRIVATIZATION MODEL ON STATE OWNED ENTERPRISES IN NAMIBIA

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Abstract

The purpose of the study was to explore and determine the factors that leads to the success and failure of the State Owned Enterprises (SOEs) in Namibia with a view to develop a privatization model that could be used as a pilot for future privatization effort within the Namibian context. A semi-structured questionnaire was used to collect primary data from 31 respondents who occupied management positions within the various departments of the 12 selected economic and productive SOEs. In this study, a Statistical Package for Social Sciences (SPSS) version 23 was used to analyze the data. The results of the study have several implications for Namibia in the sense that the privatization of the SOEs would lead to improved operational efficiency within the state enterprises. Therefore, the factors that leads to the success of the SOEs were identified as follow: service experience, organizational learning and operational efficiency.

On the other hand, the study also identified the factors that leads to the failure of the SOEs as follow: poor corporate governance, low levels of risk management and lack of enterprise sustainability. In both the developed and developing countries, privatization has become key reform program for the publicly owned state enterprises. The purpose of such reform programs is aimed at achieving greater operational efficiency within the SOEs which would help contribute to economic growth and development by reducing public sector spending through the elimination of subsidies. Finally, this study recommends that any consideration for privatization of the SOEs in Namibia, would require a strong political will and positive participation of all interest groups such as the civil organizations, employees of the state enterprises as well as the general public.

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List of Acronyms

ACSA	Airports Company of South Africa
ADF	Augmented Dickey–Fuller Test
AG	Attorney-General
AMOS	Analysis of a Moment Structures
CD	Cabinet Decision
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
EFA	Exploratory Factor Analysis
EVA	Economic Value Added
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPPR	Institute for Public Policy and Research
JCFC	Jordanian Cement Factory Company
KMO	Kaiser-Meyer-Olkin
MITSMED	Ministry of Industrialization, Trade and SME Development
MNE	Multi-National Enterprise
MoF	Ministry of Finance
MPE	Ministry of Public Enterprises
MVA	Missing Value Analysis
NBC	National Bank of Commerce
NDP	National Development Plan

NPC	National Planning Commission
N$	Namibia Dollar
OECD	Organisation for Economic Cooperation and Development
PC	Privatization Composite
PE	Public Enterprise
PEGA	Public Enterprises Governance Act
PM	Prime Minister
PPP	Public-Private Partnership
ROA	Return on Assets
ROI	Return on Investment
ROS	Return on Shares
SAA	South African Airways
SAP	Structural Adjustment Program
SEM	Structural Equation Modeling
SOE	State Owned Enterprise
SOEGA	State Owned Enterprises Governance Act
SOEGC	State Owned Enterprises Governance Council
SPSS	Statistical Package for the Social Sciences
UNAM	University of Namibia
USA	United States of America
USD	United States Dollar
WASCOM	Wages and Salary Commission
WB	World Bank

WTO	World Trade Organization

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Dedication

For all good things comes from GOD above. It is therefore worthwhile that I take this opportunity to first thank, the Almighty, for the love He has shown towards me throughout my life and much more so during the undertaking of this study. Without Him, I would not have done anything myself. Secondly and finally, I dedicate this work to my wife (Mbute) and our lovely children (Abel, Arron and Isaac) for the support and peace of mind they had afforded me throughout the duration of my studies.

Declarations

I, Astro Katama Kabuku, hereby declare that this study is my own work and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any other institution.

I, Astro Katama Kabuku, grant The University of Namibia the right to reproduce this thesis in whole or in part, in any manner or format, which The University of Namibia may deem fit.

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Astro Katama Kabuku Date

1. CHAPTER ONE: INTRODUCTION

1.1. Background of the study

Globally, State Owned Enterprises (SOEs) plays an important role in the economic development of the countries in which they exist. They also serve to advance government national agenda aimed at contributing to social equity through job creation, poverty reduction and income distribution. However, despite the economic role they play, SOEs face numerous challenges. Political instability and interference, poor management, government controls, over-protection, poor attitude to work, financial mismanagement and poor financial performance are some of the challenges that the enterprises are faced with (Ogohi, 2014; Paul, Yunusa & Danjuma, 2016).

Beqiraj and Bregasi (2015) identified the lack of law enforcement to good corporate governance and appointment of politically connected boards as constituents to the inefficiencies of the SOEs. Arowolo and Ologunowa (2012) identified mismanagement and corruption as the most common twin problems resulting in the inefficient operations of the SOEs. It is therefore on the basis of some of the above mentioned challenges that, the performance of the SOEs is universally perceived to be poor when compared to the privately owned firms.

According to Ogohi (2014), political instability occurs when there is oftenly a change in the political system of government coupled with changes in the policy-making of the enterprises due to the appointment of new boards. In this case, the new board may for example, choose to abandon programs in which investment have already been made by the previous board just because they do not approve of them. Political interference on the other hand, is a situation where the government due to political reasons, makes the enterprises perform functions that are not in their best interest. Government controls pertains to certain actions of government that renders the enterprises inactive and this may take place under circumstances where the government imposes price controls on the products and services that are offered by the SOEs.

Ogohi (2014) further explains that over-protection of the SOEs leads to enterprise dependencies for strategic decision making processes. For example, the enterprise may be unable to take independent decision to maintain, replace or dispose equipment, failure to which this may inevitably lead to its own collapse. Poor attitude to work occurs because workers within the enterprises see their jobs as government work, while financial mismanagement may be blamed on possible looting of the financial resources by those entrusted to run the enterprises due to the easy recourse to state funding. Abdulla (2014) explained that poor financial performance of the state enterprises happens because of the lack of market mechanism which implies that SOEs can never go out of business. This argument is premised on the basis of the enterprises easy recourse to government funding.

Despite the stable political system that Namibia has enjoyed over the years, the country is no exception to the foregoing regard. In Namibia, the SOEs performance have not lived up to the expectation of the government and the general public. Herbert (2012) argued that the SOEs in Namibia have equally faced a myriad of challenges ranging from politically motivated appointment of poorly skilled boards and other management levels, lack of monitoring and evaluation mechanisms, ineffective and absence of performance management systems, corruption, financial mismanagement and poor financial performance.

Within the Namibian context, the poor financial performance of the SOEs has over the years exposed them to unsustainable debts and burdensome expenditures. Equally, the opportunity cost of such long term financial dependency, leads to the foregone implementation of other equally important national programs. Singh (2016) argued that because SOEs are a drain on the limited state financial resources, they are therefore universally viewed as enterprises of disinvestment. To this end, numerous studies have concluded that, privately owned firms are more efficient and effective than the publicly owned enterprises and this runs parallel with the propagation for privatization.

On the basis of the foregoing regard, the Organisation for Economic Cooperation and Development (OECD) to which Namibia is a member state, explains that good corporate governance is not an end in itself but a means to create market confidence and business integrity within the SOEs. As a result, the OECD's agreed principles on good corporate governance includes amongst others; existence of an effective corporate governance framework for the SOEs, enterprises respect of the rights and role of the shareholders in corporate governance issues, enterprises ability to disclose information in a transparency manner as well as accountable boards (OECD, 2015).

According to Heidhues and Obare (2011), the International Monetary Fund (IMF) and the World Bank's (WB) Structural Adjustment Programs (SAPs) provides for privatization as a vehicle for the transformation of the SOEs. The SAPs hinges on three pillars namely, fiscal austerity, liberalization and privatization, with the latter postulating for the deeper role of the private sector in the economy. Therefore, fiscal discipline through privatization is viewed as an important step towards the containment of government spending.

Herbert (2002) highlighted that the SOEs in Namibia have long been in existence since the country gained its independence from the then former colonial apartheid government of South Africa in 1990. For example, in 1997, there were already 37 SOEs and consideration to establish more enterprises was driven by the need to undertake public service reforms. The foregoing regard is supported by the concern that the public service workforce has increased from 42,562 public service workers in 1990 to around 70,000 in the first 4 years after independence.

As a result, Namibia’s first National Development Plan (NDP) and the Wages and Salary Commission (WASCOM) recommended on the basis of the 1994 Cabinet Decision (CD) to downsize the civil service, reduce fiscal spending, and improve efficiency and service delivery through the commercialization of certain government functions. Therefore, over the years, the number of SOEs increased significantly. For example, in 2006, the number of SOEs had increased from 37 in 1997 to 52 in 2006 (Herbert 2002, 2012). In 2013, the number of the SOEs had increased to 72. This increase possess a huge financial implication for the government.

To ensure good corporate governance within the SOEs, the government promulgated the State Owned Enterprises Governance Act (SOEGA) in 2006 with the objective of governing the conduct of the SOEs in terms of their corporate governance, investment decisions and adherence to the remuneration guidelines. The SOEGA further provided for the establishment of the State Owned Enterprises Governance Council (SOEGC). The SOEGC was a unit established and tasked with the mandate of providing leadership in terms of governance to SOEs on behalf of the government. The unit was headed by the Prime Minister (PM) and constituted by the Ministry of Finance (MoF), Ministry of Industrialization, Trade and SME Development (MITSMED), National Planning Commission (NPC) and Office of the Attorney General (AG) as members (Herbert, 2012). Despite the SOEs legislation in place, the SOEGC failed to achieve on its mandate of attaining good principled corporate governance practices within the SOEs.

Part of the failure of the SOEGC was attributed to the applicability of the dual governance model. According to the OECD (2018), the dual model of governance refers to the system of governance where two government institutions share in the ownership function commanding each individual SOE. Generally, the dual governance model would lead to multiple supervisory roles with often conflicting decision making processes between the two government institutions that are tasked to supervise the SOEs. To this regard, Namibia was no exception to the complexities of the administration of the dual model of governance for its SOEs. As a result, the failure of the SOEGC culminated into the establishment of the Ministry of Public Enterprises (MPE) in 2015.

In 2016, the MPE presented to Cabinet the new governance model called the hybrid governance model for approval. The hybrid model which is yet to be legislated to ensure its implementation classified the enterprises into three categories, namely; commercial, non-commercial, and financial and extra-budgetary SOEs. The model postulates that the operations and corporate governance of the commercial enterprises would fall directly under the MPE while their policy aspects would remain within their portfolio ministries. This means that the MPE will be directly responsible for the appointment of the boards and board members of the commercial enterprises. On the other hand, the operations, corporate governance and policy aspects of the non-commercial entities and the financial and extra-budgetary SOEs would remain within their respective portfolio ministries. This means that the portfolio ministers will be responsible for the appointment of the boards and board members of their respective SOEs.

To this end, the Institute for Public Policy Research (IPPR) argued on the basis of the hybrid governance model which classified 22 SOEs as commercial enterprises out of 72 state enterprises that better governance would not be guaranteed as many of the SOEs will still fall under their portfolio ministries, several of whom have failed at ensuring good governance in the past. Therefore, the model may lead to the same dilemma which was experienced under the dual governance model where multiple supervision roles with often conflicting directives between the portfolio ministries and the SOEGC yielded negative results for the SOEs (IPPR, 2016). By implication, it is obvious that the hybrid model will be no different from the dual governance model as two government institutions will still share in the ownership function commanding each individual SOE.

Therefore, whether or not the MPE, will achieve its intended objective of attaining good corporate governance within the SOEs sector, remains to be seen. It is therefore on the basis of the many years of financial drainage of the state's limited resources by the SOEs, that, this study strives to test whether privatization within the Namibian context, could serve as a viable option to attain good principles of corporate governance and financial performance within the SOEs.

In 2015, the SOEGA was amended and renamed as the Public Enterprises Governance Act (PEGA). Equally, the acronym SOEs was amended to PEs to refer to Public Enterprises, meaning therefore that within the Namibian context, SOEs are officially referred to as PEs. However, for the purposes of this study, the acronym, SOEs, will be used as this is synonymous with the Namibian readers.

1.2. Statement of the problem

In Namibia, SOEs are established with the purpose of contributing to the country's economic development. They also contribute to social equity through job creation, poverty reduction and income distribution. However, some of the enterprises face a myriad of challenges which inhibit on their ability to deliver on their mandates. According to Herbert (2012) the challenges faced by the SOEs includes but not limited to; politically motivated appointment of poorly skilled boards and other management levels, lack of monitoring and evaluation mechanisms, ineffective and absence of performance management systems, corruption, mismanagement of funds and poor financial performance.

The continuing increase in government expenditure through the provision of subsidies and bail outs to most of the SOEs further depresses the already scarce state financial resources. Poor corporate governance and the easy recourse to state funding has negatively impacted on the growth potential of the SOEs, thus leading to both long term dependencies on state funding and corruptive practices within the SOEs. Therefore, this study, seeks to explore the factors that leads to the success and failure of the SOEs and attempt to construct a privatization model that can be made available to policy makers as a pilot model towards future privatization effort of the state enterprises in Namibia.

1.3. Objectives of the study

The main objective of the study is:

- To test for the applicability of a privatization model on SOEs in Namibia.

The specific objectives of the study are:

- To determine factors that leads to the success and failure of SOEs in Namibia, and
- To attempt to develop a privatization model that can serve as a pilot for future privatization efforts of the SOEs in Namibia.

1.4. Significance of the study

The study is significant in the sense that the testing for suitability of a privatization model will serve as one of the rare studies that will be available to policy makers by assisting on implementable policies on SOEs and to draw lessons that might be of help towards crafting better approaches on how public enterprises are governed in Namibia. The study will also be significant within the research fraternity as it will help contribute to the existing literature on the best management practices of SOEs.

1.5. Limitation of the study

The first limitation of this research concerns the quality of the data collected which could negatively affect the outcome of this study. The second limitation pertains to the political landscape of Namibia which by virtue of historical political realities, any consideration for privatization may be construed to constitute a new form of neo-colonialism where the resources of the country will again be entrusted in the hands of foreign economic entities and Multi-National Enterprises (MNEs). The third limitation is that the study omitted into its analysis, the role of pressure groups such as civil organizations that could serve to represent the various interest groups such as the SOEs employees as well as the general public on the consequences of privatization.

1.6. Delimitation of the study

The PEGA which serves as the overarching legislation governing the conduct of SOEs on good corporate governance issues classified SOEs into four categories, namely; the service rendering enterprises, general enterprises, regulatory enterprises, and economic and productive enterprises. The delimitation of the study is assumed on the understanding that privatization of the economic and productive enterprises or commercial enterprises as referred to in the hybrid governance model, could provide a reprieve to the state's limited financial resources, as these enterprises would be able to generate self-sustainable income to finance their own operational and investment expenditures. Therefore, the scope of this study is limited to developing a privatization model by focusing only on the economic and productive enterprises.

1.7. Research Ethics

This study will comply with the University of Namibia's (UNAM) requirements on confidentiality of data and that of the respondents to the questionnaire based on informed ethics. The researcher will ensure that, respect of the respondents' dignity as human subjects to the study will be protected. Data safeguard will be the responsibility of the researcher, where the data will be kept under lock and key for a period of five years and destroyed thereafter.

1.8. Organization of the study

This study is organized in five chapters. Chapter one introduces the statement of the problem, research objectives and significance of the study. Chapter two provides a conceptual framework for privatization as well as theoretical and empirical literature review. Chapter three focuses on the research methodology while chapter four presents the research findings of the study. Finally, chapter five presents the conclusions drawn from the study with suggested policy recommendations.

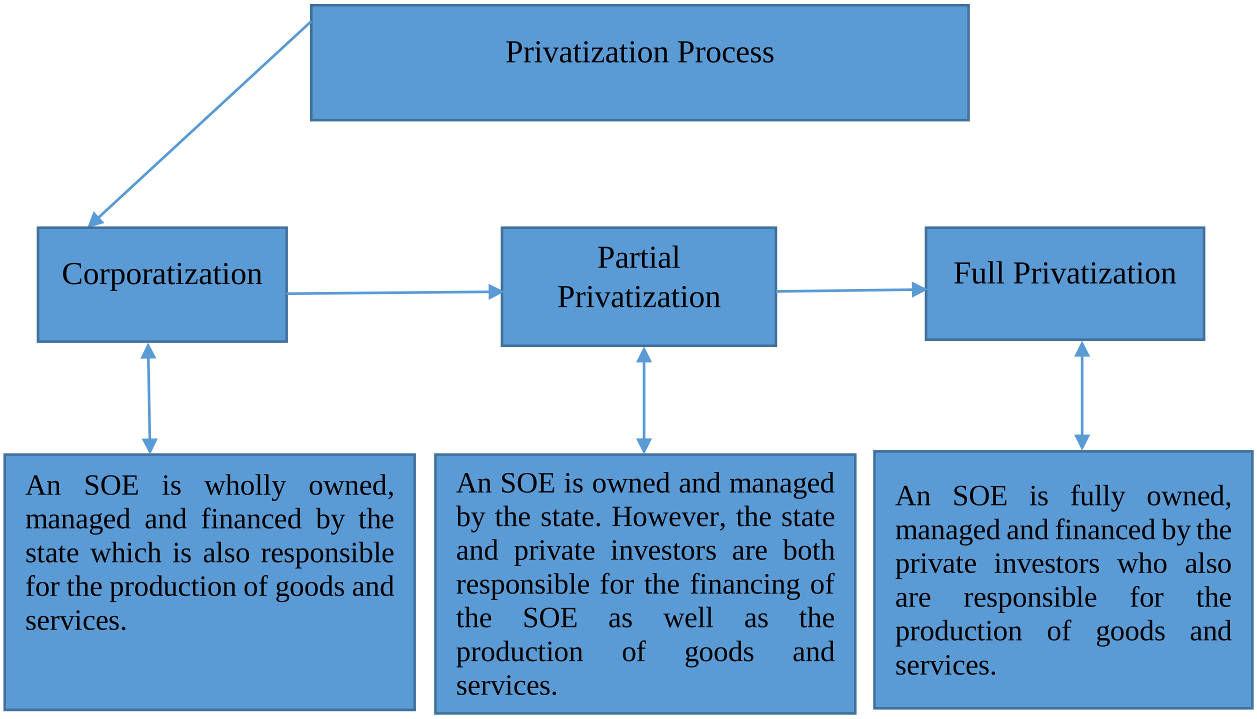
2. CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

While the previous chapter provided an overview on the statement of the problem, research objectives and significance of the study, this chapter presents the conceptual framework for privatization, the merits and demerits for privatization as well as the theoretical and empirical literature review on privatization.

2.2. Privatization: Conceptual Framework

Privatization involves a series of measures undertaken to cede partially or wholly the control, ownership and management of the SOEs to the private sector. It is therefore a process through which the state examines the possibility of transferring its own duties and responsibilities from the public sector to the private sector (OECD, 2018). Figure 2.1 below presents the conceptual framework illustrating the privatization process for the SOEs.



Source: Author's construct

Figure 2.1: Conceptual framework for privatization.

Figure 2.1 above shows firstly, that corporatization is the first step that occurs with the establishment of the SOEs by government. During this stage, the enterprises are tasked to carry out the functions that were previously managed by the government. It refers to the act of reorganizing the structure of government owned entity into a legal entity with a corporate governance structure such as having a board of directors. Here, an SOE is wholly owned, managed and financed by the government which also is responsible for the production of goods and services.

Secondly, partial privatization is the form of public-private partnerships (PPPs) which are a range of long-term collaborative ventures between the public and private sector, with the private sector expected to play a more significant role. Here, an SOE is owned and managed by the government.

However, the state and private investors are both responsible for the financing of the SOE as well as the production of goods and services.

Thirdly, full privatization entails the full transfer or sale of public assets to the private investor. Assets such as land, natural resources and buildings, amongst others, may be sold outright to the private investors who then would assume complete control of the assets of the SOEs through ownership, financing, management, and production of goods and services.

2.3. Theoretical Literature

2.3.1. Efficiency Theory

Abdulla (2014) argued that privatization does generates a significant allocative and productive efficiency benefits. Abdulla further argued that that public ownership inhibits efficiency outcomes due to the lack of direct shareholders interest in the operations of the SOEs. This implies therefore that the tax-payers are not in a position to exert real pressure on the SOEs management to operate efficiently. As a result, public managers have no incentive to operate on a viable financial basis, a measure that is further compounded by the lack of a market mechanism which implies that SOEs can never go out of business hence the easy recourse to state funding.

2.3.2. Principal-Agency Theory

Agency theory which is used for corporate governance disclosure assumes that managers (agents) and the owners (principals) interests are not always aligned. The theory states that managers or directors are more interested in maximizing their own prestige, while shareholders are more concerned about the maximization of the value of their shares and asset holdings. This difference in the alignment of interests results in what is referred to as the agency-loss. Agency-loss occurs when the returns to the shareholders is less than their expectations due to the indirect control of the corporation (Isukul & Chizea, 2016).

2.3.3. Rent-Seeking Theory

The theory on rent-seeking is associated with corruption emanating from the principal-agent problem. Corruption represents a way to influence policies to one's advantage by escaping from the invisible hand of the market mechanisms. Rent seeking behaviour is therefore an attribute of resistance to good corporate governance (Aidt, 2016).

2.4. Determining factors for privatization

According to Carter (2013), the determining factors for privatization includes; firstly, that privatization should be considered for the less efficient SOEs. Secondly, that privatization should be considered contingent upon the country's social, economic and political environment and thirdly, that privatization should be considered for the strategic SOEs that manage critical sectors of the economy.

Agabi and Orokpo (2014) argued that privatization which began in Nigeria in the 1980s became a policy objective tool for use to curb the financial wastage that the SOEs had laid on the national treasury. Pheko (2013) argued therefore that, privatization reduces government budgetary costs, reduces the role of government influence and business decisions thus achieving the operational efficiency of the SOEs through the broadening of the ownership of productive assets and resources.

Sedighikamal and Talebnia (2014) argued that privatization is not an end itself but a means for the government to undertake the division of responsibility between the public and the private sectors. Argument is further made that, the public sector should produce public goods whereas the private sector should concentrate on producing private goods that the public sector cannot produce.

Makasi and Govender (2015) argued that within the global context, developing countries lack insulation against external shocks generated by the developed economies. As a result, privatization is a vehicle that unifies national and international resources. Tatahi (2012) explained that privatization in Bulgaria resulted in the liberalization of the market thereby allowing competition to take place which eventually improved the firms' profitability.

Mohammed, Soon, Saiah and Bon (2012) argued that privatization empowers the citizens of a country and increases foreign investment opportunities. For example, privatization in the countries such as Britain, Malaysia and France was based on a nationalization model where the local citizens, employees and managers of the SOEs were given priority to buy shares in the companies. In Mexico, New Zealand, Brazil and Egypt, privatization was based on the need to connect to foreign markets, access to new modern technologies and attracting foreign capital investment.

Chen, Du and Su (2014) argued that privatization of certain SOEs in China discouraged managers from the self-rent seeking behaviours which breeds corruption. Paul, et al (2016) stated that privatization of the SOEs accelerates economic growth and development. Therefore, government involvement in the decision making processes of the SOEs renders them inefficient and ineffective.

2.5. Forms of privatization

The OECD (2018) highlighted that Privatisation allowed for the transfer of state-owned assets to other entities through different means such as; public auction, public tender, direct sales to a previously determined owner, transformation from state entity to a public company and free-of-charge transfer to municipal ownership. The OECD however states that privatization forms should be applied according to the different social, economic and political conditions of the country undertaking privatization.

Nhema (2015) stated that privatization takes the form of full privatization and partial privatization. Partial privatization may be undertaken as either concessions, leases and contracts. Full privatization is the type of privatization where ownership, management, financial responsibility and the production and provision of goods and services of the SOEs becomes the full responsibility of the new private owners. Partial privatization is a form of long-term PPPs where the ownership of the SOE is split between the public and private sector.

2.6. Merits for privatization

Kuosadikar and Singh (2013) argued that the advantages for privatization of SOEs in India showed better results in terms of enterprises efficiency and performance, revenue and productivity which also led to the reduction in government expenditure. Kalejaiye, Adebayo and Lawal (2013) equally argued that privatization in Nigeria helped reduce public debt, curb corruption, expand the private sector, encourage competition both at national and international level and led to an increase in the local participation of citizens holding shares in the firms. Jiang, Peng, Yang and Mutlu (2015) examined that privatization has an incentive to attract the MNEs and that with their attraction helps contribute to political stability of countries hence the need to protect foreign investment.

Okonkwo and Obidike (2016) explained that microeconomic perspectives such as Principal-Agent Theories amongst others, serves as some of the justification for undertaking reform of the SOEs. Privatization is therefore viewed as a vehicle for raising state revenue, promotion of economic efficiency, reduction of government interference in the economy, promotion of a wider share ownership, promotion of competition that subjects SOEs to market discipline and provides an opportunity to help build national capital markets.

2.7. Demerits for privatization

Kousadikar and Singh (2013) explained that despite the benefits that privatization has brought within the Indian context, it also led to social inequality on the basis of profit motive which consequently led to the reduction in the transparency of the operations of the firms. On the other hand, Osunde (2015) argued that privatization has in some instances such as the privately owned Nigerian company called Dangote Cement Company led to massive job losses and job insecurity. According to Osunde, numerous other studies made by other researchers point to job losses in countries such as the United Kingdom, India, Japan and Ghana.

2.8. Empirical Literature

There exists a wide range of empirical literature that supports privatization as a vehicle for the attainment of operational efficiencies within the privatized SOEs. This section provides an empirical review on some of the existing literature on privatization.

Khalaf (2013) after undertaking a study on the impact of privatization on the financial and operational performance of the Jordanian Cement Factory Company (JCFC), found that privatization did not lead to the financial performance and profit of the company. However, the firm recorded improvement in liquidity, debt reduction and improvement in investment. The study used secondary data obtained from the firm’s annual reports for a period of five years before and five years after privatization. For example, the mean value for asset turnover before privatization was 0.57 compared to 0.60 after privatization. The mean change due to privatization was therefore

0.03, representing an increase in investment. Working capital on the other hand, represented a mean value of -8.61 before privatization and a 5.83 after privatization with a liquidity improvement of a mean change due to privatization at 14.44.

Bakar, Darwazeh and Sakinah (2016) found out in their study that the impact of privatization on tax and dividends disbursements of 17 Malaysian and 23 Jordanian enterprises led to an increase in the payment of dividends in both the countries. Also, despite the 2008 global financial crisis, tax payment was still higher in Malaysia than in. The study used data obtained from Bloomberg, Amman Stock Exchange and Bursa Malaysia for the period 2003 - 2013.

Tella, Galiani and Schargrodsky (2012) found in their study after using a score card of 1 to 10 that the average score of less than 4 of the water utility company in Argentina was not due to some privatization flaws but was caused by the deliberate lack of reinvestment in the physical infrastructure after privatization. This meant that no new beneficiaries were added to the water distribution network and with the cheap provision of water, the profitability of the water utility company fell resulting in the nationalization of the firm.

Victor, Aziz and Jaffar (2015) undertook a study on the electricity service delivery after privatization in three Asian countries namely; Malaysia, India and China as well as in three African countries namely; South Africa, Nigeria and Cameroon. The measurement factors of the study included amongst others the distribution reforms, regulatory frameworks, business models and government perspectives. The study showed that South Africa fared well within the African context with Malaysia equally faring well within the Asian context. The results were attributable to similarities in the business models and government perspectives on electricity supply to empower industrialization and rural electrification.

Ochieng and Ahmed (2014) employed the regression analysis using the Statistical Package for the Social Sciences (SPSS) on the impact of privatization on the Kenyan Airways. A semi structured questionnaire was used to collect data from a sample size of 37 financial experts employed by the airline. The study found that privatization had a significant effect on the financial performance of the aviation industry. Ochieng and Ahmed further argued that the hiring of foreign experts at the company was one of the contributing factor to the financial performance of the airline.

Motealebian, Seighali, Moharrami and Beheshti (2013) analyzed the effect of the privatization policy from the financial point of view using the concept of Economic Value Added (EVA) on 40 firms who have migrated from public to private entities in Iran. The study employed the student t-hypothesis testing and the results showed that the Return on Investment (ROI) before and after privatization for the firms were the same. This outcome supports the study by Sedighikamal and Talebnia (2014) in which argument was made that privatization policy in Iran was carried in compliance with the World Trade Organization (WTO) regulation on liberalization. This therefore meant that privatization was not carried out in favour of profit motives but rather for the welfare of the citizens.

Ilegbinosa, Michael and Watson (2015) using an Augmented Dickey-Fuller (ADF)-test, empirically tested for the impact of PPP on economic growth in Nigeria using a time series data from 1970-2013. The Johansen co-integration test was carried out in the study to test for the relationship between public and private investment on economic growth. The study showed a statistically significant relationship between an increase in government expenditure on economic growth and the crowding in of private investment. The study recommended that governments should concentrate their resources on developmental programs such as infrastructure development that would serve as an incentive to attracting foreign investment.

Ogbuagu (2014) empirically tested using a regression analysis the impact of privatization on the Nigerian fiscal policy. The study had an adjusted R-Squared equal 0.9893 meaning that privatization led to an increase in government revenue by around 13.49 % while the government expenditure fell by 6.3%. This is because government spending on the SOEs has decreased after privatization. This is supported by Adeyemi, Arif and Subhan (2016) whose study on the impact of the privatization policy in Nigeria for the period from 1999-2015 found that privatization has indeed helped reduce government expenditure.

In Namibia however, the poor financial performance of the SOEs left government with a huge fiscal footprint. For example, between 1993 and 1997, government expenditure on SOEs increased from 102 million Namibia dollar (N$) or approximately 10. 2 million United States Dollar (USD) to N$ 500 million (approximately 50 million USD). Also, in 2001, Air Namibia alone was bailed to the amount of N$ 400 million (approximately 40 million USD) to avert its collapse. From the year 2001 to 2012, government expenditure on all the SOEs surpassed N$ 15 billion or approximately 1.5 billion USD (Hebert, 2012). For the financial year 2017/2018 alone, government expenditure for the SOEs was around N$ 4.6 billion or approximately 460 million USD (Ngatjiheue, 2017).

Nimani (2013) argued that governments in both the developed and developing countries used privatization as a way to offset budget deficits. For example, the sale of equity shares in upstream oil ventures earned Nigeria around 2.5 billion USD in 1989 to 1993. In the United States of America (USA), government revenue accruing from the sale of public shares in the state run enterprises earned the federal government around 7 billion USD. Nimani further argued that there exists a correlation between privatization revenues as a percentage of Gross Domestic Product (GDP) through reduced government liabilities.

Fan, Wong, and Zhang (2014) found in their study on the management of the SOEs and partially privatized firms in China that, firms that had Chief Executive Officers (CEOs) that were politically connected performed poorly than the politically unconnected. The study showed that there was growth in the operating measures of performance for the partially privatized firms with post-privatization sales and earnings averaging 106% for sales and 89% for earnings relative to the pre-privatization period. As a result, the firms that were led by politically connected CEOs experienced more substantial drops in Return on Shares (ROS) and slower sales and earnings growth than the partially privatized firms.

Hassen and Abdelwahed (2014) after the study done on corporate governance of privatized SOEs in Tunisia, found that the existence of private investors and independent boards was crucial for the successful privatization process in that country. Independent boards were therefore an important instrument towards the formulation of good principles on corporate governance.

Asiedu, Onumah and Kuwornu (2012) stated after running a regression analysis that privatized firms with long years of operation in Ghana showed efficient capital accumulation and good corporate governance. The study further revealed that private ownership was more efficient than public ownership with government control.

Kouser, Azid and Ali (2012) argued in their finding that privatization of the SOEs in Pakistan resulted in an increase in profitability, capital investment spending, higher dividend payments and firms output. The study was conducted on the firms that were privatized during 1999 to 2005. The sample consisted of 33 companies from 8 sectors. Most significant positive results of privatization was recorded in sectors such as automobile, cement, energy, fertilizer and engineering sectors, excerpt for chemical sectors which did not perform well for the period of the study. Evidence showed therefore that profitability, efficiency, investment, employment and dividend increased after privatization.

According to Gumende and Dipholo (2014) the partial privatization of public entities such as the South African Airways (SAA), Airports Company of South Africa (ACSA) and Telkom have increased efficiency in the SOEs which also resulted in the growth in employment, increased wider ownership and participation in the South African economy.

Beqiraj and Bregasi (2015) conducted surveys and interviews to determine the efficiency of the SOEs that were incorporated in 2005 in Kosovo. The study showed that the SOEs suffered from the global phenomenon of inefficiency in corporate governance as well as financial losses. Furthermore, the SOEs were unattractive to potential private buyers as their market value fell.

Shimba and Sewando (2013) argued for the same reason with the example of Hotel Kilimanjaro in Dar es Salaam, Tanzania, which since 1996 when its privatization process began has failed to attract prospective private buyers due to low market value, while the National Bank of Commerce (NBC) was only sold for 6.7 billion USD down from 9.4 billion USD as its market value was less attractive to private investors.

Ifionu and Ogbuagu (2013) stated after running a regression analysis that privatization in Nigeria has suffered from inefficiencies in the states of the Federal Republic of Nigeria where there was violence especially in the Niger Delta and the ongoing violence with Boko Haram militants in the other parts of the country. The study revealed that, peace and security are safeguards to successful privatization as private investors investments need to be secured.

Muogbo (2013) tested for the relationship between privatization and corporate governance in Nigeria using the regression analysis. The study used a structured questionnaire on a sample of 60 stakeholders that included investors and regulators. The results showed the reliability coefficient at 0.93, which explained that there was positive correlation between privatization and good corporate governance. This explains that investment in the privatized firms was higher than in the government controlled enterprises. This outcome is supported by Tran, Nonneman and Jorissen (2015) who found in their study that privatized Vietnamese firms were more efficient and profitable than in the SOEs.

Gitundu, Sifunjo, Kiprop and Kibet (2015) ran a regression analysis on the difference between the ownership structure and financial performance of privatized firms and SOEs listed on the Kenya

Stock Exchange. The study used a sample of 8 privatized and publicly owned enterprises for the period 2007-2013 using variables such as Return on Assets (ROA), Tobin's Q, cost and technical efficiencies. The data for the study was obtained from enterprises annual financial reports. The study showed that privatized firms had a high Tobin's Q and cost and technical efficiency than the publicly owned enterprises. However, the ROA was the same for all the enterprises. The study concluded that privatized firms had higher financial performance due to the high presence of foreign investors that brought in managerial and technical expertise that resulted in an increase in the market value of the privatized firms.

Isoh and Taylor (2016) argued that privatization required good planning before implementation. In Cameroon for example privatization efforts dismally failed after government sought to privatize state firms through nationalization. The failure of the firms to generate enough capital for reinvestment spelt doom with huge fiscal implications for the state. The effort to sell the state assets to foreign investors after the failed nationalization also led to capitalist tendencies with negative consequences for the poor. The study recommended that a good privatization policy requires undertaking proper valuation and planning to avoid the unintended consequences.

Aboagye and Otchere (2013) found contrasting results after a study on the impact of privatization of the banks on the consumer wellbeing in the developing and developed economies. The result of the study showed that in both the developing and developed economies, consumers benefited from reduced bank margins. However the cost of the bank services in the developing countries were higher than in the developed countries due to the fact that developed countries had well established financial markets which allowed for competition to take place.

Shukurov, Maitah and Smutka (2016) using a regression analysis concluded that privatization contributed positively to the GDP of Uzbekistan. The R-Squared which was found to be 0.94 was attributed to the country's macroeconomic stability and favorable economic conditions characterized by relatively high GDP per capita and relatively high employment rates.

2.9. Summary

Lessons learnt from the empirical literature supports for privatization as an option for SOEs corporate governance reforms. Evidence also shows that privatization brought economic efficiencies in the privatized SOEs. For example, in Nigeria privatization helped not only in the reduction of government expenditure but also earned the government billions of dollars from the proceeds realized from privatization. In Kenya, PPP of the Kenyan Airways helped turnaround the poor performance of the airliner as foreign experts brought in the required technical skills and foreign capital.

In Tunisia, privatization gave birth to independent boards which served as an insulation against political interference. It is also evident from the empirical literature that the Namibian government on the other hand had suffered fiscal losses due to higher expenditures incurred over the years to finance the operational and investment expenditures of the SOEs. Equally, in Tanzania, poor corporate governance of the SOEs led to certain privatized SOEs sold below their market value to private investors.

Overall, there is evidence that while privatization may not be the panacea for all the challenges that the SOEs are faced with, it is regardless still a favourable option. Within the Namibian context, any step towards privatization would therefore require that a good privatization policy is enacted after a wide consultation process to dispel any doubts and resistance that may arise from the various relevant stakeholders.

3. CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

The previous chapter provided the theoretical framework for privatization as well as the context within which the merits and demerits for privatization were discussed. The chapter further highlighted the theoretical literature and empirical evidence on privatization. This chapter presents the research methodology that was followed in the undertaking of this research study.

3.2. Research Design

The study used a mixed research method for both qualitative and quantitative research as an econometrics model was used. The study focused on the SOEs sector with its scope being limited to testing for a privatization model by focusing only on the economic and productive enterprises. The total population for this study was the 26 economic and productive SOEs.

3.3. Sample

A Systematic Sampling technique ideal for small finite population was used to identify SOEs from where the data was obtained. As a result, a sample of 12 economic and productive SOEs was identified for the study with 3 respondents identified from each enterprise for responses. As a result, 36 responses were expected from the 12 identified SOEs. However, only 31 responses were received which satisfied the requirement of a simple random sampling technique for a sample (n) size of $n \geq 30$. The identified respondents were employees who occupied management positions within the various departments of the SOEs.

3.4. Research Instrument

A semi-structured questionnaire was used to collect primary data for the study. The questionnaire was piloted to test for its relevance in the data collection and processing.

3.5. Procedure

Data collection was meant to be carried on a face-to-face basis with the identified respondents from the sampled SOEs. However, a few respondents managed to fill the questionnaire by themselves as securing appointment with them proved challenging.

3.6. Data analysis

Descriptive analysis of data was used by employing the factor analysis model with the application of the Statistical Package for Social Sciences (SPSS) version 23. Factor analysis model is a data reduction tool that removes duplication of factors from a set of correlated variables by selecting one representative factor. Factors that are relatively independent of one another are clustered into categories based on their factor scores. The general theoretical form of the factor analysis model specification is given by:

$$X_n = \lambda_{n1}F_1 + \lambda_{n2}F_2 + \ldots + \lambda_{nm}F_m + e_n$$

Where:

M = Factors,

n = Observed variables,

e_n = Measurement error for X_n,

F = Unobserved (or underlying) factors and

λ_n = Loading for X_n.

In this study, the factor analysis model would be used to capture the factors that leads to the success and failure of the performance of the SOEs. The outcome of the factor analysis model would therefore constitute the development of a privatization model based on best practices elsewhere.

4. CHAPTER FOUR: EMPIRICAL RESULTS AND DISCUSSION

4.1. Introduction

This chapter focusses on the descriptive econometrics and model estimation together with interpretation of such analytical outputs and attempts to construct a model specification for data analysis estimation.

4.2. Data representation and interpretation of research findings

Data processing started with data screening in preparation for subsequent quantitative analyses. The descriptive statistics and Exploratory Factor Analysis (EFA) are presented next together with reliability tests performed in relation to the overall measurement scales. This ensured that the underlying dimensions of the measurement scales achieve an acceptable level of reliability for further analysis. The resulting solutions were then re-assessed with the use of the Confirmatory Factor Analysis (CFA) in SPSS Analysis of a Moment Structures (AMOS) version 23. Consequently, Structural Equation Modelling (SEM) was used to test the measurement model frameworks of the relationships between the constructs in the conceptual model and to further assess how the conceptual framework measurement model aligns with the conceptual framework developed from literature. Finally, the summary linking the findings to the research objectives is presented in the last section of this chapter.

4.3. Demographic information

This section presents the demographic profile of the research respondents as well as their respective SOEs profile.

Table 4.1: Demographic information

Variable	Descriptive	Frequency	%
Position or Rank	CEO, Acting CEO, CFO	3	*9.70%*
	Executives And Senior Managers	9	*29.00%*
	Managers	17	*54.80%*
	Officers And Supervisors	2	*6.50%*
Department/Division	Finance	8	*25.80%*
	Human Resources	11	*35.50%*
	Corporate	4	*12.90%*
	Technical	5	*16.10%*
	Executive	3	*9.70%*
Status Of Employment	Permanent	27	*87.10%*
	Temporary	4	*12.90%*
Gender	Male	20	*64.50%*
	Female	11	*35.50%*
Age	31-40	13	*41.90%*
	41-60	16	*51.60%*
	60+	2	*6.50%*
Level of Education	Diploma	2	*6.50%*
	Degree	17	*54.80%*
	Masters	11	*35.50%*
	Phd	1	*3.20%*

Table 4.1 above presents the demographic information of the respondents. The results show that the majority of respondents were managers (54.8%) followed by executives and senior managers (29%). Most of these managers were from the human resources department (35.5%) followed by finance (25.8%). The rest came from technical officers (16.1%), corporate officers (12.9%) and executive officers (9.7%). Table 4.1 also shows that 87.1% of the respondents had permanent contracts while 12.9% were on temporary contracts. Moreover, the majority of the respondents were males (64, 5%) or those aged 41-60 years (51.6%) with a degree (54.8%). The results also show that 35.5% of the respondents had a master degree while 9.7% had doctorates. All the respondents were above the age of 30.

4.4. Data screening procedures

The data preparation and screening followed a procedure suggested by Gaskin and Lim (2016). The procedure involved the substantive search for missing data with poor quality responses removed prior to analysis (Hair, Black, Babin, Anderson & Tatham, 2013). Missing data affects the data analysis from practical and substantive perspectives. In addition, multivariate analysis cannot be performed efficiently when there is missing data, which effectively reduces a sample's size. Moreover, missing data can introduce biases in the statistical results. After screening, SPSS version 23 Missing Value Analysis (MVA) was carried out and all variables with missing data above 10% were removed or imputed using the median value.

4.5. Normality

In order to test whether or not the data was distributed normally, tests were performed relating to the measures of kurtosis and skewness (Hair, et al, 2013). Normality is a fundamental assumption in multivariate analysis as it is critical for the normally distributed data. If the variation from the normal distribution is sufficiently large, statistical tests resulting from such an analysis is deemed invalid. For skewness, the critical values should be within the range of ± 2.58 in order to accept that data distribution is not far from normal (Hair, et al, 2013). While for kurtosis values should be within ± 3 for normality.

Table 4.2 shows that only 7 items had kurtosis values above 3. The highest kurtosis value of 12.72 for items like level of performance and level of financial management is to be expected and is reflective of the poor performance of SOEs. Moreover, most SOEs are fully government owned (6.65) and were not created to make profit (6.59), thus those high kurtosis values are also to be expected. However, the number of years in operation (3.93) and status of employment (3.65) are flagged for potential kurtosis related issues during analysis. Such flagged items are usually dropped to improve reliability and validity of multivariate constructs. Table 4.2 below presents the normality results.

Table 4.2: Normality results for the questionnaire items

Questionnaire Statements	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
part_f_33 level of enterprise financial management	31	1.00	2.00	1.06	0.25	3.73	12.72
part_f_34 level of enterprise performance	31	1.00	2.00	1.06	0.25	3.73	12.72
part_b_13 level of government ownership	31	1.00	2.00	1.10	0.30	2.87	6.65
part_c_18 is the enterprise established to make profit	31	1.00	5.00	1.61	1.02	2.47	6.59
part_c_20 government bailout during period 2012/13 to 2016/17	31	1.00	4.00	1.81	0.60	1.07	4.96
part_b_10 no. of years operational	31	1.00	5.00	4.10	0.91	-1.63	3.93
part_a_2 status of employement	31	1.00	2.00	1.13	0.34	2.33	3.65
part_d_24 any obligation to pay annual dividends to government	31	1.00	5.00	1.87	1.23	1.75	2.29
part_f_32o level of sitting allowances/retainer fees for board members	31	1.00	2.00	1.16	0.37	1.94	1.87
part_f_32b level of compliance to the public enterprise act	31	1.00	2.00	1.16	0.37	1.94	1.87
part_e_27 total number of executive managers	31	1.00	5.00	1.84	1.37	1.39	0.63
part_b_11 does enterprise provide good service	31	1.00	3.00	2.16	0.52	0.23	0.56
part_a_6 level of education	31	2.00	5.00	3.35	0.66	0.21	0.14
parta_1 position/rank of interviewee	31	1.00	4.00	2.58	0.76	-0.53	0.05
part_e_29 do managers moonlight	31	1.00	5.00	2.16	1.27	0.83	-0.31
part_a_4 age	31	2.00	4.00	2.65	0.61	0.35	-0.57
part_f_32n ceo level of remuneration	31	1.00	2.00	1.26	0.44	1.16	-0.70
part_f_31f level of internal communication strategy	31	1.00	2.00	1.26	0.44	1.16	-0.70
part_f_31c level of working relationship between board and ceo	31	1.00	2.00	1.26	0.44	1.16	-0.70
part_f_32l level of corruption	31	1.00	2.00	1.74	0.44	-1.16	-0.70
part_a_5 department/division	31	1.00	5.00	2.48	1.31	0.60	-0.77
part_f_31d level of working relationship between ceo and managers	31	1.00	2.00	1.29	0.46	0.97	-1.13
part_f_32f level of execution of soe mandate	31	1.00	2.00	1.29	0.46	0.97	-1.13
part_f_31b level of management capacity	31	1.00	2.00	1.29	0.46	0.97	-1.13
part_b_8revised name of enterprise	31	1.00	12.00	6.65	3.48	-0.16	-1.18
part_e_30 do managers undertake tertiary studies and further	31	1.00	5.00	2.68	1.38	0.14	-1.27
part_f_32d level of execution	31	1.00	2.00	1.32	0.48	0.80	-1.46
part_f_32a level of conflict of interest at board and management level	31	1.00	2.00	1.68	0.48	-0.80	-1.46
part_f_31a level of perception level of board capacity	31	1.00	2.00	1.32	0.48	0.80	-1.46
part_f_32m management level of remuneration	31	1.00	2.00	1.68	0.48	-0.80	-1.46
part_a_3 gender	31	1.00	2.00	1.35	0.49	0.64	-1.71
part_f_32e level of internal monitoring and evaluation system	31	1.00	2.00	1.35	0.49	0.64	-1.71
part_e_26 enterprise total number of employees	31	1.00	5.00	2.77	1.80	0.32	-1.81
part_f_32i level of political interference in decision making process	31	1.00	2.00	1.61	0.50	-0.49	-1.89
part_f_32j level of staffing	31	1.00	2.00	1.39	0.50	0.49	-1.89
part_f_32k level of government price control	31	1.00	2.00	1.61	0.50	-0.49	-1.89
part_d_22 any obligation to pay annual corporate tax to government	31	1.00	2.00	1.42	0.50	0.34	-2.02
part_f_32c level of attitude torwards work by the board and managers	31	1.00	2.00	1.42	0.50	0.34	-2.02
part_f_32g level of politically motivated appointments at board level	31	1.00	2.00	1.45	0.51	0.20	-2.10
part_f_31e level of perfomance management system	31	1.00	2.00	1.55	0.51	-0.20	-2.10
part_f_32h level of politically motivated appointments at	31	1.00	2.00	1.45	0.51	0.20	-2.10
part_f_31g level of external communication strategy with shareholders	31	1.00	2.00	1.48	0.51	0.07	-2.14
part_c_14 is the enterprise financially independent	31	1.00	2.00	1.48	0.51	0.07	-2.14
part_c_15 is the enterprise dependent on government subsidies	31	1.00	2.00	1.52	0.51	-0.07	-2.14
part_f_31h level of investment decisions	31	1.00	2.00	1.48	0.51	0.07	-2.14

4.6. Common method bias

Common method bias implies that the covariance among measured items is driven by the fact that some or all of the responses are collected with the same type of scale (Hair, et al, 2013). The questionnaire design involved the use of the likert scale which is prone to common method variance bias (Pallant, 2010). In assessing common method bias, most researchers rely on EFA, which test the bias by loading all the variables in the study into common factors. The unrotated factor solution is examined to determine the number of factors necessary to account for the variance in the variables. The basic assumption of this technique is that, if a substantial amount of common method variance is present, either a single factor will emerge from the factor analysis or one general factor will account for the majority of the covariance amongst the measure (Pallant, 2010).

The study used the factor extraction procedure suggested by Pallant (2010) which involves the use of principal axis factoring with Varimax rotation. Using this method, entails extracting a factor emerging through EFA, and then retaining items with factor loadings greater than 0.30. Consequently, the EFA procedure chosen will address the common method bias and simplifies the interpretation of the factors by focusing on the shared variance between items and placing limitations on the location of the factors within the factor space. This leads to a minimum number of variables loading highly on a factor.

4.7. Reliability and validation

The study used data screening procedures to ensure that only questionnaire items with a low variance and a normal distribution are used for the multivariate analysis. Moreover, the data set should contain at least five respondents for each item in the scale under evaluation (Pallant, 2010). These procedures are critical to the reliability and validity of this study, considering the small research sample of only 31 with a sampling adequacy of up to 6 items. As such, the study used Pallant's (2010) method to reduce the questionnaire items in valid factors for multivariate analysis.

4.8. Exploratory Factor Analysis

The study tested for reliability of the constructs using Cronbach's alpha and EFA. The properties of the questionnaire items were assessed by exploring the dimensionality of the relevant variables and internal consistency of the scales. The analysis focused on two main issues in determining whether a particular data set was suitable for factor analysis. These were sample size and the strength of the relationship among the variables or items (Pallant, 2010). Generally, there is need for a large enough sample for the estimates obtained in the sample survey to be reliable enough to meet the objectives of the study. Estimators with low variance tend to be more precise by producing values that center increasingly on the expected value. This usually occurs as the sample size (n) increases (Pallant, 2010). Table 4.3 below presents the results of the EFA analysis of questionnaire items.

Table 4.3: Exploratory factor analysis results for research factors

Factor	Questionnaire item Code	Mean	Std. Dev	Communalities	Loading	Cronbach Alpha	% Variance Explained	KMO
Service Experience	part_b_10	4.10	0.91	0.290	0.725	***0.670***	*80%*	**0.545**
	part_b_11	2.16	0.52	0.294	0.708			
	part_b_13	1.10	0.30	0.101	0.494			
	part_b_8revised	6.65	3.48	0.104	0.567			
Sustainability	part_c_14	1.48	0.51	0.767	0.919	***0.572***	*84%*	**0.533**
	part_c_15	1.52	0.51	0.762	-0.924			
	part_c_18	1.61	1.02	0.303	0.737			
	part_c_20	1.81	0.60	0.290	0.695			
Organisation Learning	part_d_22	1.42	0.50	0.180	0.385	***0.610***	*60%*	**0.584**
	part_e_26	2.77	1.80	0.195	0.531			
	part_e_29	2.16	1.27	0.363	0.569			
	part_e_30	2.68	1.38	0.252	0.877			
	part_d_24	1.87	1.23	0.370	-0.583			
	part_e_27	1.84	1.37	0.433	0.640			
Operational Efficiency	part_f_31b	1.29	0.46	0.765	0.847	***0.715***	*71%*	**0.573**
	part_f_31d	1.29	0.46	0.828	0.929			
	part_f_31e	1.55	0.51	0.296	0.464			
	part_f_31c	1.26	0.44	0.441	906.000			
	part_f_31f	1.26	0.44	0.392	0.548			
	part_f_31g	1.48	0.51	0.363	0.580			
	part_f_31h	1.48	0.51	0.310	0.659			
	part_f_31a	1.32	0.48	0.320	0.478			
Corporate Governance	part_f_32h	1.45	0.51	0.211	0.593	***0.598***	*70%*	**0.601**
	part_f_32i	1.61	0.50	0.265	0.722			
	part_f_32b	1.16	0.37	0.127	0.492			
	part_f_32k	1.61	0.50	0.193	0.665			
Risk Management	part_f_32a	1.68	0.48	0.245	-0.515	***0.614***	*70%*	**0.559**
	part_f_32j	1.39	0.50	0.332	0.896			
	part_f_32l	1.74	0.44	0.559	0.830			
	part_f_32m	1.68	0.48	0.523	0.850			
	part_f_32n	1.26	0.44	0.184	0.453			

Table 4.3 shows the results for the EFA analysis done on the questionnaire items. However, the sample size of 31 limited the analysis to a maximum of 6 factors per each run. The strength of the relationship among the variables (or items) was tested using the Kaiser-Meyer-Olkin (KMO) test which must produce a value larger than 0.5. Table 4.3 shows that, the KMO values ranged from 0.533 to 0.601. Some of the factors were not considered because the Bartlett's test was not significant. Pallant (2010) notes that the items within the scales should adequately correlate and should have a significant ($p < .05$) Bartlett's test of sphericity.

EFA analysis was also used to group common factors around a single latent variable and Cronbach's alpha was used to test the reliability of the scales derived from the EFA analysis. However, not all latent variables were reliable. Table 4.3 shows items shaded in grey which were removed by using Cronbach alpha's (if item is deleted) value to determine which variables needed to be deleted for reliability to improve. As a result, 6 latent factors were extracted. These include the service experience factor explained by an 80% of the total variance of two items which were the number of years the SOE has been operational and does an enterprise provide a good or service?

The risk management factor explains total variance of 70% of the level of conflict of interest at board and management level, level of corruption, management level of remuneration and CEO's level of remuneration while the corporate governance factor comprises of items related to politically motivated appointments and political interference in decision-making process as well as compliance to the PEGA and government price controls. These factors were then computed into composite variables guided by privatization composite variable. Figure 4.1 in the next section specifies a privatization composite model developed from the above factors.

4.9. Model specification

This section presents a privatization model for SOEs based on the perceptions of managers interviewed and the EFA factors extracted. Table 4.4 represents the descriptive statistics of the computed variables. The composite variables are a product of its items, means that the questionnaire items were combined by multiplying them. The values ranges from a minimum of 1 to a maximum of 256 (28), which is a product of the answer ineffective (2) to 8 questionnaire items under the operational efficiency factor. The factors like operational efficiency (16.54) and sustainability (14.26) had a high kurtosis values which were expected considering their high variances.

Subsequently, in Table 4.4 below, the results were used to compute a privatization composite model that can be used to determine the level of privatization within an SOE by using the questionnaire items. The public sector attributes refers to factors that exhibit values that are greater than 1 and closer to the maximum of 256. The questionnaire coding was such that negative attributes related to inefficiencies, poor risk management and financially dependency on the government.

Table 4.4: Descriptive statistics of the computed variables

Factor	SPSS Variable Computation	Item Code	Description	Min	Max	Mean	Variance	Kurtosis	Skewness
Service Experience	Serv_Experience=part_b_10*part_b_11.	part_b_10	no. of years operational	2	15	9.10	12.82	-0.03	0.26
		part_b_11	does enterprise provide good service						
Sustainability	Sustain=part_c_14*part_c_18*part_c_20.	part_c_14	is the enterprise financially independent	1	20	3.42	13.45	14.26	3.48
		part_c_18	is the enterprise established to make profit						
		part_c_20	government bailout during period 2012/13 to 2016/17						
Organisation Learning	Org_Learn=part_d_22*part_e_26*part_e_29*part_e_30.	part_d_22	any obligation to pay annual corporate tax to government	4	100	25.84	673.07	1.10	1.38
		part_e_26	enterprise total number of employees						
		part_e_29	do managers moonlight						
		part_e_30	do managers undertake tertiary studies and further						
Operational Efficiency	Op_Eff=part_f_31a*part_f_31b*part_f_31c*part_f_31d*part_f_31e*part_f_31f*part_f_31g*part_f_31h.	part_f_31b	level of management capacity	1	256	24.19	2483.89	16.54	3.88
		part_f_31d	level of working relationship between ceo and managers						
		part_f_31e	level of perfomance management system						
		part_f_31c	level of working relationship between board and ceo						
		part_f_31f	level of internal communication strategy						
		part_f_31g	level of external communication strategy with shareholders						
		part_f_31h	level of investment decisions						
		part_f_31a	level of perception level of board capacity						
Corporate Governance	Corp_gov=part_f_32h*part_f_32i*part_f_32b*part_f_32k.	part_f_32h	level of politically motivated appointments at	1	16	5.10	19.49	1.51	1.43
		part_f_32i	level of political interference in decision making process						
		part_f_32b	level of compliance to the public enterprise act						
		part_f_32k	level of government price control						
Risk Management	Risk_Mgt=part_f_32a*part_f_32l*part_f_32m*part_f_32n.	part_f_32a	level of conflict of interest at board and management level	1	16	7.00	26.40	-0.58	0.77
		part_f_32l	level of corruption						
		part_f_32m	management level of remuneration						
		part_f_32n	ceo level of remuneration						

On the other hand, the private sector attributes were coded 1 (effective or yes). This coding used a positivist approach to ensure that the positive responses were closer to the minimum of 1. The functions used to calculate the value include the LN or log of 2 as a way to reduce the range of results. As a result, the privatization composite model range was reduced with a rating of 1 for private and rating of 10 for the public sector. The range between these two extremes is considered the level of privatization of SOEs in Namibia. The model was computed as follows:

Privatisation=LN ((Serv_Experience*Org_Learn*Op_Eff)/(Corp_gov*Risk_Mgt*Sustain)).

Where:

Serv Experience = Service Experience

Org Learn = Organizational Learning

Op Eff = Operational Efficiency

Corp gov = Corporate governance

Risk Mgt = Risk Management

Sustain = Sustainability

In this study, the privatization composite model is defined as the function of the product of private sector attributes divided by the product of public sector attributes. The model equation variables for the private sector attributes are: service experience, organizational learning and operational efficiency whereas the public sector attributes are: corporate governance, risk management and sustainability.

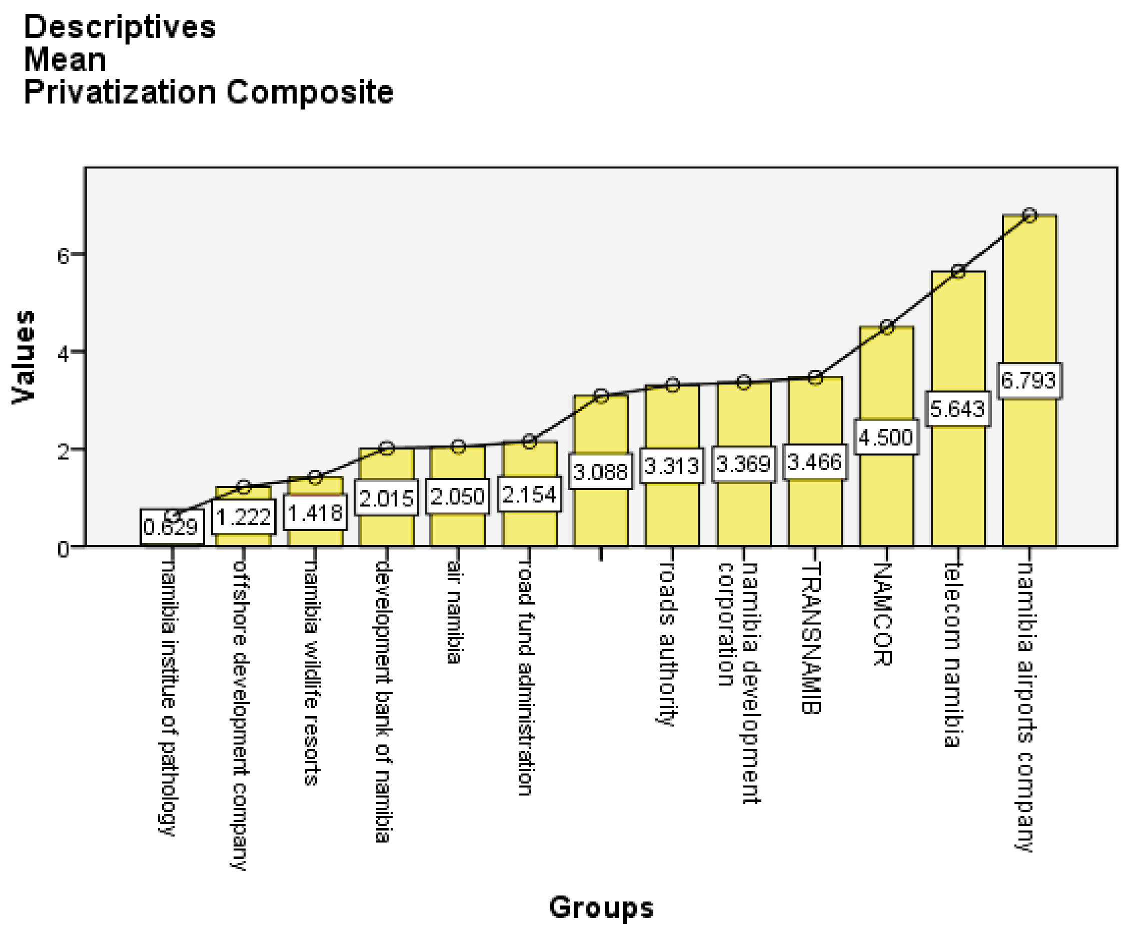
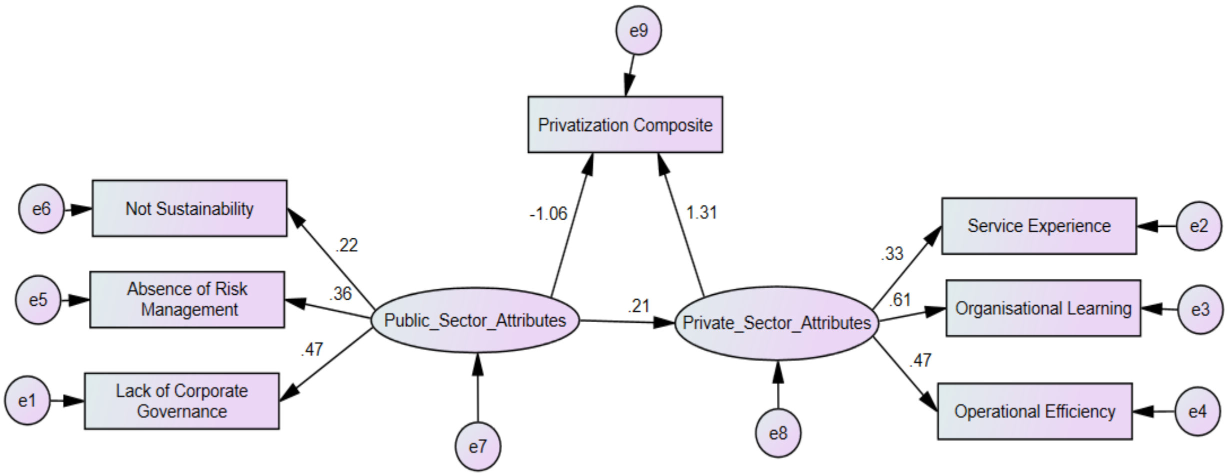


Figure 4.1: Privatization composite perception by SOE comparison

Figure 4.1 shows the Privatization Composite (PC) values for SOEs under study. The results shows that SOEs that are monopolies in their sectors exhibit the public sector attributes with PC values above 3 while those operating along commercial lines scoring PC values below 3. The model shows prospects in terms of categorizing SOEs by the level of privatization. As a result, the study used SPSS AMOS version 23 to validate the model through CFA.

The study followed a CFA procedure suggested by Gaskin and Lim (2016) which relies on associated plugins which makes it easier to run iterations of possible models quicker.



Model Fit Measures

Measure	Estimate	Threshold	Interpretation
CMIN	11.234	--	--
DF	12	--	--
CMIN/DF	0.936	Between 1 and 3	Excellent
CFI	1.000	>0.95	Excellent
SRMR	0.105	<0.08	Terrible
RMSEA	0.000	<0.06	Excellent
PClose	0.577	>0.05	Excellent

Cutoff Criteria*

Measure	Terrible	Acceptable	Excellent
CMIN/DF	> 5	> 3	> 1
CFI	<0.90	<0.95	>0.95
SRMR	>0.10	>0.08	<0.08
RMSEA	>0.08	>0.06	<0.06
PClose	<0.01	<0.05	>0.05

Figure 4.2: Proposed privatization perception model

The cut off criteria and model fit measures are derived from the Gaskin and Lim's (2016) model fit measures. The results shows a satisfactory privatization model that passed four out of five criteria model fit. In addition, standardized total regression effects in Table 4.5 below supports the model fit measures above.

Table 4.5: Standardized total effects

	Public Sector Attributes	Private Sector Attributes
Private Sector Attributes	.206	.000
Privatization	-.791	1.309
Sustain	.223	.000
Risk_Mgt	.360	.000
Corp_gov	.470	.000
Op_Eff	.097	.468
Org_Learn	.125	.608
Serv_Experience	.069	.335

4.10. Summary

In this study, the privatization composite model is defined as the function of the product of private sector attributes divided by the product of public sector attributes. By implication, the privatization model shows that; service experience, organizational learning and operational efficiency are privatization modelling factors that could lead to the success of the SOEs while poor corporate governance, low levels of risk management and lack of enterprise sustainability, are characteristic factors of the SOEs under government management. To this end, the privatization model provides linkages between the literatures of chapter two in which poor corporate governance and poor financial performance were highlighted as being critical in the inefficient operations of the publicly run state enterprises.

5. CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1. Contextualization

The research outcomes of the preceding chapter, answers the objectives of the study on the exploration of the factors that leads to the success and failure of the SOEs in Namibia, the basis on which a pilot privatization model for state enterprises was developed. The literature in chapter two, showed that privatization of the SOEs in certain countries has brought certain improvement in their overall operational efficiency. Privatization should therefore seek to achieve Pareto improvements for both the government and private investors. To this end, privatization aims to achieve higher allocative and productive efficiency, strengthen the role of the private sector; improve the public sector's financial position and free resources for allocation to other important government programs.

It is also worthy pointing from the literature that privatization should take place under a conducive legal environment with special consideration to the social, economic and political conditions of a country. In a well-planned and implemented privatization process, both the government and private investors should consider themselves winners especially in view of the long term re-distributional benefits which may arise from privatization.

5.2. Conclusions

Within the Namibian context, the need to formulate a privatization policy should become a national priority. To this end, the results of this study provides useful information for future privatization efforts for the SOEs in Namibia. Therefore, the results discussed in chapter four have several implications for Namibia in the sense that privatization would lead to improved operational efficiencies within the SOEs.

The development of the specified privatization equation in chapter four should therefore serve as a pilot model for privatization of the SOEs in Namibia. The outcome of this study thus postulates for privatization as the ideal option to raise resources, encourage wider private participation and promote greater accountability and operational efficiencies in the enterprises.

5.3. Recommendations

On the basis of the foregoing discussions, this paper makes the following recommendations:

Firstly, to the policy makers: it is a fact that most of the SOEs in Namibia have for a long time performed poorly in terms of their financial performance. Any consideration for privatization would therefore have to be undertaken on individual merit for each affected enterprise. In ensuring that privatization yield the best results, a strong political will would be required to support for the formulation of a coherent privatization policy and establishment of a strong institution that would run the whole privatization process.

Secondly, to the managers of the SOEs: in terms of privatization, it is possible that the managers of the SOEs could present the first line of resistance to corporate governance reforms. The resistance could be based on the fear of losing their jobs and positions to foreign experts. Therefore, the need to engage and educate managers on the benefits of privatization would be important.

Thirdly, to civil organizations: while this study did not take into consideration, the views of the various civil organizations, still their voice and participation in any privatization process would be important as they would serve to represent the interests of the different interest groups that maybe directly or indirectly affected by privatization.

Fourthly, to Scholars: this study presents an opportunity for further research on privatization. Within the Namibian context, well researched topics on privatization would help spur national dialogue and dispel doubts and uninformed resistance about privatization of the SOEs.

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APPENDICES

Appendix I: Semi-structured questionnaire

Department of Economics and Management Sciences

Post-Graduate Studies

<u>QUESTIONNAIRE</u>

Brief introduction: self

My name is Astro Katama Kabuku (Student Number: 9825746) and currently enrolled for the Degree in the Master of Science (MSc) in Economics at the University of Namibia (UNAM) since June 2014. I am at the moment working on my research study towards the Thesis - a pre-requirement towards the completion of the course. The target population of my study are the Economic and Productive State Owned Enterprises (SOEs) with commercial viability hence my research topic: "**Testing the Applicability of a Privatization Model on State Owned Enterprises in Namibia**". During the research study, I will be supervised by Dr. Jacob Nyambe, the Dean of the Faculty of Economic and Management Sciences at the University of Namibia. For any further enquiries, Dr. Nyambe can be contacted at telephone number (w): +264 61 206 3111/3770/3772 or email address: jmnyambe@unam.na. Alternatively, I can also be contacted at cell phone number: +264 81 2187 663 or at email address: astrokabuku@ymail.com.

Purpose of Questionnaire and Confidentiality

The purpose of this questionnaire is to gather data/information to support the Thesis towards the completion of the Degree in the Master of Science (MSc) in Economics. The data/information to be collected through this questionnaire conforms to the University of Namibia's (UNAM) requirements on confidentiality based on informed ethics. This questionnaire together with the research outcomes are purely for academic purposes ONLY.

NOTE: Questionnaire **MUST** be completed in **INK.**

PART A: INTERVIEWEE PROFILE

This section is asking for interviewee's profile.

1. Position/Rank of interviewee:.…………………………………………………………………………
2. Interviewee status of employment: permanently employed ☐ temporarily employed ☐
3. Interviewee's gender: Male ☐ Female ☐
4. Interviewee's age:……..………………………………………………………………………….
5. Interviewee's Department/Division:…………………………………………………………….....

   ………………………………………………………………………………………………….
6. Interviewee's highest level of education. *Cross or tick on the appropriate box.*

Grade 12	Diploma	Degree	Masters	PhD

7. Interviewee contact details: Tel (w)………………………..Cell (**Optional**)……………………………

PART B: COMPANY PROFILE

This section is asking for company profile.

8. Full name of the enterprise:…………………………………………………………………………

   ………………………………………………………………………………………………….
9. Year the enterprise was established:…………………………………………………………….....
10. Number of years the enterprise has been in operation. *Cross or tick on the appropriate box.*

1 – 5 years	6 – 10 years	11 – 15 years	16 – 20 years	21 years and more

11. Does the enterprise provide a *good* or *service*? *Cross or tick on the appropriate box.*

Good	Service	Both good and service

12. What is the principal business objective of the enterprise?...

    …………………………………………………………………………………………..….

    …………………………………………………………………………………………..……

    …………………………………………………………………………………………........

    …………………………………………………………………………………………..

13. Level of government ownership of the enterprise? *Cross or tick on the appropriate box.*

Full ownership	Partial ownership

PART C: COMPANY FINANCIAL INFORMATION

This section is asking for company financial information.

14. Is the enterprise financially independent? *Cross or tick on the appropriate box.*

Yes	No

15. **Skip this question if the answer in 14 above is YES.** However, if the answer is NO in 14 above, is the enterprise dependent on government subsidies? *Cross or tick on the appropriate box.*

Yes	No

16. **Skip this question if the answer in 15 above is NO.** However, if the answer is YES in 15 above, what is the percentage level of the enterprise's financial dependence on government funding? *Cross or tick on the appropriate box.*

25%	50%	75%	100%

17. Indicate the range of the amount of government subsidies that the enterprise has received during the following financial years (FY) 2012/13 to 2016/17 in the table below. *Cross or tick once ONLY for each year on the appropriate box.*

FY	51-200 million N$	201-350 million N$	351-500 million N$	501-650 million N$	651 million N$ and more
2012/13					
2013/14					
2014/15					
2015/16					
2016/17					

18. Is the enterprise established to make profit? *Cross or tick on the appropriate box.*

Yes	No

19. **Skip this question if the answer in 18 above is NO**. However, if the answer is YES in 18 above, indicate the range of the levels of profit (P) or losses (L) for the following financial years in the table below. **NOTE**: show answer by indicating with a "**P**" for profit and an "**L**" for losses *once ONLY for each corresponding year on the appropriate box.*

FY	1 – 50 million N$	51 - 100 million N$	101 – 150 million N$	151 – 200 million N$	201 million N$ and more
2012/13					
2013/14					
2014/15					
2015/16					
2016/17					

20. Have the enterprise received government bailout during the period 2012/13 to 2016/17? *Cross or tick on the appropriate box.*

Yes	No

21. **Skip this question if the answer in 20 above is NO.** However, if the answer is YES in 20 above, indicate the range of the levels of government bailout in the table below. *Cross or tick once ONLY for each year on the appropriate box.*

FY	101 - 200 million N$	201 – 300 million N$	301 – 400 million N$	401 – 500 million N$	501 million N$ and more
2012/13					
2013/14					
2014/15					
2015/16					
2016/17					

PART D: COMPANY FINANCIAL OBLIGATION TO THE GOVERNMENT

This section is asking for financial obligation of the company to the government

22. Is the company under any obligation to pay annual corporate tax to the government? *Cross or tick on the appropriate box.*

Yes	No

23. **Skip this question if the answer in 22 above is NO.** However, if the answer is YES in 22 above, indicate the range of the amount of tax paid to government for the period 2012/13 to 2016/17 in the table below. *Cross or tick once ONLY for each year on the appropriate box.*

FY	1 – 10 million N$	11 – 20 million N$	21 – 30 million N$	31 – 40 million N$	41 million N$ and more
2012/13					
2013/14					
2014/15					
2015/16					
2016/17					

24. Is the company under any obligation to pay annual dividends to the government? *Cross or tick on the appropriate box.*

Yes	No

25. **Skip this question if the answer in 24 above is NO.** However, if the answer is YES in 24 above, indicate the range of the amount of dividends paid to government for the period 2012/13 to 2016/17 in the table below. *Cross or tick once ONLY for each year on the appropriate box.*

FY	1 – 10 million N$	11 – 20 million N$	21 – 30 million N$	31 – 40 million N$	41 million N$ and more
2012/13					
2013/14					
2014/15					
2015/16					
2016/17					

PART E: EMPLOYEES INFORMATION

This section is asking for employees' information.

26. Enterprise total number of employees (both full and part time, excluding the CEO). *Cross or tick on the appropriate box.*

1-100 workers	101-200 workers	201-300 workers	301-400 workers	401 workers & more

27. Enterprise total number of executive managers (both full and part time, including the CEO). Cross or *tick on the appropriate box.*

5-10 managers	11-15 managers	16-20 managers	21-25 managers	26 managers & more

28. Indicate precisely how many workers were employed by the company for the following years in the table below.

2012/13	2013/14	2014/15	2015/16	2016/17

29. Do managers moonlight? *Cross or tick on the appropriate box.*

strongly disagree	disagree	moderately agree	Agree	strongly agree

30. Do managers undertake tertiary studies and further? *Cross or tick on the appropriate box.*

strongly disagree	Disagree	moderately agree	Agree	strongly agree

PART F: CORPORATE GOVERNANCE

This section is asking for the <u>level of perception</u> on good corporate governance.

31. What is your <u>level of perception</u> of the following issues pertaining to your company in the table below? *Cross or tick on the appropriate box.*

	Effective	Ineffective
level of Board capacity		
level of Management capacity		
level of working relationship between the Board and the CEO		
level of working relationship between the CEO and other Managers		
level of performance management system		
level of internal communication strategy		
level of external communication strategy with the shareholder/s		
level of investment decisions		

32. What is your <u>level of perception</u> of the following issues pertaining to your company in the table below? *Cross or tick on the appropriate box.*

	High	Low
level of conflict of interests at Board and Management level		
level compliance to the Public Enterprises Governance Act		
level of attitude towards work by the Board and Managers		
level budget execution		

level of internal monitoring and evaluation systems		
level of execution of SOE mandate		
level of politically motivated appointments at Board level		
level of politically motivated appointments at Management level		
level of political interference in decision making processes		
Level of staffing		
level of government price controls		
level of corruption		
Management level of remuneration		
CEO level of remuneration		
level of sitting allowances/retainer fees for Board members		

33. What is your level of perception of the following issue pertaining to your company in the table below? *Cross or tick on the appropriate box.*

	Efficient	Inefficient
level of enterprises financial management		

34. What is your level of perception of the following issue pertaining to your company in the table below? *Cross or tick on the appropriate box.*

	Good	Poor
level of enterprise financial performance		

35. If the answer is POOR in 34 above, would you recommend for reforms in support for privatization? *Cross or tick on the appropriate box.*

Yes	No

36. If the answer is YES in 35 above, provide reasons supporting for privatization……………………………

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37. If the answer is NO in 35 above, provide reasons against privatization……………………………………..

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…END and Thank You…