

**AN INVESTIGATION INTO CORPORATE GOVERNANCE PRACTICES AT TIER
3 STATE OWNED ENTERPRISES IN NAMIBIA
A RESEARCH SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
DOCTOR OF BUSINESS ADMINISTRATION
OF
THE UNIVERSITY OF NAMIBIA
BY
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DECLARATION

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“Glory to God Almighty and my Creator”

This research study is dedicated to my late parents, Reverend Andreas Haimbili and Magdalena Haimbili, from whom I inherited the virtues of discipline, commitment, hard work, and most importantly the fear of God. It is also dedicated to my late brothers Shikondjeleni and Ndinomwaameni Haimbili, who passed away during the course of this study.

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ABSTRACT

This study attempts to fill a knowledge gap by investigating corporate governance practices of Namibia Power Corporation (Pty) Limited (NamPower), Telecom Namibia Limited (Telecom), Air Namibia (Pty) Limited (Air Namibia), and Namibia Ports Authority Limited (Namport). It focuses on the role of the government as the sole shareholder, the supervisory role of the board, the executive role of the Chief Executive Officer (CEO), and how each influences corporate governance practices at the selected state-owned enterprises (SOEs). A review of existing literature, a multi-theory, multi-mechanisms approach, a qualitative design, and a multiple case study method have been adopted, with a convenience sample constituted of multiple participants, in order to gain a deeper understanding and different perspectives. To ensure triangulation, multiple data collection instruments were used. A thematic analysis was adopted to analyse the data. The findings suggest that Namibia does not have a corporate governance model that addresses the unique needs of the selected Tier 3 SOEs and the country. A tentative Namibian Tier 3 SOEs Holdings (Pty) Ltd model has been developed and proposed from the Organisation for Economic Cooperation and Development (OECD) guidelines, and from the lessons of the Temasek model of Singapore, which may assist policy makers, practitioners, and future scholars. The need for theory development has been pointed out as a challenge. Findings of the multiple case studies of the selected Tier 3 SOEs can serve as a basis for theory development by future scholars. Finally, a study on the operations of the new Ministry of Public Enterprises, constituting a larger sample of the Tier 3 SOEs not covered in the current study, is highly recommended.

ABBREVIATIONS

ADB	- African Development Bank
ACC	- Anti-Corruption Commission
AIIB	- Asian Infrastructure Investment Bank
BICG	- Baltic Institute of Corporate Governance
BBC	- British Broadcasting Corporation
BRICS	- Brazil, Russia, India, China, and South Africa
CAN	- Chairperson Air Namibia Board
CBN	- Chairperson Namport Board
CCP	- Chinese Communist Party
CEO	- Chief Executive Officer
CFO	- Chief Financial Officer
CHEC	- Chinese Harbour Engineering Company
CNP	- Chief Executive Officer Namport
CSRC	- China Security Regulatory Commission
CRAN	- Communications Regulatory Authority of Namibia
DCA	- Director of Civil Aviation
DGCS	- Demographics
DMA	- Director of Maritime Affairs
DOCG	- Definition of corporate governance
EPS	- Earnings per share
FDI	- Foreign direct investment
GINI	- A measure of inequality of income or wealth
GLCs	- Government-linked companies
GRN	- Government of the Republic of Namibia
ICT	- Information communication technology
IoDSA	- Institute of Directors of South Africa
ISS	- Institutional Shareholder Services
LLB	- Bachelor of Laws
LLM	- Masters of Laws

MA - Master of Arts

MAN - Managing Director of Air Namibia (Acting)

MBA - Masters of Business Administration

MD - Managing Director

MNP - Managing Director of Nampower (Acting)

MTN - Managing Director of Telecom (Acting)

NAMCODE - Corporate governance code of Namibia

NAMPORT - Namibia Ports Authority

NAMPOWER - Namibia Power Corporation

NBS - Namibia Business School

NPTH - Namibia Post and Telecommunications Holdings

NTSH - Namibia Tier 3 SOE Holdings

OBOR - One Belt One Road

ODI - Direct Overseas Investment

OECD - Organisation for Economic Cooperation and Development

PAP - People Action Party

PS - Permanent Secretary

PSS - Permanent Secretary State Owned Enterprises Governance Council Secretariat

PSMICT - Permanent Secretary of the Ministry of Information Communication & Technology

PWC - PricewaterhouseCoopers

RBP - Recommendations by participants

RCC - Namibia Roads Contractors Company

ROA - Return on assets

ROB - Role of board

ROG - Role of government

ROC - Role of CEO

SAA - South African Airways

SACU - South African Customs Union

SADC - Southern African Development Community

SAICA - South African Institute of Chattered Accountants

SARS - Severe acute respiratory syndrome

SASAC - State Owned Assets Supervision and Administration Commission

SCCG - Singapore Code of Corporate Governance

SOEGC - State Owned Enterprises Governance Council

SOEGCS - State Owned Enterprises Governance Council Secretariat

SOEs - State owned enterprises

SVM - Shareholder value maximization

SWAPO - South West African People's Organisation

TARP - Trouble Assets Relief Programme

TN - Telecom Namibia

UK - United Kingdom

USA - United States of America

WPSOPP - Working Party on State Ownership and Privatisation Parties

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CHAPTER 1

INTRODUCTION

1. Orientation of the study

1.1 Global overview

Public and academic debates about corporate governance practices have dominated the world of late. Contemporary challenges have enhanced the demand for quality corporate governance at global and local levels (Aguilera & Jackson, 2010; Achchutan & Kajanathan, 2013; Kefas, 2014; Moloi, 2015; Chikwiri & de la Rosa, 2015; Nor & Zawawi, 2016). Many scholars argue that corporate governance contributes to more than just the effectiveness of organisations, by creating a sustainable corporate environment (Adeoye, 2009; Sookram, 2016). They assert that corporate governance is a vehicle for the socio-economic development of nations. This socio-economic development happens because it tends to attract foreign direct investment (FDI), helping to reduce poverty levels through creating employment opportunities (Knott, 2016). As such, it becomes imperative for researchers to approach corporate governance practices research from a wider context. This approach will help researchers gain a better understanding of how their local corporate governance practices compare with the broader global framework, and where transformational changes may be required to meet current standards (Dale, Vella, & Potts, 2013; PWC, 2015).

Although the concept of corporate governance is widely debated, no single universally accepted definition exists. Different definitions and interpretations of the concept are attributed to the various fields of corporate governance expertise include political, legal, economic, and social fields. Multiple definitions are also accredited to the unique historical, political, economic,

social, and environmental conditions of different countries (Jiang, Feng & Zhang, 2012; Brickley & Zimmerman, 2010; Musacchio, Emilio, Ayerbe & Garcia, 2015).

Nevertheless, various models of corporate governance exist that reflect historical assumptions, differing ideologies, and political, socio-economic, cultural, and environmental factors of different countries, as well as the ownership and objectives of different companies (Salvioni & Gennari, 2014). On one extreme, these are shareholder models, viewed as exclusive and individualistic in nature, and mostly associated with the United States of America (USA) and United Kingdom (UK) (Sternberg, 1997, 2012; Merendino, 2013; Lee, 2014; Smith, 2014). The shareholder model is prominent in private companies whose objectives are mainly directed towards maximisation of profits and shareholder value, an assumption of the agency theory (Jensen & Meckling, 1976; Gitundu, Kisaka, Kiprop & Kibet, 2016). On the other extreme lies the stakeholder model, which is inclusive and collectivistic in nature, and largely prominent in continental Europe, Asia, and Africa (Rossow, 2009).

The stakeholder model is mostly common in state-owned enterprises (SOEs). These SOEs are entrusted with multiple objectives and are aimed at maximising the interests of various communities and of stakeholders such as the government, board, chief executive officer (CEO), employees, customers, and creditors (Wright, 2011). The foregoing philosophy of satisfying the interests of various stakeholders underpins the stakeholder theory (Freeman, 2010; Stout, 2012).

Prominent in Asia, the hybrid model, (Lee, 2014; Fallon, 2015) is viewed as the mid-point between the shareholder and stakeholder models. It caters to the needs and interests of

shareholders and stakeholders and is associated with the hybrid theory (Khanna, 2012). The scandalous collapse of high profile companies such as Enron, WorldCom, Nortel, Ansett Airlines, and Lehman Brothers (Magnan, Fogarty, Makarian & Bohdjalian, 2008; Rakoff, 2014), and the consequent world economic crisis of 2007-2008, highlight some of the weaknesses in the shareholder model and agency theory, or, as referred to by some, the “Washington Consensus” (Cowling & Tomlinson, 2013). The shareholder model and agency theory created the need for an alternative theory (Christopher, 2010; Thakor, 2015).

While there were other factors that could have contributed to the demise of corporates such as Enron and WorldCom, poor corporate governance was identified as the major contributing factor (Kirkpatrick, 2009). Consequently, the King I, King II, and King III models and codes were introduced in South Africa. While the Cadbury Report, based on the principle of “apply or explain,” (IoDSA, 2009) was not. The King III report emphasises an inclusive approach to governance. It also highlights effective leadership, sustainability, and corporate citizenship as key aspects of good governance (Khomba & Vermaak, 2012). The King III model and code has been adopted by several African countries including Namibia (Ashipala, 2012). At the time of writing, King IV was drafted, and comments were invited from the public (Deloitte, 2016).

Of significance is the establishment of the Organisation for Economic Cooperation and Development Guidelines (OECD, 2005). These guidelines were adopted as the international bench mark for corporate governance practices in SOEs. Jurdant (2013) states that the OECD has 34 member countries worldwide, including countries in North America, South America, Europe, Asia, and Pacific regions. Furthermore, a close relationship exists with emerging countries such as China, India, Brazil, and developing countries such as Mozambique, South

Africa, Namibia. The OECD's guidelines ultimate aim are to assist governments on how to effectively manage their responsibility as SOE owners and make them more competitive and transparent (Jalata, 2014; OECD, 2015).

Despite the existence of dual and decentralised ownership models, the guidelines recommend the centralised ownership model for SOEs. They also recommend the establishment of an ownership policy (Ximena, 2014). However, some critics view the OECD guidelines as promoting the shareholder model and agency theory perspective (Adèle, 2012; Lazonick & O'Sullivan, 2015). However, the World Bank (2014) suggests that no single universal ownership model is applicable. Therefore, the OECD guidelines further prompt countries to concentrate on SOEs as instruments of socio-economic development.

Much of the developed, developing, and emerging countries established SOEs for political, socioeconomic, and environmental purposes (Cuervo-Cazzura, Inkpen, Musacchio & Ramaswamy, 2014). The objectives of these SOEs relate to the control of natural resources, the building of basic infrastructure among others goals. Their attainment is concrete evidence of the gains of independence (Dlamini, 2005; Humanyun & Adelopo, 2012), addressing market failures and ensuring equitable wealth distribution. It also speaks to the creation of treasury revenue, poverty alleviation through job creation, the provision of accessible and affordable essential services such as electricity, telecommunication, and transport. Another objective of these SOEs is to guards against environmental hazards like pollution (Demaci & Paci, 2014; Leutert, 2016).

Inderst (2016) confirms that infrastructure is key to economic growth as well as social and ecological development. Furthermore, Koch (2016, p.2) suggests, “Electricity roll-out increases employment. Related to this the transport infrastructure expansion increases economic growth in the long-run and has relatively high rates of return in industrialising countries.”

Despite their important role, SOEs have typically been perceived as ineffective and a drain to the economies of their respective countries, compared to their private counterparts (Forfas, 2010; Gumede, 2012; Yu, 2013; Musacchio & Lazarrini, 2014). Various developed, emerging, and developing countries tried without success to privatise SOEs (Nellis, 2012; Yu, 2013). Furthermore, according to the World Bank (2014), unlike private companies, corporate governance practices of SOEs appears to be politically contentious and challenging to implement. Consequently, through line ministries, key stakeholders such as government are often resistant to reforms that would challenge their authority on SOEs under their control. Similarly, boards and CEOs may see good governance reforms as a threat to their positions and authority. Other stakeholders such as employees may fear losing their jobs when it comes to greater demand for efficiency. Suppliers and customers may view the demand for transparency as threatening their business dealings.

However, the above notion is perceived to be guided by the agency-shareholder approach (Shleifer & Vishny, 1997; Nellis, 2012; Apostolov, 2016) and has been refuted by experiences mostly from China and Singapore (Milhaupt & Zheng, 2015; Lee, 2016, Chen, 2016). Existing studies reveal that SOEs in strategic sectors such as energy, telecommunications, and transport have better corporate governance practices. These practices not only contribute to the

attainment of their respective mandates, but also to the overall socioeconomic development of countries (Hambricks, Weder & Zajac, 2008; Wicaksono, 2009; University of Denver, 2013; Stiglitz, 2014; Kirkpatrick, 2014; Tan, Puchniak & Varotttil, 2015).

The success story of good corporate governance practices in Chinese and Singaporean SOEs is attributed to the balancing of the sometimes conflicting roles of the government as the shareholder, the board as the supervisory arm, and the CEO as the executive. This conflict results in collaboration and interdependence between these key role players (Wilcox, Schneider & Barnai, 2012; Biljalwan, 2012; Ho & Young, 2013; Bruno, 2014). The collaborative and interdependent relationship is further strengthened by the conducive political, economic, socio-cultural, and environmental conditions (Ang & Ding, 2006; Lau & Young, & Li, 2007; Aguilera, Desender & Kabbach de Castro, 2009; Dobson, 2014; Ortman & Thomsen, 2016).

Despite being ignored by literature of developed economies, politics played an important part in the developmental agendas of China and Singapore. The success story of Singapore in particular presents evidence of a strong correlation between the political and economic realities (Yeo, 2016; Singapore Country Report, 2016). Given the one-party rules of the Chinese Communist Party (CCP) and the People's Action Party (PAP), they are referred to as authoritarian developmental states as opposed to democratic developmental states, as Botswana and Mauritius are called, where political rights and civil liberties are guaranteed (Meyns & Musamba, 2010; Kieh, 2015; Seshamani & Ndhlovu, 2016; Padachi, Urdhin & Ramen, 2016).

In contrast, in China and Singapore, the school of thought that democracy breeds socio-economic development and prosperity (Kagame, 2015) was not true. Authoritarian rule led to socio-economic development and prosperity (Wang, 2014; Chen, 2016). Furthermore, the success in emerging economies only reinforces the new thinking that corporate governance cannot be undertaken in isolation. It must be part of a broader national developmental strategy accompanied by political commitment in alliance with private companies and SOEs. This is because SOEs continue to dominate most of the economies in the emerging countries in Asia and Latin America, and developing countries in Africa (Armstrong, 2016).

The central role played by SOEs in a country's socioeconomic development results in increased demand for greater corporate governance reforms. This, in turn, leads to an increase in research on corporate governance practices in SOEs, particularly in emerging economies and to a lesser extent in developing economies (Yilmaz & Buyuklu, 2016). A number of existing literature (Mwaura, 2007; Wicaksono, 2009; Tung & Lam, 2012; Yu, 2013; Ashe, 2012; Yemane, Raju & Raju, 2015; Lishenga, 2015; Afolabi, 2015; Eforis & Uang, 2015; Nor & Zawawi, 2016; Gitundu, et al, 2016) investigated the role of single corporate governance mechanisms such as the government's ownership role, board's supervisory role, and the CEO's executive role, using individual theories and quantitative methods (Oosthuizen & Lahner, 2016; Wagana & Nzulwa, 2016), resulting in mixed findings.

The above mentioned studies do not only appear to present a limited theory perspective. They also appear to cover a partial context instead of the whole aspect of corporate governance practices in SOEs. While the need for using multiple theories was long articulated, only limited research was done in this regard (Mellahi, Frynas, Sun & Siegel, 2016; Boyd & Solarino,

2016). This created a research gap which is addressed by the current study. The study uses multiple mechanisms and theories, and the qualitative method approach (Aguilera, Desender & Kabbach de Castro, 2012; Zattoni, Douglas & Judge, 2013; Al Mamun & Rahman, 2013; Misangyi & Acharya, 2014; Schiell, Ahmadjian & Filatotchev, 2014; Sookram, 2016).

1.2 Continental and Regional Overview

In contrast to the success story of SOEs in emerging economies, limited literature on SOEs corporate governance practices in developing countries show that, despite their good intentions, have been ineffective. This excludes SOEs such as Ethiopian Airways and Mauritius Airways (Selamawit 2012). These ineffective corporate governing SOEs include South African Airways (SAA), Telkom, Sasol, Eskom, and Sonangol (Adèle, 2012; e Cunha, Fortes, Rodriques & Rego, 2015; Mans-Kemp, Erasmus & Vieviere, 2016; Lampert, 2016; Heller & Delesgues, 2016) and others. Some of the factors contributing to this ineffectiveness are lack of leadership, transparency, and accountability (Bruno, 2014; Edoun, 2015; Makhado, 2016). Other factors include weak or non-existent collaborative relationships between governments, boards, and CEOs. These elements have often led to constant staff turnovers, further aggravated by political instability, and deteriorating socio-economic and environmental conditions (Nellis, 2005, 2012; Rondinelli, 2005; Mwaura, 2007; Adegbite, Amaeshi & Amao, 2012; Markkanen, 2015; Afolabi, 2015).

One of the key factors that played a major role in the socio-economic growth of emerging economies such as China and Singapore was access to foreign direct investment (FDI) (Yalta, 2011). This has also been a challenge for many African developing economies such as in the Southern African Development Community (SADC) region (Adeoye, 2009; Waweru, 2014).

Herzer, Klasen, Nowak-Lehman (2008) cite several benefits derived from FDI such as stimulation of economic growth and development, technological spill-overs, and human resource development. Other FDI benefits include integration of host countries in the global economic trade, creation of a more competitive business environment, and enhancement of the development of enterprises.

To assist member countries access to FDI, the SADC Protocol on Finance and Investments highlights the following factors to be considered when assessing and evaluating the suitability of a region for FDI, of which member countries must comply (Mbao & Komboni, 2008; Mahembe & Odhiambo, 2013).

- i) ***A stable political and macro-economic environment, favourable regulations, quality infrastructure, skilled human resources, and transparent legal systems.***

Countries such as Botswana, Mauritius, and Namibia are doing relatively well on these factors, except on the skilled human resources aspect which remains a challenge.

- ii) ***Integration of national markets into an expanded regional market with a higher level of liquidity.*** The integration of trade in the SADC region between member countries is still problematic. This is an issue which can partially be attributed to inadequate and deficient transportation infrastructure such as roads, rail, and air transport. Many countries such as Botswana, Lesotho, Namibia, and Swaziland have trade relationships predominantly with South Africa. These countries also belong to the Southern African Customs Union (SACU) established in 1910, with

its secretariat now located in Windhoek, Namibia, and managed by a Namibian national.

- iii) ***A harmonised investment regime and business environment.*** Countries such as Botswana, Mauritius, and Namibia are rated favourable on this factor.

Despite the benefits of FDI, many countries on the African continent and particularly in southern Africa are expected to transplant models, theories, and codes. These are generally from developed economies such as the USA and UK and not suitable for the individual historic, political, economic, socio-cultural, and environmental contexts, presenting a potential threat to their sovereignty (Okike, 2007; Zoogah, Peng & Woldu, 2015). Amusa, Monkam & Viegi (2016) caution that the over-reliance of developing countries on FDI may not be a sustainable means to achieving long-term growth.

The foregoing discussion presents the need for African nations and specifically those in the SADC region, to seek the development of country-specific corporate governance models and codes, guided by African philosophies such as Ubuntu and Harambee (Okike, 2007; Khomba & Vermmaak, 2012; Sikwila, Chavunduka, & Ndoda, 2015; Markkanen, 2015; Okari, Keraro & Kiambati, 2012; Turyahikayo, 2014). Okike (2007) argues that corporate governance practices from developed and emerging economies reflect their history, assumptions, and value systems. Okike (2007) adds that the practices should not be transplanted. Alternatively, developing economies should identify various ways and remedies in which the universal guidelines can be applied in their countries to correct the existing weaknesses (Gumede, 2012).

South Africa has responded to this call, by developing the King III Model and Code which highlights the importance of Ubuntu as a critical tool that promotes good governance.

At the time of writing, King IV was being drafted and inviting comments from the public (IoDasa, 2009; Khoza and Adam, 2005). Khoza and Adam (2005) state that Ubuntu provides corporate leaders with leadership skills that are interdependent, but not directionless. These skills are also inclusive yet decisive, and tolerant, empowering, and disciplined.

Thus, existing literature on SOEs corporate governance practices also reflects a perspective that views countries in Africa as homogenous. This results in untenable findings and conclusions which attract much criticism (Keulder, 2010). To this effect, it is argued that although countries in Africa may have familiar features such as a culture of collectivism or dominance of SOEs (Corrigan, 2014), there is no compelling reason to claim that if one country has an autocratic and corrupt political regime that could lead to economic and social collapse, the same will apply to all other countries on the continent (Adegbite, Amaeshi & Amao, 2012). Drawing from the global perspective, the challenge remains on how southern African countries such as Namibia can learn from experiences of emerging economies, such as China and Singapore (Sultan Balbuena, 2014).

This challenge has given rise to the need for African developmental states (Kim, 2009; Kieh, 2015). However, there are few arguments to support this thought. Norman and Stiglitz (2012) previously argued that contemporary Africa has to pose specific questions such as:

- Could the government play a more active role in promoting development?

- What are the governance requirements for a more activist government?
- What lessons could Africa learn from Asian experiences?
- How can the perception of corruption be addressed by a development-oriented government?

Following the above view, Atta-Mensah (2015, p.171) concludes that, “Africa has to be developed by Africans...no matter how long it takes and how painful it may be.” Kagame (2015) argues that every developed economy, without exception, came about from a coalition between the free market and a strong developmental state. As such, the idea of limiting state participation in the economy has left many countries in Africa without a viable path out of poverty. This view is supported by Bresser Pereira (2016).

1.3 Country overview

Whether privately owned or government-owned, companies exist within political, economic, social, cultural, and environmental conditions. These conditions present challenges to be overcome and opportunities to be exploited (Mulili & Wong, 2011).

Namibia, named after the Namib Desert, is located in South Western Africa, with a coast line on the Atlantic Ocean. The country shares borders with Angola, Botswana, Zambia, Zimbabwe, and South Africa (The Government of the Republic of Namibia, (GRN), 2015). Namibia attained political independence in 1990, inheriting a society which was politically divided along racial and ethnic lines. To address the challenges, a multi-party democratic government was established. The new nation was formed with a constitution recognising the rule of law

and making provision for individual rights and civil liberties (Melber, 2016). To heal the scars of apartheid and war, a policy of reconciliation was established. As a result, Namibia has often been classified as a stable and democratic country (USA. Department of State, 2015).

Economically, Namibia is endowed with natural mineral resources such as diamonds, copper, gold, and uranium. Ironically, these resources leave the country overly dependent on the mining sector. In terms of export revenue, the mining sector constitutes the backbone of the Namibian economy. However, given the sector's capital intensive nature and the weak linkage to other sectors such as agriculture, mining does not make a significant impact on Namibian unemployment rates, estimated at 27.5 percent in 2012 (African Development Bank (ADB), 2014-2018).

Namibia also has a vibrant fishing sector, which has emerged as the fourth largest foreign currency earner of the country. The fishing sector serves as a large source of employment, particularly in the Erongo Region, which is situated in western Namibia (Chiripanhura, 2016). However, the agricultural sector still continues to be the major employer, creating low income jobs on commercial farms and rural communities engaged in subsistence farming. As a result of this wealth of resources, Namibia continues to be regarded as a nation of minerals, fish, and beef, despite the existence of other sectors such as tourism (Namibia's Fourth National Development Plan, 2012/13-2016/2017). Overall, sectoral data in Namibia has been limited (Melina & Torres, 2016)

Furthermore, the country has skewed income distribution, as most of the wealth is owned by a small minority of the Namibian society. The majority of Namibians are subjected to high unemployment and abject poverty. Namibia has a Gini coefficient factor of 0.59 (Schlettwein,

2016). Namibian President Hage Geingob (Staff, Reporter, 2015) bemoaned the nation's high Gini coefficient. Nevertheless, Namibia is still classified as a middle income country (ADB 2014-2018); this an issue recently tabled at the United Nations General Assembly (2015) for review to allow the country to access donor funding. Matthys (2016, p.5) describes the Namibian economic environment as follows:

Namibia has a small local market and since manufacturing requires large financial investment there is always a risk of return on investment. Furthermore, not all raw materials are readily available in Namibia (or sometimes in sufficient quantities); hence these need to be imported. If they are sought for regionally, it puts Namibia in a comparative disadvantage with reference to the cost of inputs. Add to this the high costs of electricity and water, and the risk of return on investment increases. One solution would be to access export markets. However, it would be hard to penetrate export markets from a comparative disadvantage production basis.

Given its favourable location and Atlantic coastline, Namibia has the potential to develop into both a regional and international hub. With that development, Namibia would overcome the limitations of a small domestic market and escape from the current over-dependence on the mining sector. This could be achieved through effective utilisation of the Port of Walvis Bay, which is administered by the Ports Authority of Namibia (Namport). This port has the potential to connect Southern Africa to Europe and Asia and to provide land locked countries such as Zimbabwe, Botswana, Zambia, and the Democratic Republic of Congo access to the sea (GRN, 2015).

Socially, Namibia, is a country of 825 418 square kilometres with a population of 2.3 million people, making it the least densely populated country in the world after Mongolia (GNR, 2015). Abdulai (Heita, 2016), of Accra, Ghana's Graduate School of Management and Leadership, recently cited Namibia's political stability, low population, availability of land, and membership in the South African Customs Union (SACU) and Southern African Development Community (SADC), as the reasons why Namibia could become a regional or continental financial hub.

Furthermore, Abdulai believes that Namibia could establish itself as a regional knowledge-based hub by moving towards a knowledge-based economy, similar to countries such as, India, Malaysia, Singapore, and Mauritius. According to Hooli (2016), these nations benefited from their own knowledge-based economies. Despite the previously stated advantages, Namibia is a multiracial society with highly pronounced tribal differences across all sectors of society (Geingob, 2015). To minimise potential tribal tensions and conflicts, the multi-party democratic government established at Namibia's independence adopted a constitution emphasising national reconciliation, human and individual property rights, and other ideals (Republic of Namibia, 2015).

With the formation of a democratic government similar countries such as Botswana, Mauritius, Angola, and Nigeria (Isukul & Chizea, 2015), expectations were that democracy and political stability would lead to socio-economic development (Keulder, 2010; Koigi, 2011; Phiri & Odhiambo, 2015). Although Namibia faced various challenges, it did not inherit a war-ravaged infrastructure of energy, telecommunication, and transport sectors, unlike neighbouring

countries such as Angola, which was involved in a post-independence civil war (Christiansen, 2012).

Vision 2030 was introduced as a national strategy to address Namibia's socio-economic development. Vision 2030 is guided by pillars such as good corporate governance, a relatively new concept in Namibia (Kefas, 2014). To attain the vision, 98 SOEs were established. Many, if not most SOEs, are owned by government as the sole shareholder. According to the constitution of Namibia, Chapter 11 (Principles of State Policy), Article 95 (Promotion of the Welfare of the People), the government is mandated to provide essential or basic services to the majority of the citizens, many of whom were denied these services during the colonial dispensation. These services include the provision of affordable energy, telecommunications, transport, and others. They are seen as crucial to bringing formerly marginalised communities into mainstream society, improving their socio-economic status (Heuva, 2007).

Major SOEs, and particularly those in infrastructure, were placed at the centre of driving Vision 2030. Some of the SOEs, such as NamPower and Air Namibia, were established under the Companies Act. Other SOEs, such as Telecom and Namport, were established through the various acts of Parliament; this co-existence sometimes presents a dilemma (Ashipala, 2012). The SOEs are classified as economic and productive enterprises, such as Air Namibia, regulatory enterprises such as the Communications Regulatory Authority of Namibia (CRAN), and service rendering enterprises such as the Social Security Commission, among others.

No specific definitions are provided to differentiate the stated classifications. The SOEs are further divided by size, total revenue, and employment and then placed into Tier 1, Tier 2, or

Tier 3 (Government Gazette, 2013). The list of Tier 1, Tier 2, and Tier 3 SOEs are provided in the Government Gazette, 2013, p. 2-3, in the appendix. Most Tier 3 SOEs are bigger in size, total revenue, and employment, as outlined below (Shifidi, 2014; Shooka, 2015):

- i) Namibia Power Corporation Propriety Limited (NamPower) has been the national power supplier since 1994. The company recorded revenue of N\$3.9 billion and a staff complement of 965 employees. Furthermore, as part of its corporate social responsibility obligations, NamPower is involved in the rural electrification program, which amounted to N\$20 million in 2014 (Annual Report, 2014, p. 12, 32).
- ii) Telecom Namibia Limited (TN) is Namibia's only integrated information communications technology (ICT) and is the country's leading broadband and backbone infrastructure service provider. As of 30 September 2014, the company reported a revenue of N\$1.3 billion and staff complement of 1 168 employees. During the same period the company committed N\$7 million to corporate social responsibility projects (Annual Report, 2013-2014, p. 20, 41).
- iii) Namibia Ports Authority Limited (Namport) has been Namibia's national port service and sea transport logistics operator since 1994. The company recorded revenue of N\$875 million and employs 965 employees. Furthermore, Namport has a Social Investment Fund to finance projects aimed at poverty alleviation, job creation, income generation, education, improvement of entrepreneurial skills, and health (Annual Report, 2014).

- iv) Air Namibia Proprietary Limited (Air Namibia), established in 1994, is the country's national airline. Unlike the other select Tier 3 SOEs, the company has failed to produce annual reports to date. Air Namibia has also failed to support any revenue generation claims such as N\$2 billion (Brandt, 2014). Regrettably, Air Namibia continues to be a major recipient of government bailouts (Wylandt, 2016). According to Brandt (2014), the company has a staff complement of 700 employees. However, no evidence of corporate responsibility initiatives have been reported.

To date, the above stated contributions can be aligned to national development strategies such as Vision 2030 and the Harambee Prosperity Plan. In terms of peace and stability, employment creation, social upliftment of communities, and environmental protection, which in the current study are referred to as the “quartet bottom line” (having political, economic, social, and environmental objectives), the overall performance of the Tier 3 SOEs still remain a high concern. For the 2009-2010 financial year total dividends received by government from SOEs amounted to N\$424.2 million, compared to N\$1.3 billion in subsidies, of which Tier 3 SOEs such as Air Namibia were the main recipients (Kuugongelwa-Amathila, 2012, p.4). As such, it has become imperative for these entities to be governed and managed efficiently and effectively, hence the need for good corporate governance practices. Consequently, the government introduced a commercialisation policy and the State Owned Governance Act, Act 2 of 2006, as amended in 2008. This act makes provisions for the State Owned Enterprises Governance Council (SOEGC) and the State Owned Enterprises Governance Council Secretariat (SOEGCS) (Links & Haimbodi, 2011).

Murangi (2010) explains that the rationale for the adoption of the commercialisation policy has several factors. The first reason is to ensure better governance and improved efficiency and service delivery of SOEs. The second reason is for the SOEs to achieve their overall mandates. These mandates include, but are not limited to, job creation and improvement of the government's fiscal position and objectives, which seem to have not been realised to date.

Nevertheless, Namibia received international recognition for its high standard of governance. This recognition came in the form of the Mo Ibrahim award, conferred to former Namibian President Hifikepunye Pohamba. Established in 2007, the Mo Ibrahim award recognises and celebrates excellence in African leadership. It aims to encourage leaders who fully dedicate their tenure of office to overcome the developmental challenges of their countries. Improving the livelihoods of their citizens and consolidating the foundation for sustainable development is praised (Mo Ibrahim Foundation, 2015).

However, some critics are not in agreement with the awarding of the Mo Ibrahim prize. They view Pohamba's presidency as dismal on corporate governance. Melber (2016) questions the criteria and merits used to award the prize. He argues that although Pohamba is a likeable person, he is a weak leader on corporate governance. He adds that despite Pohamba committing himself to the fight against corruption and helping with the establishment of the Anti-Corruption Commission, nothing has happened, and that Namibia seems to be as corrupt as it was in 2004.

In addition to Melber's concerns about corporate governance, reforms of corporate governance practices in SOEs continue to face challenges similar to those of its international counterparts

(PWC, 2015). Economic and Tier 3 SOEs, which are supposed to be commercially self-sustainable, face particular challenges. There appears to be a conflict between the commercial and social objectives as demonstrated by the high financial bailouts, monopolistic prices, and low productivity (Kahiurika, 2015; Smit, 2016).

The situation is further exasperated by resource wastage, poor board leadership, and CEO infighting. This is indicative of the current SOE governance framework being unsustainable and inadequate. The framework is also unable to transform the SOEs into agents of development to address the pressing challenges of poverty, unemployment, and inequality (Geingob, 2014). Along similar lines, Kuugongelwa-Amadhila (2012) and Schlettwein (2010) cited weak balance sheets and incompetent boards and CEOs as signs of the increasing gap between government and SOE aspirations.

In terms of commercial and social objectives, Diescho (Staff Reporter, 2015) attributed the gap between government and SOE aspirations to the lack of a national ideology. Such an ideology would unite the multicultural Namibian society toward a common developmental goal, similar to the Confucianism philosophy in China and Singapore. Although the Namibian government is facing a challenge in developing a national ideology and identity given its multicultural face, it is argued this challenge can be overcome by uniting the nation around civic symbols such as the constitution, an oath of allegiance, and the national flag (Ortman, 2009).

Politicians and scholars have made public statements about Namibia being a developmental state, given its multi-party democracy, politically stabilizing reconciliation policy, and relative cohesion among its various ethnic groupings. However, Namibia appears to be still at the

formative stage of a democratic developmental state. Namibia can at best be classified as an aspirational democratic developmental state similar to countries such as South Africa and Nigeria (Seshamane & Ndhlovu 2016). Tier 3 SOEs such as NamPower, Telecom, Air Namibia, and Namport can serve as important tools to achieve the country's developmental objectives. However, there is need for a specific model for the management of these national assets. This should make provision for a clear distinction between government's role as sole owner, the board's supervisory function, and the CEO's executive function (Mills 2015).

Similarly, Sultan Balbuena (2014) argues that unlike in Singapore, one of the main challenges facing SOEs in developing economies such as Namibia is the lack of an ownership policy. This has led to the blurring of roles and accountability resulting into a blame game between government, the board, and CEO (Trivedi, 2005). To this effect, the OECD (2015) guidelines and Mills (2015) explain that an ownership policy provides a clear separation between the government's roles as owner and shareholder, policymaker, and regulator. The government should therefore concentrate on policy and not interfere in the operational activities of the boards and CEOs.

In contrast to the government's views, boards and CEOs claim that government, as sole owner of SOEs, does not show enough political will to support the SOEs. Boards and CEOs feel their operations are undercapitalised and their remunerations are not market related, compared to their counterparts in countries such as China and Singapore (Von Oertzen, 2012). The foregoing views from the boards and CEOs are supported by various international and local experts (Smith, 2011; Roe, 2011; Reuters, 2014; Namakalu, Niishinda, Kadhila, Fillipus, Mukasa & Mushendani, 2014; Leutert, 2016).

The media has been at the forefront of highlighting the challenges faced by SOEs (Heita, 2010). However, two reports by Deloitte and Touche (2001, 2011/2012) on a corporate governance model of SOEs, confirm most of the challenges facing SOEs to be conflicting roles of the government, boards, and CEOs. This is especially the case in politicised appointments of boards and CEOs (Ashipala, 2012). Similar to Sultan Balbuena (2014), Mungunda, an associate manager at Deloitte and Touche, noted a lack of clear demarcation between the duties of government as the owner and appointing officer, the boards, and CEOs. He further concluded that in terms of adopting good corporate governance practices in Namibia, the worst institutions were the SOEs, adding that the current governance model needs to be overhauled (Masawi, 2012).

In view of the above, Afolabi (2015), Isukul & Chizea (2015), argue that the effectiveness of corporate governance practices is a function of the quality of the legal and regulatory system. Namibia has a dual ownership model of SOEs. The State Owned Governance Council (SOEGC) and its executive arm, the State Owned Enterprises Governance Council Secretariat (SOEGCS), are coordinating the effective implementation of corporate governance practices in SOEs. However, direct oversight of SOEs lies with line ministries (Sultan, 2013).

The multiple layers of authority and accountability involving cabinet, line ministries permanent secretaries, boards, and CEOs hinders the effective operations of the SOEGC and SOEGCS (Aupindi, 2009; Geingob, 2015). Furthermore, the SOEGC operates without a clear legislative mandate and consequently cannot attract or retain skilled personnel. This renders the operations of the SOEGCS ineffective (Sultan, 2013).

In May 2010, the Governance Framework on SOEs and the King III Model and Code were adopted by the government. This was followed by the adoption of the Namibia Code of Corporate Governance (NamCode) (Schlettwein, 2012; Ashipala, 2012). The SOEG Act, King III Model and Code, and NamCode exist. However, non-compliance to good corporate governance practices in SOEs continue with disputes unabated and litigations between boards and CEOs. This results in costly settlements or “golden handshakes.” NamCode only applies to listed companies and at the time of writing, none of the SOEs were listed.

Furthermore, there is the issue that some Tier 3 SOEs, such as NamPower and Air Namibia, are incorporated in terms of the Companies Act of 2004. Others, such as Telecom and Namport, are established in terms of parliamentary statutes alongside the SOEG Act. This sometimes leads to overlaps in governance structure, despite the SOEG Act having an overriding provision in the event of potential conflicts (Murangi, 2010). Links and Haimbodi (2011) conclude that despite the promulgation of the governance framework and formulation of some legislation, it appears most of what government itself has identified as needing to be done remains rhetorical.

The challenges facing SOEs should not be investigated and analysed in isolation, but within the framework of the “Namibian House.” This is a metaphor recently coined by President Geingob (Republic of Namibia, 2015). It defines the way forward by emphasising the national values of peace, stability, unity, inclusiveness, respect for the law, and good governance, as key factors which guide his political vision and strategy. Peace, stability, inclusivity, and unity of purpose are some of the values that guided Singapore’s meteoric rise to industrialisation under Prime Minister Lee Kuan Yew (Hussain, 2015).

Elevating his “Namibian House” vision to a regional level context, at a recent SADC Heads of State meeting Geingob (2015) stated, “No matter how meagre our financial resources may be, I believe that if we pull together in the spirit of “Harambee” (which in KiSwahili translates to pulling or lifting together), we will achieve our objectives of an industrialised region.” In his recent Harambee Prosperity Plan, Geingob highlighted that the plan’s ultimate objective is to ensure political stability, economic prosperity, and social justice. This includes basic needs such as proper housing, quality education, and adequate health (Namibia Press Agency (Nampa; 2016). The Harambee Prosperity Plan is based on five pillars (Republic of Namibia, 2016), namely:

- ***Effective governance.*** Requires transparency, accountability, improved performance, and service delivery.
- ***Economic advancement.*** Aims to ensure macro-economic stability, economic transformation, youth enterprise development, and economic competitiveness.
- ***Social progression.*** Entails fighting hunger and poverty, providing housing and sanitation, reducing infant and maternal mortality, and providing vocational education training.
- ***Infrastructure development.*** Aims to develop adequate energy, telecommunication, and water infrastructure.
- ***International relations and cooperation.*** Ensures that Namibia remains a global player.

However, Stiglitz (2016) argues that for Namibia to achieve the ultimate objectives of the Harambee Prosperity Plan, multiple instruments must be employed as opposed to focusing on

single-minded economic instruments such as inflation and interest rates. He stresses that growth needs to be inclusive and that there is a need for an increased government role in the socioeconomic development agenda (Brandt, 2016). Lopez, on the other hand, recommends that Namibia accelerate domestic resource mobilisation, even as a foundation to attract FDI (United Nations Economic Commission for Africa, 2016).

Following the country's review the following challenges in terms of corporate governance become evident:

- At national level, notwithstanding the political stability achievements, Namibia still needs to address the skewed income distribution, high unemployment rates, poverty, and sufficient FDI inflows.
- The country needs a national ideology to rally citizens behind common developmental strategies such as Vision 2030 and the Harambee Prosperity Plan (Republic of Namibia, 2016).
- Government needs to take the lead in addressing these challenges, while at the same time form alliances with the private sector. (Stiglitz, 2016).

Similarly, it has also become evident that the current dual ownership model of Tier 3 SOEs is defective and contrary to internationally recognised OECD guidelines (Sultan, Balbuena, 2014; Ximena, 2014). At the organisational level, Tier 3 SOEs are faced with challenges such as the conflicting roles of government, board, and CEO. Lack of leadership, high losses, rampant corruption, and mismanagement each threaten the future sustainability of these vital institutions and their roles in achieving national developmental strategies.

Case studies of China and Singapore are worth noting, as they mirror Namibia's current challenges (Sam, 2015; Radon, 2015; Ortman & Thomsen, 2016). Singapore, in particular, seems to not only be successful with the Temasek model of corporate governance, but has experienced similar developmental challenges. These challenges include high unemployment rates, and a lack of national ideology and adequate housing at independence. These challenges are reviewed and suggestions are made on appropriate improvements on the current governance framework in Namibia. At the time of writing, a new Ministry of Public Enterprises has been established and amendments to the SOEG Act were to be made (Kaira, 2015). Therefore, they are not covered in the scope of the current study.

In summary, given its favourable geographical position, political stability, and the Harambee Prosperity Plan, Namibia has the potential to achieve economic prosperity similar to countries such as China and Singapore. However, this requires visionary and committed leadership that puts the national interest before its own. It also necessitates a culture of meritocracy and efficiency in the government civil service and Tier 3 SOEs, both drivers of the national socio-economic development strategy. Above all, a political will to change developmental ideas, plans, aspirations, and strategies into concrete actions is needed.

1.4 Statement of the problem

In key infrastructure sectors such as energy (NamPower), telecommunications (Telecom), and transport (Air Namibia and Namport), Namibia's Tier 3 SOEs were created to fulfill political and economic objectives. However, these objectives are sometimes conflicting (Heuva, 2007; Kefas, 2014; Shooka, 2015; Wylandt, 2016). The above mentioned entities are expected to be

profitable and commercially sustainable, with a social obligation to create employment and alleviate poverty. These SOEs are also aimed at providing accessible and affordable services such as energy, telecommunications, and transport (Murangi, 2010; Shifidi, 2014; Sultan Balbuena, 2014).

Similar to their continental and global counterparts (Adèle, 2012; Nakapodia, Adegbite, Amaeshi & Awolabi, 2016), Tier 3 SOEs continue to face multiple governance challenges. These challenges include conflicting roles of the government as the sole shareholder, policy maker, and regulator, the board as supervisor and CEOs as the executive (Schettwein, 2010; Wylandt, 2016). Despite the existence of the State Owned Enterprises Governance Act (SOEG) Act, Act 2, 2006, as amended in 2008, and the King III Model and Code, these challenges resulted in lack of transparency, accountability, mismanagement, corruption, and poor performance at some of the Tier 3 SOEs (Schlettwein, 2010; Wylandt, 2016).

These negative results raised concerns about the abilities of Tier 3 SOEs to achieve the respective socioeconomic mandates entrusted to them. They also created a fear of the country losing out on much needed foreign investment (FDI) (Mbao & Komboni, 2008; Bhasin, 2012; Shifidi, 2014; Knott, 2016; Amollo, 2016). Corporate governance in the infrastructure of SOEs and its multiple challenges have been well researched worldwide. This is evidenced by the growing body of knowledge from developed economies such as the United States of America and United Kingdom, and from emerging economies such as China and Singapore (Sam, 2015; Götz & Jankowska, 2016; Zou, 2016; Lampert, 2016). The same cannot be stated in the case of Namibia, which creates a knowledge gap which the current study aims to address. The question arises how the conflict roles of the government as owner, the board as supervisor and

the CEO as the executive impact on good corporate governance practices at the selected Tier 3 SOEs.

1.5 Research objectives

Therefore, the broader objective of this study is to investigate corporate governance practices at NamPower, Telecom, Air Namibia, and Namport, in order to provide insight on ownership, supervisory, and executive functions of key role players and how they influences good corporate governance practices. Equally to make a proposal on a good corporate governance practices model, aimed at serving the interest of stakeholders such as employees, customers, creditors, and the broader communities. The following specific objectives guided the current research study:

- i) To investigate the role of government as the sole shareholder and how ownership influences corporate governance practices at NamPower, Telecom, Air Namibia, and Namport.
- ii) To examine the supervisory role of the board and how this influences corporate governance practices at NamPower, Telecom, Air Namibia, and Namport.

To determine the executive role of the CEO and how it influences corporate governance practices at NamPower, Telecom, Air Namibia, and Namport.
- iii) To development and propose a unique corporate governance model suitable for the Tier 3 SOEs and Namibia.

1.6 Significance of the study

1.6.1 Overview

The current study serves as a guide to provide insight to key role players in corporate governance at NamPower, Telecom, Air Namibia, and Namport. The key players include the government of Namibia as the sole owner, the respective boards as supervisors, and CEOs as executives. This study will also provide insight into how to effectively ensure the promotion of good corporate governance. This would serve in the interest of stakeholders such as employees, customers, creditors. Guidance and lessons are mainly drawn from OECD (2010, 2015) guidelines and from emerging countries such as China and Singapore.

1.6.2 The ownership role of the government

The government can be guided on how to best organise and manage its responsibility as the sole owner of the select Tier 3 SOES. Such an approach would include developing an ownership policy to clarify the government's role and the mandates of the respective Tier 3 SOEs. Individual performance could therefore be measured, addressing the agency problem between ownership and control.

Secondly, this study can assist government with replacing the current dysfunctional dual ownership structure with the recommended centralised structure (OECD, 2015). This would enable a clear separation of the government's ownership, policymaking, and regulatory roles. Certain roles can be performed by other structures, allowing government to concentrate on its policymaking role. Furthermore, a centralised system will also ensure autonomy of the boards and CEOs through transparent appointment processes. This would result in well balanced and skilled boards as well as competent CEOs.

1.6.3 The supervisory role of the board

Past experiences have shown that poor corporate governance in SOEs is largely due to the failure of the board to supervise and control the CEO in the execution of mandates and objectives (Adèle, 2012). The current study may assist the boards of Nampower, Telecom, Air Namibia, and Namport on how to effectively supervise and control management as led by the CEOs. This approach would clearly separate the roles of the chairmen of the boards from the roles of the CEOs. It would allow boards to concentrate on strategic issues, such as directing strategy formulation and implementation. It would also ensure the disclosure of strategic information such as annual financial statements. The chairpersons of the respective boards may learn how provide effective leadership and how to develop a culture of interdependence among key role players such as government, boards, and CEOs.

1.6.4 The executive role of the CEO

CEOs of Nampower, Telecom, Air Namibia, and Namport may benefit from this study by emulating the approach set by the board. The CEO's approach should be executed timeously and without undermining the board's authority by ignoring the line of command of reporting. The board's directives should be carried out expediently. CEOs may be informed on how to ensure a sound stakeholder engagement at all times. And, as the face of the organisation, CEOs would act in the best interest of stakeholders such as employees, customers, and creditors.

1.6.5 Contribution to the body of knowledge

The current study serves to contribute to the body of knowledge by developing and proposing a Namibian contextual Tier 3 SOE model, the Namian Tier 3 SOEs Holdings (Pty) Limited. This model takes into consideration Namibia's political, economic, social, and environmental factors, which in the current study, are referred to as the 'quartet' bottom line.

1.7 Limitations

Corporate governance is a relatively new concept in Namibia. Not much rigorous research of Tier 3 SOEs has been undertaken, resulting in the concept being widely misunderstood. Comprehensive access to relevant information may be related to the fact that corporate governance is a sensitive concept. Some participants may withhold information for fear of bad publicity.

These concerns are addressed by the research protocol as outlined in Chapter 4 of this study which discusses research methodology. Furthermore, the size of the sample is limited to four Tier 3 SOEs and eight participants. This may restrict the generalisation of the findings to Tier 3 SOEs. However, the researcher concurs with Crouch and Mackenzie (2006) that analysing large samples may defeat the purpose of qualitative research. This is because qualitative research is labour intensive and analysing large samples can be time-consuming and impractical. The previous view is further amplified by Goodrick (2014 p.4) when he suggests that, "The larger the number of cases examined, the less depth can be achieved when describing the patterns within and across cases."

1.8 Operational definitions

To establish a common understanding, key concepts used in the current study are defined as follows:

SOEs refers to entities which are majority-owned or 100 percent government-owned, as named in schedule (1) of the (SOEG) Act, Act 2 of 2006, as amended in 2008 and which are entrusted with socioeconomic objectives.

Tier 3 SOEs refer to entities as classified in terms of section 2 (2.3) of the Government Gazette No. 4538 of 2010. These entities are grouped by total revenue, assets, and primary employment and are expected to be profitable and pay dividends to the government (Murangi, 2010).

Transparency refers to the extent to which the actions of key role players at NamPower, Telecom, Air Namibia, and Namport are observable and understood by stakeholders.

Accountability refers to how key role players understand what is expected in exercising authority and how these players take responsibility for delivering results.

Responsibility refers to behaviour that includes corrective action for mismanagement by the board or CEO.

Independence refers to the level of autonomy of the board or CEO.

Interdependence refers to the complementary and collaborative relationships between the roles of the government as the sole shareholder, board as supervisor, and CEO as executive. Interdependence also relates to how each body depends on the others for successful implementation of good corporate governance practices (Khoza & Adam, 2005; Tricker, 2012).

Multiple corporate governance mechanisms refers to the ownership role of the government as sole shareholder of SOEs. It also refers to the supervisory role of the board and the executive role of the CEO.

State and government will be used interchangeably to refer to the owner and sole shareholder of NamPower, Telecom, Air Namibia and Namport.

Government's role as a sole shareholder refers to the roles as owner, policymaker, and regulator. It also refers to the government's leadership role in spearheading the implementation of good corporate governance practices.

Permanent secretaries are accounting officers of the ministries of Works and Transport, Mines and Energy, and Information Communication and Technology. They form the link between government ministries and the select Tier 3 SOEs. Permanent secretaries sometimes sit on boards of SOEs as representatives of the government.

Supervisory function of the board refers to a board's monitoring of the CEO. It further refers to a board's leadership role of ensuring interdependence between internal corporate governance key role players and external environments. These roles require the right board composition in terms of size, independence, skills, and gender diversity (Wicaksono, 2009).

The title of **CEO** also refers to the managing director (MD) in respect to NamPower, Telecom, and Air Namibia. **The executive function of the CEO** refers to the CEOs status. This status includes duality or entrenchment. It also includes the CEOs status as a leadership role linking the board, management, employees, and customers. This calls for skills competency and transformational leadership qualities (Sultan Balbuena, 2014).

Quartet bottom line refers to the attainment of the government's political objectives, as the sole shareholder of Tier 3 SOEs. These objectives are political stability and peace sustainability. Quartet bottom line also refers to the attainment of economic profitability objectives of individual Tier 3 SOEs and the economic growth of Namibia. Other references pertain to the achievement of social objectives such as:

- Social equity through job creation.
- Corporate social responsibility programmes.
- The realisation of environmental objectives through environmental conservation, and protection.

Tier 3 SOEs such as Namport and Air Namibia serve as national entry and exit points. They play a critical role in ensuring that dangerous substances, such as drugs, do not enter or leave the country. Emissions from power plants can also be harmful to the environment and citizenry unless safety precautions are taken. Faulty installation of underground fibres can cause fires to businesses and households.

4 Ps refers to politics, profit, people and planet.

1.9 Summary

Chapter 1 deals with the broader view of the study by introducing the concept of good corporate governance practices in SOEs. The introduction of the concept is mainly from global, continental, regional, and country contexts. The chapter provides the statement of the problem in the Namibian context, which is the focus of the current study. The larger objective is to investigate corporate governance practices at NamPower, Air Namibia, Telecom, and Namport. The specific goals are to investigate the ownership role of the government as the sole shareholder. Those objectives also include evaluating the supervisory and executive roles of the board and CEO, and how they influence corporate governance practices at the select Tier 3 SOEs as introduced.

Most importantly, the development of a unique corporate governance model for the select Tier 3 SOEs and Namibia, which has extensively contributed to the current study, is articulated. Further details are given about the usage of multiple corporate governance methods as opposed to a single mechanism, and the usage of a multiple theory instead of a single theory.

The thesis is divided into six chapters bound together by their relationship to the main theme: an investigation into corporate governance practices at Tier 3 SOEs in Namibia. The structure of the thesis is illustrated by *Figure (i)*.

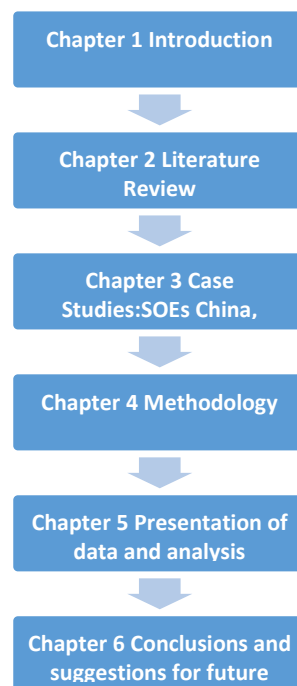


Figure i: Structure of the thesis

1.10 Outline of the remaining chapters

Chapter 2 “Literature Review,” covers the theoretical framework of the governance of private and public enterprises. It specifically deals with the definition of corporate governance as a

concept, the multiple theories guiding this study, and their applications in private companies and SOEs. Finally, it highlights the existing theoretical gaps.

Chapter 3 discusses the successful case studies on corporate governance practices in SOEs in China and Singapore. The focus is on the SASAC Model in China and in particular, the Temasek Holdings model in Singapore. The lessons which can be learned in addressing the current research problem and objectives are discussed.

Chapter 4 deals with the methodology selected for the study. It highlights phenomenology as the preferred paradigm for the study and qualitative design for a multiple case study as the suitable approaches adopted for the study. Furthermore, the chapter outlines the target population and the sample and participants interviewed. Other topics discussed in the chapter include research instruments, procedures, data analysis, and research ethics.

Chapter 5 deals with presentation of data and analysis of the select sample. Analysis is first made individually. Then, a comparison is made between the data of the four Tier 3 SOEs to identify the differences and similarities in the findings. The data is related to the broader and specific objectives of the study to see whether they address the research problem identified.

Chapter 6 presents the conclusions drawn about the research problem. This summarization is based on the conclusions surmised in the literature review. Implications for policy makers, practitioners, and future scholars are highlighted. A unique corporate governance model for select Tier 3 SOEs and Namibia is presented. The researcher also stipulates the limitations of the study. This may serve as motivation for future research. A brief conclusion is presented at the end of the chapter.

CHAPTER 2

LITERATURE REVIEW: THEORETICAL FRAMEWORK OF PUBLIC AND PRIVATE ENTERPRISES

2.1 Introduction

While Chapter 1 covers the introduction, this chapter deals with the existing knowledge of a comprehensive but not “exhaustive” coverage of the scholarship of corporate governance practices in public and private enterprises (Mouton, 2014). The literature reviewed mainly consists of primary sources such as journal articles and conference papers. None of the sources are over a decade old, in line with the regulations and guidelines for writing postgraduate theses and dissertations (University of Namibia Postgraduate Studies Prospectus, 2014, p.130). The literature reviewed forms part of a scope of a total of 699 references. Many of these references have been published within less than ten years.

A comprehensive literature review enhances the validity of a research study. It should identify literature gaps and relate them to the research problem under investigation. To this effect, Notar and Cole (2010) argue that a literature review allows the researcher to gain deeper understanding of the research problem. This understanding is related to the historical background, theoretical framework, current research developments, and trends. It thereby places the findings of the current research in the historical perspective.

A literature review equally contributes to the design and interpretation of the findings of the current study. Furthermore, it serves to inform the reader about what is known and unknown. As such, Ravitch and Riggan (2011) contend that it is important that a case study such as this

study begin with a comprehensive literature review, a view supported by Musacchio, Emilio, Ayerbe and Garcia (2015).

Premised on the above arguments and the introduction and background information covered in Chapter 1, Chapter 2 covers a detailed discussion on several definitions. These definitions include corporate governance, models, codes, and guidelines. It also covers different theories and scholarly contributions on corporate governance practices in private and public enterprises, and SOEs. Special attention is given to the ownership role of private shareholders and the government. The supervisory of the board and the executive role of the CEO is also highlighted (Gangone & Ganescu, 2014, Clarke, 2016). However, before focusing on the roles of the stated role players, it is imperative to define corporate governance.

2.2 Definition of corporate governance

The twentieth century might be viewed as the age of management. However, the twenty-first century is seen as focusing more on corporate governance. While the two concepts may address the control of the business, corporate governance is more complex (Al-Tawil, 2016). Furthermore, Al-Tawil (2016) highlights a change in corporate governance practices. There is a shift from focusing on corporate control in the twentieth century to public control in the twenty-first century. This twenty-first century approach involves recognition of the interests of employees, customers, the broader community, and the environment.

Similarly, Clarke (2015) argues that in the twentieth century, the focus of corporate governance has been on separation of ownership from control. In this twentieth century focus, boards were

pursuing the best interest of the company and were solely accountable to the shareholder. However, in the twenty-first century, the focus changed to include stakeholders such as employees, customers, and the broader community, while taking cognisance of the prevailing political, socioeconomic, and environmental factors. The changes also resulted in different views and assumptions.

Some scholars argue that corporate governance is an ancient and outdated concept (Abdullah, Yahya & Thurasamy, 2014; Yemane, Raju and Raju, 2015). However, many scholars disagree, given the mounting evidence of recent high profile corporate scandals and the world economic crises of 2008-2009. That crisis resulted in corporate governance dominating the policy agenda in developed, emerging, and developing countries (Ho, 2005; Aguilera & Jackson, 2010; Ahrens, Filatotchev & Thomsen, 2011; Obeten, Ocheni & John, 2014). On one hand, corporate governance is enjoying global attention. While on the other hand, the concept continues to be ambiguous (Humanyun & Adelopo, 2012).

Pursuant to the above, various scholars have come up with different definitions, each reflecting their fields of interest and expertise and the uniqueness of their respective countries. This makes corporate governance a contextual and evolving phenomenon (Jusoff and Alhaji, 2012; Yilmaz & Buyuklu, 2016), a view the current study upholds. Nerantzidis, Filos, and Lazaridis (2012), state that the definitions of corporate governance can be grouped into narrow and broader groups. Along a similar line of thinking, Humanyun and Adelopo (2012) explain the narrow definition is restricted to the context of the firm and its governance. The broader definition is within the national context.

2.2.1 Narrow definition of corporate governance

Narrow definitions originate mainly from the fields of finance and economics. They are usually associated with private enterprises (Aguilera & Jackson, 2010). To this effect, Shleifer and Vishny (1997), Armstrong, Guay, and Weber (2010), refer to corporate governance as the manner in which the supplier of finance to organisations assures the flow of returns on their investments. Consistent with the foregoing definition, Vrajil and Akash (2013) describe corporate governance as the relationship between capital providers or shareholders who save and invest their capital to earn money in the form of dividends, interest, or gain.

To ensure effective corporate governance, the shareholders appoint a board which appoints and monitors the CEO. The CEO in turn, is entrusted with the executive role. Tarek (2007), defines corporate governance as a process exercised by the board of directors and its related committees. This process is executed on behalf of and for the benefit of the company's shareholders as well as other stakeholders. Corporate governance provides direction, authority, and supervises management. While the definition recognises the existence of other stakeholders, the emphasis is on the relationship between the shareholders and the often self-serving managers.

Along similar lines, Carter (2012) defines corporate governance as the system and processes used by a firm to direct its course, and control its affairs, activities, and behaviours. These processes optimise performance, minimise risks, and realise overall objectives. The board plays a central role of directing the firm. It formulates the vision that articulates the firm's aspiration and mission, which explains the core purpose of the firm. The board also sets the performance standards and the results expected. For supervision and control, the board develops policies

and procedures guiding how everyone in the enterprise is expected to behave, which are usually contained in the Governance Charter.

From a more specific perspective, Mulili and Wong (2011) argue the definition by Shleifer and Vishny (1997) is shallow and individualistic. Arguably, looking at the time when the definition was coined, the debate about corporate governance was influenced by capitalism as the dominant ideology. This explains why the definition is aligned to the assumptions of market-orientation and individualism. Ironically, individualism as advocated by the narrow definition seems out of line with the definition of a corporation by the Cambridge International Dictionary of Contemporary English (2006). The mentioned dictionary defines a corporation as a large company or group of companies controlled together and not individually, which is in contrast to the issue of individualism in the narrow definition of corporate governance. Mbigi (2005) equally argues that collectivism and inclusivity, as opposed to individualism and exclusion, are associated with African values such as Ubuntu.

Furthermore, Tihanyi, Graffin, and George (2014, p. 1535) argue that, “Recent corporate activity and views, however, have an expanded view of corporate governance as involving stewardship and leadership, in addition to the narrow financial prudence role.” They refer to corporate governance as leadership systems, managerial control and protocols, property rights, and other practices that give organisations their authority and mandates for action.

2.2.2 Broader definition of corporate governance

Corporate governance has wider implications not only to the company but to the political, economic, social, and environmental conditions of a country. Therefore, it needs to be

considered when defining the concept. Broader definitions are usually associated with public companies such as SOEs, which have various stakeholders (Freeman, 2010). The King III and OECD guidelines are accepted as international benchmarks for good corporate governance and practice. However, they refer to corporate governance as an interdependent relationship between key stakeholders such as the shareholder, the board, the CEO, employees, customers, suppliers, financiers, government, and the community in which the organisation operates (OECD, 2014; Awotundun, Kehinde & Somoye, 2011; King III, 2009; Balgobin, 2008).

For effective corporate governance practices the board and non-executive directors should maintain an interdependent relationship and network between the organisation and relevant sources in the external environment. This ensures long-term sustainability of the organisation (Hillman, Withers & Collins, 2009; Okpara, 2011). Solomon (2013) defines corporate governance as a system of checks and balances to companies which ensures they discharge their accountability to all their stakeholders and act in a socially responsible manner. This system is both internal and external.

In a similar vein, Tabolt (2008), and Joo (2010) view corporate governance as broadly referring to the political, economic, and legal mechanisms which govern the activities of a corporation. They highlight that all the stated mechanisms are structured and influenced by the government. This defines the rules for their interaction and generating conditions for turbulence or order (Carrunthers & Kim, 2011; Davis, 2005). The broad definitions are inclusive and originate from social science and sociology. Caulkin (2014) points out that corporate governance should not only be inclusive, but have a human nature.

From a political and legal lens, Gourevitch and Shinn (2005) argue that the importance of political influence on corporate governance practices in organisations has been overlooked. It is further asserted that much of the literature appears to regard law, economics, and contractual issues as separate from politics. This is not the case because legislations and regulations guiding a country's corporate governance activities are the results of that nation's public choices and political decisions. As such, Gourevitch and Shinn (2005) describe corporate governance as a process which affects the creation of wealth and its distribution to various recipients.

Following the above, corporate governance shapes the efficiency of firms. It creates employment and demands for goods, services to customers, and pension benefits to pensioners. Gourevitz and Shinn (2005) further state that in contrast, corporate governance creates temptations for cheating and corruption. They add that it provokes conflict by attracting the concerns of powerful constituents such as the politicians. They also state corporate governance provokes the anxiety of the weak such as boards and government appointed CEOs. Given its characteristics of creating wealth, corporate governance attracts various interests, some of which may be beneficial or harmful to the company, such as stewards of the company or self-serving actors.

Similarly, while taking cognisance of the view that corporate governance is open to a variety of interpretations, the United Nations Commission for Europe Guidebook (Fye, 2016) defines corporate governance as the processes in government actions. The commission also defines it as not just *what* is done but *how* things are done. This definition also covers the quality of institutions and their effectiveness in translating policy into successful implementation. As such effective governance covers six core principles:

- i. **Participation.** The degree to which all stakeholders are involved.
- ii. **Decency.** The degree to which the formation and stewardships of the rules is undertaken without harming or causing grievance to people.
- iii. **Transparency.** The degree of clarity and openness of which decisions are made.
- iv. **Accountability.** The extent to which political actors are responsible to society for what they say and do.
- v. **Fairness.** The degree to which rules apply equally to everyone in society.
- vi. **Efficiency.** The extent to which limited human and financial resources are applied without waste, delay, corruption, or without prejudicing future generations.

The definitions of corporate governance by Gourevitch and Shinn (2005) and the United Nation Commission for Europe Guidebook (Fye, 2016) correlate with the current research study. The correlation is that the importance of political factors and the government participation seems to have been overlooked by Khoza and Adam (2005), and Vorster and Marais (2014) in their “triple bottom line,” This triple bottom line only includes economic, social, and environmental considerations. The quartet bottom line or “4 Ps,” translates into political, economic, social, and environmental considerations—or politics, profit, people and planet.

The narrow and broader definitions appear to be two opposites. However, some definitions emerge and seem to take a middle road between the two extremes. Page and Spira (2016) define corporate governance as a threefold process including:

- The conformance role of the board, such as, accountability and supervising the CEO.

- Performance functions such as strategy formulation.
- Policymaking.

These processes are integrated towards the attainment of corporate goals. Page and Spira argue that these processes can potentially enable a better understanding of how corporate governance contributes to corporate objectives such as sustainability, rather than acting as a constraint. They further highlight aspects of the board responsibilities, which are not explicitly recognized in the UK Corporate Governance Code, and may have been neglected in the prevailing emphasis on compliance, but which are intimately connected to both network relationship and corporate culture, which are now becoming a source of concern.

Similarly, Argüden (2010, 2012) draws a line between mere compliance to rules governing corporate governance practices as opposed to commitment to good corporate governance. He refers to good corporate governance as a culture and climate of consistency, responsibility, accountability, fairness, transparency, and effectiveness, which has to transcend across all levels of the organisation to ensure sustainability. Trust, is therefore, the underlying foundation of sustainable development. The ability to gain the trust of all stakeholders and the global financial markets become a key success factor in the value chain. It is evident that the view by Argüden (2010, 2012) changes the definition of corporate governance. It shifts from a mere box-ticking exercise complying with the rules of a particular model and code, to a necessary value-adding commitment and culture to ensure sustainability of an organisation. Argüden further identifies the board as the most important role player in achieving good corporate governance practices.

The approach of the current research differs slightly from Argüden's perspective. It argues that good corporate governance can be equated to a jigsaw puzzle which requires all parts matching before the puzzle can be completed. The foregoing implies that no single mechanism (e.g. the board) can lead to effective corporate governance practices. This is why there is a need for collaboration and interdependence from the shareholder, board, and the CEO (Misangyi & Acharya, 2014; Zou, 2016). Consistent with the previous view of using multi-mechanisms, Zabri, Ahmad and Wah (2016) only look at board size and board independence as corporate governance mechanisms in their study. They found that the results could have been better if other internal corporate governance mechanisms such as ownership, structure, the role of the CEO were considered.

Similar to Argüden (2010, 2012), Cardbury (2004) states that corporate governance is concerned with keeping the balance between economic and social goals and individual and communal goals. The governance framework is there to encourage efficient usage of resources and to require accountability for the stewardship of those resources. The aim is to align the interests of individuals, corporations, and society as closely as possible. The definition by Cardbury (2004) does not only seem to have a global appeal. It also appears to be underpinned by multiple theories, such as agency, stewardship, stakeholder, and resource dependence theories. These theories are used in the current research study. Mulili and Wong (2011) conclude that scholars and practitioners rarely define terms in a uniform manner, hence the need for an operational definition.

Consistent with the views expressed by Mulili and Wong (2011), Tichapondwa (2013) argues that definitions of corporate governance by other scholars will remain theories, unless they are

contextualised. From the discussions, it is evident that while corporate governance is appealing to both private and public firms, there is no universal accepted single definition (Jiang, Feng & Zhang, 2012; Brickley & Zimmerman, 2010). Ahrens, Filatotchev, and Thomsen (2011), point out that a universal definition of corporate governance cannot be possible, given the unique features of individual firms.

Despite these differences, many of the definitions appear to include and highlight a common theme of interdependent relationships of key stakeholders (Balgobin, 2008). Similarly, Kraftt and Ravix (2008) argue that despite the multi-disciplinary nature of corporate governance (including political, economic, sociological, and legal disciplines), connections between the various disciplines would contribute to a common understanding of what corporate governance is. It would also contribute to an understanding of how it is practiced at individual and societal levels. This view point supported by Aguilera and Jackson (2010), and Zattoni, Douglas, and Judge (2013).

Given that there are always two sides to a story, it is imperative to know what corporate governance is not in order to have a better understanding of what the concept is. Morck and Yeung (2016), highlight the following:

- i) Corporate governance does not constitute ticking off checklists. Enron used the mentioned approach and collapsed.
- ii) It is not transplanting models, codes, or regulations from one country to another. Given the different characteristics of countries, cloned models, codes, or regulations may be detrimental.

- iii) Corporate governance is not equivalent to the maximisation of shareholder value, or obeying to the letter and spirit standards and regulations without considering the organisational and country contexts.
- iv) Corporate governance is not abusing employees, customers, and the public.

Morck and Yeung (2016) conclude by emphasising that the most important ingredient of corporate governance is trust.

2.3 Corporate governance models

Existing literature about corporate governance practices remain diverse and inconclusive (Wicaksono, 2009). The mixed findings are attributed to the different models, theories, and corporate governance mechanisms applied, and the unique characteristics of individual countries and companies (Mulili & Wong, 2011; Letting, Wasike, Kinuu, Murgor, Ongeti & Aosa, 2012).

In line with the above sentiments and with the definitions of corporate governance, there is no universally acceptable single model of corporate governance. Each model has its own advantages and disadvantages. Much has been written about the traditional opposing models, namely the Anglo-Saxon or shareholder model and the German-Japanese, or stakeholder model (Lee, 2014; Gunayi, 2016). LaPorta, Lopez-de-Silanes, Shleifer and Vishny (1997) argue that generally a country's choice of a particular corporate governance model is subject to the existing legal framework of that particular country. This explains why the shareholder model is found in common law countries such as the USA, UK, Australia, and Canada. However, the

stakeholder model is common in civil law jurisdictions such as Germany, Japan, and the Netherlands.

Other scholars argue that the choice of a model is influenced by national ideologies such as capitalism or socialism and cultural philosophies such as Confucianism and Ubuntu (Khomba & Vermaak, 2012, Gyapong, 2016; Nalina & Panchanatam, 2016). From another lens, Jansson, Ulf, Veldman, and Beverungen (2016) argue that corporate governance models can be differentiated on the basis of:

- i) Ownership structure, whether diffused or concentrated.
- ii) Board structure, whether it is one-tier or two-tiers.
- iii) Whether the role of the chairman and the CEO are combined (CEO duality) or separated.

Still, the aftermath of the corporate failures and the world economic crisis highlighted weaknesses in the shareholder and stakeholder models. These vulnerabilities resulted in the emergence of the hybrid models and guidelines such as the OECD, and King I, King II, and King III models (IoDSA, 2009; OECD, 2005, 2011, 2015). In the current study, corporate governance models are discussed in the context of how corporate governance practices in private and public companies were understood before the global financial crisis of 2007-2008, and how they are understood to date (Krafft & Ravix, 2008; Rakof, 2014; Thakor, 2015).

It is argued that in order to understand corporate governance practices of SOEs, one has to understand the corporate governance of private companies (Matui, 2010). It is also becoming

evident that to understand the various primary objectives of private and public companies such as SOEs, an understanding of how an organisation or company is viewed through the lenses of different models is required (Rosa, Daniela & Markus, 2014; Shafjel, 2016). It is also important to stress that, given the main focus of the current research study of SOEs, the shareholder model is discussed from a private ownership and company perspective. However, the stakeholder and hybrid models are generally discussed from government ownership and SOE perspectives.

2.3.1 The Anglo-Saxon or shareholder model

The question which critics often ask in regards to the shareholder model is: In whose interest must the board and CEO govern and run a company? Proponents of the stated model usually respond that a company should be governed and managed in the interest of the shareholders, the legal owners and investors (Blount, 2016; Denis, 2016; Martinez, 2016; Lampert, 2016).

The Anglo-Saxon model views an organisation as an abstraction and closed system. This organisation can only act through two primary organs or mechanisms. The first is the shareholder, who has invested capital in the firm and therefore legally owns the firm. The shareholder is also entitled to earn returns on the investment such as profits and shareholder value maximisation. The second organ is the board. It is responsible for supervisory functions (Lee, 2014; Amoako & Goh, 2015). To secure the investment the shareholder appoints a board who in return, owes loyalty to the shareholder in protecting the shareholder's interest (Jensen & Meckling, 1976). Others see the organisation as a closed system acting through three main mechanisms of corporate governance also referred to as the "tripod." These mechanisms are the shareholder, the board, and the CEO. They are aimed at making a profit and maximising shareholder value (Biljalwan, 2012).

2.3.1.1 Characteristics

The narrow definition by Shleifer and Vishny (1997), and Guay and Weber (2010) refers to corporate governance as the manner in which financial suppliers of companies ensure they get a return on their investments. The definition is placed in the shareholder model classification. The Anglo-Saxon model is also known as the shareholder or “outsiders” model. It is mostly associated with English speaking countries such as the USA, UK, Canada, and Australia. These countries are also assumed to have similar economies, an ideology contested by proponents of the stakeholder model as the economies of different countries cannot be the same. Furthermore, because the board is mainly dominated by non-executive directors who are not employees of a company, the model is also referred to as the “outsiders” model (Mehrotra, 2015).

This model is applied in private companies, where the single objective is toward the maximisation of shareholder value (SMV). Before the global economic crisis, this value was seen to be applicable to all firms despite their individual and country contexts (Lazonick, 2015). According to Krafft and Ravix (2008), the foregoing belief is grounded in key literature originating from the economic and legal disciplines (Laporta, Lopez-de Silanes, Shleifer & Vishny, 1997). Furthermore, the shareholder model is perceived to be individualistic and exclusive in nature. It prioritises the interests of shareholders as owners of the business (Abid, Khan, Rafiq & Ahmad, 2014). The proponents of the shareholder model view shareholder value maximisation as indicative of a well-governed and well-managed company, Morck and Yeung (2016) argue that effective corporate governance is not equivalent to shareholder value maximisation, a view supported by Stout (2012) and Denis (2016).

2.3.1.2 Legislative and regulatory framework

Countries such as the USA, UK, and Canada are common law countries. Private companies are usually incorporated in terms of the Companies Act or Corporations Act. The Companies Act only recognises the shareholder as the legal owner. Therefore, it only defines the functions of the shareholder and board. The role of the chairman of the board and CEO are defined by the Articles of Association (Armstrong, Jia & Totikidis, 2005; Matui, 2010). While the Sarbanes-Oxley Act of 2002 is rule-based and mandatory code (Kuriakose & Iyer, 2016), the UK Corporate Governance code is principle-based and not mandatory in nature (Jahman, 2008; Rosa, et al, 2014). The UK Corporate Governance Code 2012 states that companies should be governed and managed to ensure ultimate providers of capital prosper (Deguest, 2014).

2.3.1.3 The ownership role of the shareholder

Ownership in the shareholder model is dispersed and shareholders are usually private individuals or institutional investors such as pension funds and insurance companies (Williamson, Driver & Kenway, 2015). Given the model's free market orientation, the role of government is limited to the creation of an enabling environment for private companies to thrive, such as the development of appropriate policies, laws, and regulations (Bavoso, 2016).

Regrettably, many, if not most of the existing literature using the shareholder model was omitted to highlight the role of the government as a key corporate governance mechanism (Carrunthers & Kim, 2011). This issue is addressed in the current study. Proponents of the shareholder model argue it is the best model because it ensures the survival of a company by maximising shareholder value (Sternberg, 1997, 2012). Sternberg (2012) highlights the need for the government not to interfere in corporate governance, further arguing that corporations

are private properties belonging to their shareholders in aggregate that should properly serve the ends designated by their owners.

Along similar lines, Sternberg (1997), Hansmann and Kraakman (2001), and Hopt (2011) argue that convergence towards the shareholder model is an undeniable reality. In contrast, however, Yoshikawa and Rasheed (2009), and Wilcox, Schneider and Barnai (2012) argue there will not be a convergence towards a shareholder model. Reflecting on the new way of thinking, Armstrong (2016) argues that for corporate governance to be successfully implemented there is a need for government commitment in addition to the participation of private and state owned enterprises (SOEs).

2.3.1.4 The supervisory role of the board

Kwarbai and Akinpelu (2016) have found a significant relationship between human capital efficiency and company performance, and in particular, financial performance measures such as, earnings per share (EPS) and return on assets (ROA), which affect shareholder value maximisation (SVM). This implies that to maximise SVM, there is an obligation to recruit a competent board and CEO. The board is appointed by the shareholder and therefore owes loyalty to the shareholder. This loyalty ensures the investment of the shareholder is not misused by management as led by the CEO (Merendino, 2013). The shareholder model makes provision for a one-tier or unitary board structure with a majority of non-executive directors or “outsiders” and executive directors or “insiders.”

In the one-tier or unitary board, the executive and non-executive directors serve on one board, which does not clearly separate accountability, supervising and monitoring, or conformance

functions of the board from the policymaking and strategic or performance functions of the board (Tricker, 2012; Solomon, 2013). In the USA, the positions of CEO and chairperson of the board are occupied by the same person. This is arguably to ensure unity of command and to enable the CEO to serve the interest of the shareholder better, given that decisions can be made faster (Yang & Zhao, 2014). The shareholder model emphasises the separation of ownership and control because the interests of shareholders, boards, and management, as led by the CEOs, may not be the same, creating an agency problem (Lampert, 2016).

As such, the shareholder model is viewed to be rooted in the agency theory (Tricker, 2010). Many of the prevailing company acts expect the directors of private companies to act in good faith and in the best interest of the company in supervision and monitoring of the CEO. The board exercises power for proper use. It disciplines the CEO in the event of non-compliance. The board also discloses any conflict of interests, if any (Winter, Van de Loo, 2012). However, today the role of the board has extended beyond the supervisory and monitoring function of the CEO. The role includes issues such as stakeholder management and maintaining interdependence between the company and critical institutions such as government and banks. The board also manages corporate social responsibility and responds to environmental issues such as climate change (Clarke, 2016).

2.3.1.5. *The role of the CEO*

The CEO is expected to implement the policy directives of the board on a daily basis and report on management activities to the board. This role can become complicated by CEO duality. This role can become complicated by CEO duality. *Figure (ii)* shows the relationship between the shareholder, the board, and the CEO as adapted for the current study. The relationship reflects

an individualistic top-down approach with no interdependence, collaboration, or mutual trust (Abid, et al., 2014). Khoza and Adam (2005) and Rosa, Daniela, and Markus (2014) argue that companies which do not encourage a culture of interdependence and collaboration are not going to be competitive in delivering goods and services.

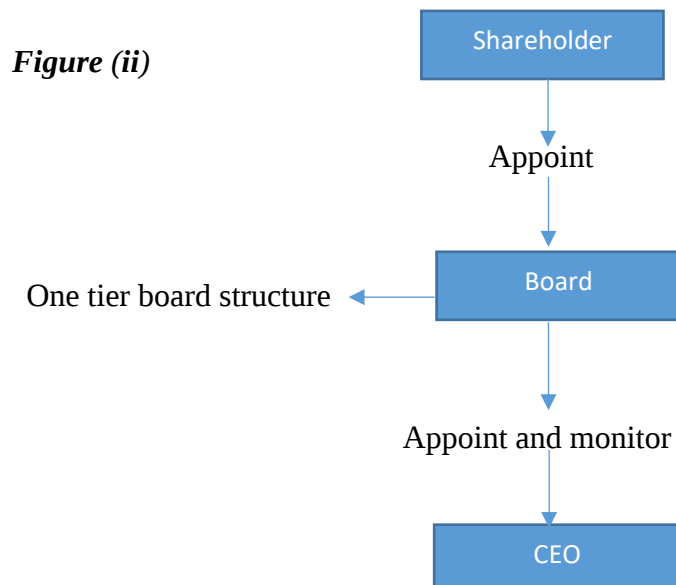


Figure ii: The shareholder model of a private firm

As indicated in Figure (ii), in the case of a private company, a board is appointed by the shareholder, hopefully on merit, after nominations by external human resources agencies. The board can also be dismissed by the shareholder at an annual general meeting (AGM) (Matui, 2010).

2.3.1.6 Limitations

Critics of the shareholder model argue corporate governance practices have been limited to a relationship between the shareholder, board, and CEO, as shown in figure (ii). Therefore, other

key stakeholders such government, employees, customer suppliers, and local communities are excluded (Christopher, 2010). Some scholars refer to these local communities as “moral owners” who are not residual claimants (Solomon, 2013). Premised on the previous view, Blount (2016) argues that the current corporate law, which he referred to as a shareholder-centric, is largely enabling rather than mandatory. This implies that no private company is mandated by law to comply to an inclusive approach of maximising the interests of all stakeholders, and that each company can do it voluntary and by choice.

On the other hand, Stout (2012) equally points out that there is no legal obligation for the board to maximise shareholder value. This is because the board owes its loyalty and care to the company, and not the shareholder. Furthermore, Stout (2012) argues that shareholders have different values which cannot be addressed by a “one size fits all” approach. The shareholder value maximisation (SVM) is perceived by many as a short-term objective which can harm a company in the long run (Lazonick, 2015; Healy, Henderson, Moss & Ramanna, 2015).

Along similar lines, Harrison, Bosse and Phillips (2010), Wicks and Harrison (2015), and da Silveira (2016), point to an increasing criticism on the shareholder model based on the assumption of shareholder value maximisation (SVM). Furthermore, da Silveira argues that globally, there is a growing mistrust for big private corporates because of successive financial crises and corporate scandals. These issues occur despite the existence of the best practices of independent directors and audit committees. It is evident that investors have lost faith in the shareholder model and regard big corporates as part of the problem rather than part of the solution.

Moreover, the combination of the position of the chairperson of the board and the CEO makes the supervisory role of the board complex and ineffective (Rodrigues, Tejedero-Romero & Craig, 2016). Bebchuck, Cohen and Spamann (2010) find that management teams led by CEOs as at Lehman Brothers and Bears Stearns, cashed out large amounts of performance-based compensation during the period from 2000 to 2008. Proponents of CEO duality, however, argue that combining the two positions allow quick and speedy decision making and the power to be vested in one person. This represents the unity of command principle (Cruz-Cruz & Frey, 2014).

However, given that corporate governance is a process in which the “one size fits all” notion is inapplicable, the choice of combining the roles of the chairman and CEO or separating them should be determined by the needs of a particular company. The needs of the country in which the company operates should also be determined (Palanissamy, 2015). The current study is consistent with the views of Palanissamy (2015).

The limitations of the shareholder model have created the need for the stakeholder model, a broader and inclusive alternative (Buchanan, Chai & Deakin, 2014). Consistent with the previous view, Berle and Means (1932) and Lazonick (2015) suggest that a company which transcends beyond the shareholder value maximisation claim and instead recognises the claims of the community is long overdue.

In defense of shareholder value maximisation, Denis (2016) argues that critics often fail to understand that shareholders are at the end of the line on corporate governance cash flows,

therefore bearing the residual cash flow risk. Moreover, shareholder value maximisation does not mean that only shareholders matter.

Concurring with the above but in contrast to the views held by Berle and Means (1932), and Lazonick (2015), Martinez (2016) argues that most corporate law scholars, such as Kahan and Rock (2007), Brav, Jiang, Partony, Thomas (2008), and Bebchuk, Brav, and Jian (2015), seem to suggest the shareholder model helps to improve corporate governance practices. The model does this by aligning the incentives of the shareholder, board, and the CEO. This increases the value of the firm, at least in the short-term. Furthermore, Martinez (2016) indicates that, in terms of the law and in particular the Companies Act in common law countries the board is entitled to govern and manage the company on behalf of its owners. Given the board's right to act autonomously, it can make a decision even when it is unwanted by the shareholder, provided the decision is within the limits of the law.

In addition, a company and in particular a private corporation is created by a private contract between legally recognised private owners. Such a private contract excludes other stakeholders or moral owners, such as government, employees, customers, creditors, and the general public. Therefore, parties to the private contract, who are legally recognised by law, can determine the nature and purpose of the company. A company may be a private company created for the purpose of maximising shareholder value. In this case, the board, as supported by the CEO, is bound by the purpose of the company. Whether the purpose of the company excludes other stakeholders or harms society in the long-term should be addressed through government legislations.

2.3.2 Stakeholder or insider model

Contrary to the assumption of the shareholder model, Tricker (2012), Allsop (2014), Lazonick and O, Sullivan (2015) explain that, the stakeholder, or the Continental European or the insider model assumes that the board and CEO should govern and manage a company in the interest of the society. Given that a society is constituted of various groupings such as politicians, bureaucrats, entrepreneurs, financiers, customers, creditors and the general public, the debatable questions remains: to whom are the board and CEO accountable? In which order must these stakeholders be prioritised?

The stakeholder model views an organisation as an open system constituting of multiple stakeholders such as governments, employees, customers, suppliers, and local communities. Organisations are therefore required to have interdependent and collaborative relationships with their stakeholders (Rosa, Daniela & Markus, 2014). Adding to the same perspective Bhasin (2016) describes an organisation as a “congregation” constituted by various stakeholders such as employees, customers, investors, vendor-partners, government, and society.

2.3.2.1 Characteristics

The shareholder model supports the notion of a company having a single objective of maximising shareholder value. In contrast, the stakeholder model recognises that a company has multiple objectives and obligations. These obligations are not only to shareholders, but to other stakeholders such as the board, CEO, employees, customers, suppliers, government, and local communities (Tricker, 2012; Nakapodia, et al., 2016; Griffith, 2016). This makes the stakeholder model collectivistic and inclusive in nature. It also which explains why the

stakeholder model has become attractive to emerging and developing economies in Asia and Africa, where inclusivity philosophies such as Confucianism and Ubuntu are pervasive (Lau, Young & Li, 2007; Okaro, Kerari & Kiambati, 2012). The stakeholder model is rooted in the stakeholder theory (Freeman, 1984; Smith, 2014). *Figure (iii)* shows the stakeholder model (Donaldson & Preston 1995) as adapted for the current study.

Figure (iii)

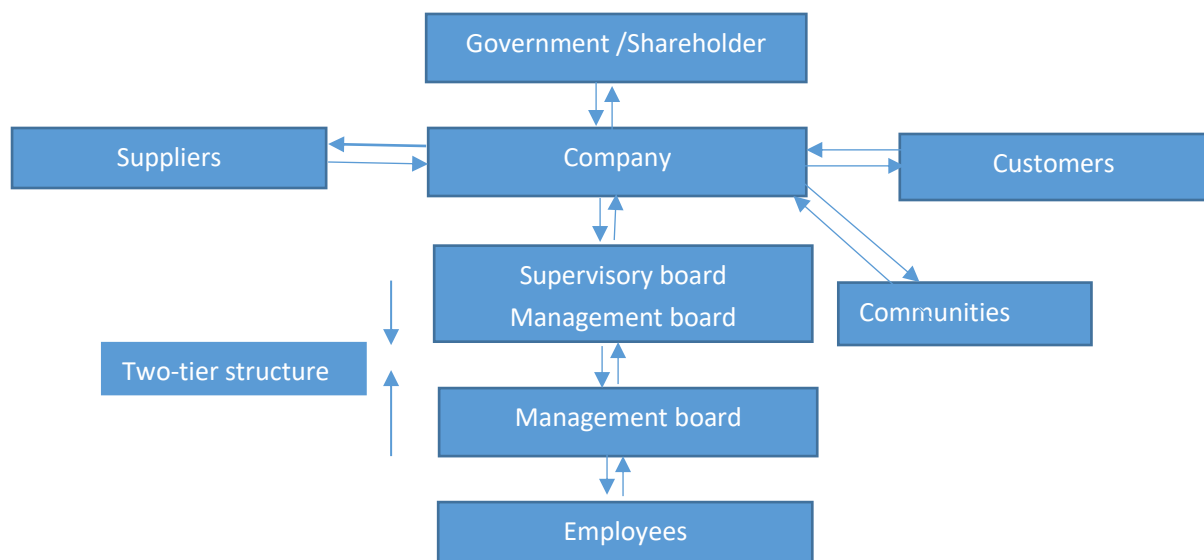


Figure iii: Stakeholder model of an SOE

The stakeholders are presumed to have an interdependent and collaborative relationship with the company (Khoza & Adam, 2005). As the shareholder, the government provides the finances, the employees provide their labour, and customers create the demand for products and services of the company. The suppliers provide the raw material used in the production. And, the labour force is usually sourced from local communities. These communities are also

the customers or users of the products or services provided. Each mentioned factor of production must be governed and managed by the board and CEO.

While the board is viewed as having the accountability and responsibility for corporate governance, it is dependent on the input and efficiency of the CEO and management (Liudas & Dovilė, 2014). The enabling environment of political, legal, economic, social, and environmental policies and regulations, including the registration of companies and granting of trading licenses, are the obligations of governments (Lazonick & O'Sullivan, 2015). The stakeholder model highlights the issue of multiple mechanisms whose collective efforts are needed to ensure effective corporate governance (Misangyi & Acharya, 2014).

Along similar lines, Christopher (2010), in his extended corporate governance model, suggests that effective corporate governance can only be realised with a collaborative and interdependent relationship and interaction between stakeholders. Such stakeholders include the shareholder, board, CEO, customers, suppliers, government, and the society. This takes cognisance of the political, economic, social, and environmental factors of different countries and the unique characteristics of individual organisations. The foregoing discussion has been supported by Gunay (2016, p.132) who states, "A good corporate governance is based on the interests of all stakeholders." Wilcox, Schneider and Bernai (2012) equally argue that SOEs should exemplify good corporate principles and practices.

2.3.2.2. Legal and regulatory framework

Countries such as Germany, where the stakeholder model applies, are civil law countries. Although the country is a free market economy, the government plays a more active and

important role. The German Corporate Governance Code 2013 regulates the companies and stipulates that the interests of shareholders, employees, and other stakeholders such as customers, suppliers and local communities, should be considered to ensure sustainable creation of value (Rosa, Daniela & Markus, 2014). Muswaka (2014) explains that under the German Stock Corporations Act, it is mandatory for all German stock corporations and all companies with over 500 employees to have a two-tier or dual board system. This view is highlighted by Reinehart, MacFerrin, Stephens, Duffields, and Pattel (2013) and supported by Stone (2016). In the case of the shareholder model, the provider of capital is the residual risk holder. In the stakeholder model all stakeholders are residual risk holders (Ayuso & Argandona, 2007). Many, if not most of the SOEs, are incorporated under the State Owned Enterprises Governance Act (Armstrong, et al, 2005; International Comparative Legal Guides (ICLG), 2015). The act defines the role of government as the shareholder and the board as the supervisor.

2.3.2.3 The ownership role of the shareholder

Ownership under the stakeholder model is mainly composed of governments and institutional investors such as banks. While they are institutional investors, banks are common in countries like Germany. State ownership is generally common in emerging economies in Asia, Latin America (Joussuf & Islam, 2015; Musaccio & Garcia, 2015; Olivera, Ceglia & Filho, 2016, Omid, 2016; Subramanian, 2016), and developing economies in Africa (Waweru, 2014; Wagana & Nzulwa, 2016).

2.3.2.4. The role of the board

The stakeholder model is also referred to as the two-tier board model as indicated in *Figure (iii)*. This is because it makes provision for both a supervisory and management board. The supervisory board is usually composed of an equal number of appointees from institutional investors such as banks, employees, and unions. It is responsible for the supervision of the management board, normally composed of executive managers. The two-tier board clearly separates the conformance role of supervision and monitoring, vested in the supervisory board, and the performance role vested in the management board (Solomon, 2013; Muswaka, 2014). Muswaka (2014) recommends the adoption of the German two-tier system in South Africa, subject to some contextual moderations.

2.3.2.4.1 Board leadership

The two-tier board system is not inclined toward CEO duality. It is associated with codes such as the German Code of Corporate Governance, as amended on May 2013. That code prescribes, amongst others, representation of stakeholders such as the shareholder. It also suggests employees and labour unions on the supervisory board, an issue usually frowned upon by some investors from market-oriented economies (Gyapong, 2016). The supervisory board is usually chaired by a non-executive director, whilst the management board is chaired by the CEO.

A sound relationship between the chairperson of the supervisory board and the CEO as chairperson of the management board is crucial. In Asia, the Confucianism doctrine emphasises respect for authority which plays an important role in building a collaborative and interdependent relationship between the two functions (Lin & Milhaupt, 2013). However, one of the notable differences between the chairman of a one-tier board and a two-tier board is that

the supervisory board's chairman voice counts twice in the event of a tie or stalemate (Muswaka, 2014).

2.3.2.5 The role of the CEO

The CEO is the link between the executive board and the employees. This officer is responsible for communication and implementation of board directives to management and employees. Together, the CEO and management develop a strategy for approval by the executive board. The CEO is required to be multi-skilled, with human behavioural skills in leadership, communications, and in technical areas such as finance and law (Frederick, 2011).

2.3.2.6 Limitations of the stakeholder or insiders model

The stakeholder model holds attributes such as inclusivity, as it accommodates the needs of both commercial and societal stakeholders. Still, the model has attracted some criticism. Stenberg (1997), one of most outspoken critics, claims the stakeholder model undermines the principle of accountability, an important ingredient of good corporate governance practices. Other critics such as (Jensen, 2001) question the criteria used to differentiate between legitimate and illegitimate stakeholders and how to prioritise their needs. In contrast to shareholder rights as legal owners and residual claimants as advocated by Deguest (2014) and Martinez (2016), it is argued that shareholder rights, often limited, are weak. The moral obligation which a company owes to society is stronger than the moral obligation the company owes to its shareholders. This claim appears to find support with scholars such as Lampert (2016), who argue that agents such as boards and CEOs have contractual fiduciary responsibilities to their shareholders.

Furthermore, the stakeholder model complements the shareholder model to achieve its assumption and goal of shareholder value maximisation. This is because the stakeholder model encourages the board and CEO to act in the interest of stakeholders (Allsopp, 2014). The implication is that the company produces products and services which customers want to buy. The company also builds relationships with suppliers, which the company is eager to have. Jobs for employees are created and, when treated fairly, employees become more productive. They also become customers of the company's products and services. Consequently, while contributing to more profits, the stakeholder model also emphasises fair treatment to stakeholders, who collectively contribute to the realisation of profits. This highlights the interdependent nature of the shareholder and stakeholder models (Allsopp, 2014; Morck & Yeung, 2016).

In a recent study, Burga and Rezania (2016) attempt to differentiate between key stakeholders by identifying and categorising them by their integrated power, urgency, and legitimacy values. However, the two traditional models continue to be polarised. De Moor (2013-2014) summarises the differences between the two competing models as follows:

- i. The stakeholder model is inclusive, while the shareholder model is exclusive.
- ii. In terms of the board structure, non-executive and executive directors are accommodated on one unitary or one-tier board. While the two-tier or dual board structure provides for a clear physical separation of the supervisory and management boards.
- iii. The one-tier board system permits CEO duality, where the role of the CEO and chairperson of the board is concentrated on one person. The two-tier board system

prohibits CEO duality and the CEO cannot chair the supervisory board under any circumstances.

- iv. The organisation of the one-tier structure does not separate between conformance activities such as supervisory and performance related activities like policymaking and strategy formulation. On the other hand, the two-tier board adopts a binary approach, with the supervisory board exercising supervisory and monitoring role, while the management board exercises a strategic role.

From the discussion about the two opposing models, it is evident that they cannot be transplanted, given their historical, legal, and cultural backgrounds (LaPorta, et al., 1997). Between the summary by De Moor (2013-2014) and the stated differences, the two models cannot converge. The current study therefore supports the argument by Gyapong (2016) that there is rarely any country that only practices one only. This raises the need for the shareholder and stakeholder models to complement each other as argued by Allsops (2014). This complement would address both commercial and societal objectives of a modern organisation. As such, a hybrid model emerged. In addition to taking consideration of commercial and social objectives, this hybrid model takes cognisance of the political, socioeconomic, and environmental issues (Yoshikawa, & Rasheed, 2009; Lee, 2014).

Billis (2010) argues hybrid organisations are international and multi-sectoral phenomena, and that their unclear sector accountability often engenders unease and distrust. Moreover, before any study on the hybrid model and organisations can be undertaken, it is advisable to study and gain insights into the existing traditional competing models, namely the shareholder and the stakeholder models, as discussed beforehand in the current study.

2.3.3 The hybrid model

In comparison to the existing volumes of literature on the shareholder and stakeholder models (Sternberg, 2012; Stout; 2012; Bavoso, 2016; Denis, 2016), there is limited literature on the hybrid model (Billis, 2010; Khanna, 2012; Bruton, Peng, Alstrom, Stan & Xu, 2015; Gyapong, 2016). The hybrid model views an organisation as a system of conflicting yet interrelated commercial and social objectives. It is a paradox which exists simultaneously and persists over time (e Cunha, Fortes, Rodrigues & Rego, 2015).

To achieve the overall objective of the organisation the two conflicting objectives should be balanced such as an airline owned by government and private shareholders that is expected to deliver cost-effective, but excellent service. This is a contradictory mandate that can only be balanced through effective leadership (Heracleous & Wirtz, 2014). “Hybridity” in an organisation is a universal term is subject to different interpretations. However, in terms of corporate governance in organisations, “hybridity” refers to the combination of the main commercial objectives of private firms with the mostly social obligations of SOEs (Baird, 2013).

These types of organisations are government-owned, but commercially managed domestic and global players. Examples include Fannie Mae and Freddie Mac (USA), the British Broadcasting Corporation (BBC) (UK), Petrobras (Brazil), State Grid Corporation (China), Post Holdings (Japan), Singapore Airlines, and Singapore Telecommunications (Khanna, 2012).

Musacchio and Lazzarini (2014) argue a key and unique characteristic of hybrid SOEs that differentiates them from their predecessors is their ability to adapt and take on a new organisational form. This is also the reason why many, if not most hybrid SOEs, prosper. This differentiation was recently supported by Götz and Jankowska (2016). They argue that SOEs and sovereign funds (SWFs) operating internationally have proven to be resilient to the shocks of the 2008-2009 financial crisis. From another perspective, some scholars differentiate between the African hybrid model which is underpinned by the Ubuntu philosophy and the Asian hybrid model. The African hybrid model views an organisation as having an obligation to serve both the shareholders and stakeholders, as opposed to the more expansive model in Asia underpinned by the Confucian philosophy (Rossow, 2009, West, 2009; Khomba & Vermaak, 2012; Lim, 2015; Barkema, Chen, George, Luo & Tsui, 2015; Gyapong, 2016).

2.3.3.1 Characteristics

The hybrid model is common in Asian countries. It constitutes the mid-point between the shareholder model and stakeholder model (Khanna, 2012; Li, 2015). Still, given the culture and Confucianism philosophy still pervasive in Asia (Lim, 2015; Barkema, Chen, George, Luo & Tsui, 2015), shareholder issues are not highly pronounced.

2.3.3.2 Legal and regulatory framework

Given the hybrid organisation is a domestic and global player, it must be subjected to the laws of the home and the host countries (Dobson, 2014). A good example of this is a two-tier board system. This system has characteristics of the shareholder and stakeholder models. It has a supervisory board accommodating stakeholders such as employees and unions. The two-tier system also has an executive board composed of executive management. Furthermore,

according to Liu (2015), the Chinese corporate law of 2013, or “*Gongsi Fa*” (Wang, 2014) embraces characteristics of both civil and common law. This is an attempt by China to contextualise laws to suit the country’s unique characteristics, while simultaneously accommodating foreign investors. This therefore increases foreign direct investment (FDI) (Ejuvbekpokpo & Esuiké, 2013).

2.3.3.3 Ownership role of the shareholder

The ownership role is by the joint venture partners (Khanna, 2012). Khanna (2012) argues that the hybrid model of governance can be similar to a public company whose stakeholder driven characteristics blend with those of a private company. This results in a state-owned enterprise that is state-owned but commercially managed, combining political will, private sector board practices, and managerial expertise. Opening up shares to private ownership indicates that proponents of the stakeholder and shareholder models are eager to learn from and complement each other. This makes the SOEs competitive domestically and abroad (Pargendler, Musacchio & Lazzarini, 2013; Nathan, 2015).

2.3.3.4 The role of the board

Given the domestic and global nature of SOEs, boards are appointed under the consideration of financial and legal expertise (Fredericks, 2011). Expertise in areas such as politics, labour relations, sociology, communications, diplomatic, and leadership skills are also considered (Baltic Institute of Corporate Governance (BICG), 2013). While human and behaviour related expertise such as politics, labour relations, diplomacy, conflict resolution, may be a definite requirement for the supervisory board, which appoints the executive management board.

However, technical expertise in finance and legal affairs is highly required at the executive board level.

In reality, the combination of private expertise on primarily executive boards and the mixture of politicians, unions, and employees on supervisory boards, helps executive boards to concentrate on profit and shareholder value maximisation. Simultaneously, the supervisory boards concentrate on social issues. According to De Moor (2013-2014), existing literature fails to highlight service, one of the critical functions of the board. Service is very important for liaison in hybrid enterprises operating in cultural settings, where informal relationships or networking rather than formal systems predominates as a business culture.

In the past, non-executive directors were expected to have a link to people and organisations. These links are generally financial and legal resources that enhance the future sustainability of the organisation. They are known as board interlocks. For example, board interlocks with financial institutions can facilitate company access to much needed funds (Tricker, 2012). However, the current hybrid organisation, which is facing political, social, economic, and natural challenges, is required to have a diversity of skills. This diversity could include directors with public service experience, business people, and community influencers such as civic leaders (Kirkpatrick, 2011; Oosthuizen & Lahner, 2016).

In their recent study on board diversity and sustainable performance, Oosthuizen and Lahner (2016) suggest that the director's background is a board attribute contributing to sustainable performance of a company. They add that companies should consider the recruitment and appointment of non-executive directors from non-business backgrounds on their boards. SOEs,

which are partially government-owned, seem to have a competitive advantage as it relates to tenders in sectors such energy, telecoms, and transport (De Moor, 2013-2014). This claim is refuted by Milhaupt and Zheng (2015), who argue that SOEs, whether partially or fully government-owned, do not enjoy beneficial treatment. This view is supported by Leutert (2016).

2.3.3.4.1 Board leadership

The combination of the two conflicting, yet interdependent commercial and social objectives, needs to be balanced by an effective chairperson. As such, the Working Party on State Ownership and Privatisation Practices (WSOPP) (2012) states that good and effective boards are created by good chairs. The board members, and in particular non-executive directors, are sometimes unfamiliar with the operational activities of the company. They rely heavily on the chairperson's skills, expertise, mentorship, advising, and motivation. Non-executive directors are motivated by the board allowances they receive. They are also largely driven by intrinsic factors such as recognition, mutual respect, honesty, and openness. This leads to cohesiveness of the board—a desired outcome attributed mostly to an authentic and collaborative chairperson (Solomon, 2013; Guerrero, Lapalme & Seguin, 2015; Sheaf, Endacott, Jones & Woodward, 2015; Block & Gerstner, 2016).

A board chairman or “chief governance officer” needs to set the tone at the top. Their tone should promote the highest standards of integrity, transparency, accountability, responsibility, corporate citizenship, and leadership (Kazim, 2015; Buamin, 2015). Similarly, Patric, Paulinus, and Nympha (2015) highlight the need for a board chairperson to be multi-skilled. This would ensure effective interaction between the company and its environment.

Elaborating on the concept of organisational meaningfulness, Glynn (2016) argues a difference between an organisation with a purpose and one without. The difference is how, through effective chairperson leadership, a purposeful organisation positions itself in the development and maximisation of its employees' potential. The aforementioned is in tandem with an organisation's recognition of its interdependence with its political, economic, social, cultural, and environmental settings.

2.3.3.5 The role of the CEO

The CEO is the link between the executive board and employees. CEOs are appointed on merit. Given their domestic and global exposure, CEOs need to be multi-skilled and hone behavioural skills, such as leadership, communications, technical, and diplomatic skills. The execution of the board's commercial and social policy objectives are contradictory, yet interdependent, and can only be balanced by the effective leadership of the CEO.

As such, the CEO should not only establish a strong partnership with the chairperson, but with the board as a whole. This should be based on mutual respect, transparency, accountability, and responsibility, three key principles embedded in good corporate governance practices (Kleppers, 2010; Fergusson, 2011).

In a hybrid SOE, the position of the CEO becomes a challenge. For example, a CEO with public service experience recruited from a government department is likely to continue the status quo. This would entail giving more attention to familiar social objectives and shying away from risk

and innovation. In contrast, a CEO recruited from the private sector and with a profit and market orientation is likely to strive for innovation to reshape the SOE (Fiddis, 2016).

It implies therefore, that while government, as joint venture partner in a hybrid SOE, provides the necessary political will and funding. These efforts should be complemented with private sector managerial expertise. This creates the need for a fit between contextual characteristics of the hybrid SOE and the characteristics of the potential candidate to be employed as a CEO (Bruton, Peng, Alstrom, Stan & Xu, 2015).

2.3.3.6 Limitations of the Hybrid Model

Various scholars have recommended hybrid governance as a possible solution to corporate governance challenges in SOEs (Musakwa, 2014; Nathan, 2015; Gyapong, 2016). However, there is limited literature on the hybrid model and form of organisations, compared to the volumes of literature on the existing shareholder and stakeholder models (Zainon, Ahmad, Atan, War, Bakar & Sarman, 2014). There are still some who doubt the hybrid model's meaning, purpose, and effectiveness (Liu, 2015).

One school of thought argues that hybrid models prosper in countries with solid and effective regulatory frameworks. This makes provisions for independent regulatory bodies free from political interference, such as in common law countries. In contrast to common law countries, many civil law countries are fertile grounds for defective legal framework and lack of enforcement of contracts. There is also political risk of governments using political expediency to overrule decisions by independent regulatory bodies. In many scenarios there is no clear

separation between government ownership, policymaking, and regulatory roles (Eberhard, 2007; Ehlers, 2014).

However, the limited stream of literature suggests that the hybrid model can improve delivery of services in strategic sectors such as energy, telecommunications, and transport, while avoiding the pitfalls of privatisation. In this model, the private sector firms share risks and responsibility with the government. However, government retains control of assets (Farlam, 2005; e Cunha, Fortes, Rodriques & Rego, 2015; Bruton, Peng, Ahlsrom, Stan & Xu, 2015; Stiglitz, 2016).

Governments will aspire to adopt the hybrid model through public private partnerships. These partnerships involve the development of infrastructure and improvement of service delivery in strategic sectors such as electricity provision, ports, services, and telecommunications. Kairuki (Farlam, 2005) suggests that governments aspiring to adopt the hybrid model not slow down their efforts simply because they do not have all the answers. Alternatively, they should learn from their mistakes and continue to share lessons learned, with the intentions of improving their performance. This constitutes the only way governments, who might be constrained by their budgets, can effectively continue to provide accessible and affordable essential services to the public (Fombad, 2013). Table 1 summarises the similarities and differences between the shareholder, stakeholder, and hybrid models.

Table 1: Similarities and differences between the shareholder, stakeholder, and hybrid models

Theme	<i>Shareholder model</i>	<i>Stakeholder model</i>	<i>Hybrid model</i>
Type of organisation	Private	SOE	SOE
Objective	shareholder value maximization	stakeholder value maximization	stakeholder value maximization
Ownership	private ownership	government ownership	mixed ownership (private/government)
The role of government	policy maker, lawmaker, regulator	shareholder, policy maker, regulator	JV partner, policy maker
Legislative and regulatory framework	- Common law - Companies Act	- Civil law - State-owned Enterprise Act	- Common/ Civil law depends on country of operation - Companies Act/ State-owned Enterprise Act depends on country of operation

The role of the board			
<i>Type of structure</i>	One-tier	Two-tier	One-tier / two-tier
<i>Main function</i>	supervision, control, strategy	supervision, control stakeholder engagement, strategy formulation	stakeholder engagement, strategy formulation, service
Board leadership	crucial	crucial	crucial
The role of CEO	executive, supervisory	executive, supervisory	executive
Theoretical Foundation	Agency	Stakeholder	Hybrid

Source (Denis, 2016; Tricker, 2012; Khanna, 2012)

In sum, looking at the three models discussed, the hybrid model, though in its infancy, can be applicable to SOEs, given their commercial and social objectives which are sometimes conflicting, yet interrelated. The idea of a paradox lens of embracing contradictory elements (Andriopoulos & Lewis, 2009; Smith & Lewis, 2011) can be used in SOEs to embrace issues such as short-term profits. This would help an SOE create much needed employment as a long-term objective. At the national level, a country can adapt globally accepted benchmarks such as OECD guidelines to suit its unique local conditions.

The researcher is equally inclined to agree with the compelling argument raised by Golley (2016). This argument states that the complex interaction between the roles of the market and the government is an undeniable reality. This reality shapes the multi-faceted and ever evolving

economies of emerging economic powers such as China and Singapore. Given their financial capabilities, global trade relations, and the predominance of SOEs in their respective economies, country specific characteristics need to be embraced by corporate governance benchmarks such as OECD guidelines and King III (OECD, 2005, 2015; Chen, 2016; IoDSA, 2009). Furthermore, the argument put forward by Bruton, Peng, Alstrom, Stan and Xu (2015) that rather than SOEs disappearing, the future appears to be bright if SOEs continue to adopt the hybrid form of organisations. This adoption renders many SOEs in strategic sectors such as energy, telecommunications, and transport, the opportunity not only to be efficient and effective, but to thrive.

As such, policy makers, scholars, and practitioners in African developing economies such as Namibia, should not be left behind. There is a need to build a greater recognition and understanding of hybrid SOEs. Bruton, Peng, Ahlstrom, Stan, and Xu (2015) differentiate between the traditional SOEs which are wholly owned by government, such as Namibia Power Corporation (Pty) Ltd (NamPower), Telecom of Namibia, Ltd (Telecom), Air Namibia (Pty) Ltd, and the Ports Authority of Namibia Ltd (Namport). This also includes the hybrid SOEs co-owned by government and private business people, such as Singapore Airways.

2.3.4 The Organisation for Economic Cooperation and Development (OECD) guidelines

The original OECD guidelines were developed in 2005 (Jalata, 2014) at the height of shareholder supremacy. During this time private ownership was viewed as efficient as opposed to state ownership (Gitundu, Kisaka, Kiprop & Kibet, 2016). The post-world economic crisis saw a paradigm shift from private ownership to government ownership or “state capitalism,” as it became popularly known. There was also a surge in the emergence of SOEs in emerging

economies such as Brazil, China, India, Singapore, and Malaysia (Zabri, Ahmad, & Wah, 2016). SOEs such as Huawei (China), Singapore Airlines, Singapore Telecommunications (Singapore), and Petrobras (Brazil), have become domestic and global players and national champions (Cuervo- Cazzura, Inkpen, Musacchio & Ramaswamy, 2014; Milhaupt & Zheng, 2015).

Ironically, government intervention was not only limited to emerging economies. It began in the USA and UK with the bailouts of major banking institutions, a sector which has been critical of government ownership under programmes such as the Trouble Assets Relief Programme (TARP) and others (Koshovets & Frolov, 2015; Ncube, 2016). The re-emergence of SOEs has become a challenge to policymakers in developed and OECD countries. This is because they now have to deal with pervasive government led corporate governance reforms. The reforms birthed the OECD guidelines, which have a shareholder and stakeholder model orientation, are more relevant than ever before, and necessitating a review (OECD, 2015; Cui, 2016).

Building on the strong foundation of the 2005 guidelines, the reviewed guidelines aim to assist governments with how to exercise their ownership roles of SOEs to avoid the pitfalls of both passive ownership or excessive government interference (OECD, 2015). To this effect, the revised OECD guidelines recommend a three-layered governance structure for SOEs as discussed below (Gumede, 2012; Kankaapaa, Oulasvirta & Wacker, 2014; Rajavuori, 2015).

In view of the notion of no “one size fits all” corporate governance, many African countries have opted to develop guidelines on the governance of state-owned enterprises for Southern

Africa. At the time of writing, the Organisation for Economic Cooperation (OECD) for Southern Africa network on the governance of state-owned enterprises (SOEs), hereafter, to be known as “SOE Network for South Africa” was formed. It is aimed at improving corporate governance of state-owned enterprises and providing a forum for regional dialogue and co-operation. The forum is composed of Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe (Sultan, 2013; Pedachi, Urdhin & Ramen, 2016).

The process of developing the guidelines was spearheaded by a regional task force chaired by Botswana (Public Enterprises Evaluation and Privatisation Agency), with representatives from Mozambique, Namibia (State Owned Enterprises Governance Council (SOEGC), Zambia (Institute of Directors), and Zimbabwe (former Ministry of State Enterprises and Parastatals and State Enterprise Restructuring Agency). The Development Bank of Southern Africa participated as an observer. It is hoped that guidelines on the governance of state-owned enterprises for South Africa will be developed and presented at the Southern African Development Community (SADC) forum for the heads of state level of approval. From the SADC guidelines, each member country will develop their country, industry, and SOE specific guidelines (OECD, 2014).

2.3.4.1 Government ownership function

The government ownership role defines an ownership policy that separates different roles such as the ownership, policymaking, and regulatory roles. This separation allows government to concentrate on policymaking roles, while ownership and regulatory roles are performed by other agencies (Ikechuckwu & Jeffrey, 2012; Alok & Ayyagari, 2014). As the sole shareholder,

the government is also responsible for developing high-level objectives for SOEs. The objectives clearly stipulate what is expected from each, politically, economically, socially, and environmentally. In the current study these four factors translate into the “quartet bottom line” or 4Ps (Talbolt, 2008; Joo, 2010).

2.3.4.2 The supervisory role of the board

The board is tasked with the supervisory and monitoring role to ensure oversight that government objectives are implemented by the CEO. The board is therefore responsible for the approval of the strategy. It is also accountable to the government as the sole shareholder for the strategy’s implementation by the CEO. OECD guidelines recommend a one-tier board structure with a majority of independent directors.

2.3.4.3 The executive role of the CEO

The CEO performs the executive role to ensure that government objectives as directed by the board are carried out. The CEO is responsible for proposing strategy and is accountable to the board for strategy implementation. OECD guidelines recommend a separation between the positions of the board chairman and the CEO.

2.3.4.4 State owned enterprises ownership models

The effectiveness of the three-layered governance structure and the attainment of SOEs goals as recommended by the OECD guidelines (OECD, 2015) are subject to the development of an appropriate SOE ownership structure. Mbo and Adjasi (2013) found that internationally, the three ownership models predominate, namely the decentralised model and an advisory body,

dual ownership and coordinating advisory body, and the centralised model. The three models are briefly reviewed below.

i) *Decentralised model and advisory body*

This model, which is the traditional model for SOE governance, constitutes SOEs oversight dispersed across line ministries and departments. The advantage of this model is that it allows the most sector expertise. This is because SOEs are assigned to a ministry based on their sector operations. The Ministry of Energy supervising a power utility is one example. Furthermore, in addition to a sector ministry, there is an advisory agency advising the ministry on government ownership policies and corporate governance practices (Ximena, 2014). This model presents a situation where there is no clear separation of the ownership, policymaking, and regulatory roles of the government, resulting in undue political interference into operational activities of SOEs (World Bank, 2014).

The World Bank (2014) further reveals that the decentralised model tends to link SOEs with public policy. This increases the risk for SOE assets to be misused for narrow political purposes, as assumed by public choice and political theorists (Alok & Ayyagari, 2014; Roe, 2010; Shleifer & Vishny, 1997). According to Sultan Balbuena (2014), this model is practiced in countries such as Botswana, Malawi, Mauritius, Zimbabwe, and Tanzania.

ii) *Dual ownership and a coordinating advisory body*

This model presents a dual reporting structure with the line ministry, while the Ministry of Finance or Economics acts as the shareholding ministry. The line ministry provides the oversight function and the Ministry of Finance or Economics usually deals with the budgets of SOEs. In addition, there is an advisory body reporting to the Council of Ministers, prime minister, or president. The body acts in an advisory capacity to line ministries on technical matters. Additionally, it monitors and determines performance measures for SOEs (Ximena, 2014).

The dual ownership model with a coordinating advisory body is common in developing countries in Africa (Sultan Balbuena, 2014). The model has the advantage of a clear separation of the ownership role, vested in the Ministry of Finance or Economics. The policymaking and regulatory roles are located in the line ministries, simultaneously presenting a blurring oversight role between the Ministry of Finance or Economics, the line ministries, and the advisory body. This blurring may confuse SOEs. Serving multiple masters is a clear violation of the unity of command, and may result in SOEs getting multiple and conflicting objectives (Da Cruz & Marques, 2014).

iii) *The Centralised model*

In contrast to the decentralised and dual models, the centralised ownership model is recommended by the OECD guidelines (OECD, 2015). The model assigns a degree of independence, and more focus and professionalism to the government

ownership role. Of significance, is the clear demarcation between ownership, policymaking, and regulatory roles of government, which some have viewed as conflicting and intrusive (World Bank, 2014), while others perceived it as a necessary intervention (Siddiqui, 2010; Sam, 2007, 2012).

According to Jedenastik (2014), the credibility of a regulatory body depends on the degree of independence from the ownership role of government. This is an issue which sometimes conflicts with the government's demand to control policy outcomes. Farlam (2005) argues that there are successful projects in infrastructure involving joint venture between private and state-owned enterprises (SOEs) in the provision of port services, telecommunications, transport, water, ecosystem, and electricity. The argument is that these projects occurred in countries where effective and independent regulatory bodies are in existence, and where enforcement of regulations is not comprised.

Furthermore, the centralised model allows government ownership rights to be exercised directly through an independent entity. According to the World Bank (2014), this can be in the form of a stand-alone Ministry of State Owned Enterprises (Indonesia), an ownership department such as the Department of Public Enterprises (South Africa), an ownership agency such as the State-owned Assets Supervision and Administration and Commission (SASAC) (China), or a company type of structure such as Temasek Holdings Limited (Singapore). The centralised model also enables the delegation of strategy and operational

decision making of the boards and CEO. This ensures transparency, accountability, independence, and responsibility.

The World Bank (2014) further advises that no single ownership model is universally applicable. This view is supported by Sultan Balbuena (2014). Consequently, ownership models need to be adapted to country, sector, and individual SOE needs, while taking into account political, economic, social, and environmental realities. Sultan Balbuena (2014) further argues that the question of whether to favour a centralised model over the dual and decentralised models as recommended by the OED guidelines has not been sufficiently tested in Southern African economies. As previously indicated (OECD, 2014), efforts are in progress to adapt the internationally standard OECD guidelines to the Southern African Development Community (SADC), and member country, sector, and individual SOEs needs, through the Southern African Network on the Governance of SOEs (Sultan, 2013).

The OECD (2005, 2015) guidelines are viewed by some (Rajavuori, 2015) as the most successful corporate governance instruments to minimise the perceived adverse effects of state ownership on competitive markets. Others (Adele, 2012; Lazonick, 2015) see the OECD guidelines as perpetuating the maximisation of shareholder value (MSV). However, the fact that the OECD guidelines are not mandatory leaves the choice of applying them and modifying them to suit their individual contexts up to individual countries (OECD, 2014; Muswaka, 2014).

2.3.5 King I, II & III models and codes

The implementation of effective corporate governance practices requires a strong legal and regulatory framework. Although originating from South Africa, The King I, II, and in particular King III models and codes, are accepted for both private and SOEs on the continent. That is why some refer to it as a hybrid model and code (Afolabi, 2015). Similar to the OECD guidelines, King III is inclusive in nature and puts emphasis on stakeholder management by the board and CEO. The model and code are based on the principle of apply or explain, and highlight effective leadership, sustainability and corporate citizenship as pillars of good corporate governance (IoDSA, 2009; Komba & Vermaak, 2012; Richards, Reynolds & Dillard, 2016).

King III has been adopted in Namibia as a model and code for good corporate governance practices for both private and public enterprises. However, given that it is not mandatory in Namibia, enforcement and compliance in SOEs has always been a challenge. Some critics also view King III as not being country, sector, and individual SOE specific (Ashipala, 2012). At the time of writing, a draft of King IV was released and the public was invited to make comments. A preliminary view of King IV shows that its philosophy focuses around the following (IoDSA, 2014):

- i) Ethical and effective leadership
- ii) The company's role and responsibility in the society
- iii) Corporate citizenship
- iv) Sustainable development
- v) Stakeholder inclusivity and responsiveness

vi) Integrated reporting and integrated thinking

Although King IV is still in draft status, it seems that it will broaden the principles put forward by King III. It also appears to bring about new insights and thinking in the ever-changing and dynamic corporate governance field. In sum, it is evident that unlike a decade ago, most models and guidelines are moving towards inclusivity, interdependence, and collaboration. It is also clear that modern literature views an organisation, whether public or private, as an open system constituted by different individuals or stakeholders with a common goal.

Therefore, attaining a common goal calls for interdependence and collaboration between stakeholders, the company, and its environment. While the models cannot converge, they can complement each other to provide a contextual model which fits the country, sector, and individual companies. This is because there is no “one size fits all” solution to corporate governance practices. Contextualisation contributes to the understanding of how existing models such as shareholder and stakeholder and the King III and OECD guidelines can be adapted to fit the specific contexts of countries, industries, and individual SOEs.

2.4 Theories of corporate governance

Swanson (2013) argues that theories are formulated to explain, predict, and understand phenomena. The argument continues on to say that in many cases, theories challenge and extend existing knowledge within the limits of critical bounding assumptions. He further states that theoretical framework introduces and describes the theory or theories which explain why the research problem understudy exists. Furthermore, the current study is consistent with the

view expressed by Chang (2007), that an understanding of theories' underlying policy debates is the best way to improve policy capabilities. If policy makers, practitioners, researchers, among others, understand the underlying theories, they can apply the reasoning to a range of different situations, be it country, industry, or individual company.

The usage of individual theories, such as the agency or stakeholder theories (Mwaura, 2007; Sarbah & Xiao, 2015), in explaining corporate governance practices, has become a concern among scholars. This concern has created a theoretical gap which needs to be addressed (Melahi, Frynas, Sun & Siegel, 2016). To this effect, Monks and Minow (2012), Jusoff and Alhaji (2012) argue that no single theory can explain the true nature of corporate governance around the world, a view supported by Al Mamun, Jasser and Rahman (2013).

Elaborating further, Mulili and Wong (2011) argue that given its complexity, the governance of SOEs cannot be explained by a single theory. They argue that it can be explained by an amalgamation of theories such as agency, stakeholder, managerial hegemony, resource dependence, and political theories. Adegbite, Amaeshi and Amao (2012, p.18) suggest, "It is beneficial to study corporate governance practices of developing economies using multi-theoretical lenses given their conceptual and practical implications for global theory and discourse on corporate governance." The multi-theory usage in explaining corporate governance practices has been recommended by Wagana and Nzulwa (2016).

Informed by the views in support of the multiple-theoretical framework, the current study explores the roles of government as the sole owner, the board's supervisory roles, the CEO's executive functions, and their influence on the implementation of corporate governance at

NamPower, Telecom, Air Namibia, and Namport. The study takes a multi-theoretical perspective by employing the following eight theories: agency, stewardship, stakeholder, resource dependence, public choice, political, political entrepreneurship, and hybrid. This approach appears to have not received attention in previous studies on corporate governance practices in SOEs, particularly in Namibia. This is a knowledge gap the current study addresses in the context of Tier 3 SOEs in Namibia.

Figure (iv), as modified from the multi-theory concept (Christopher, 2010), illustrates the link and complementary nature of the multiple theories adopted in the current research study, to explain the multiple challenges of corporate governance at NamPower, Telecom, Air Namibia, and Namport.

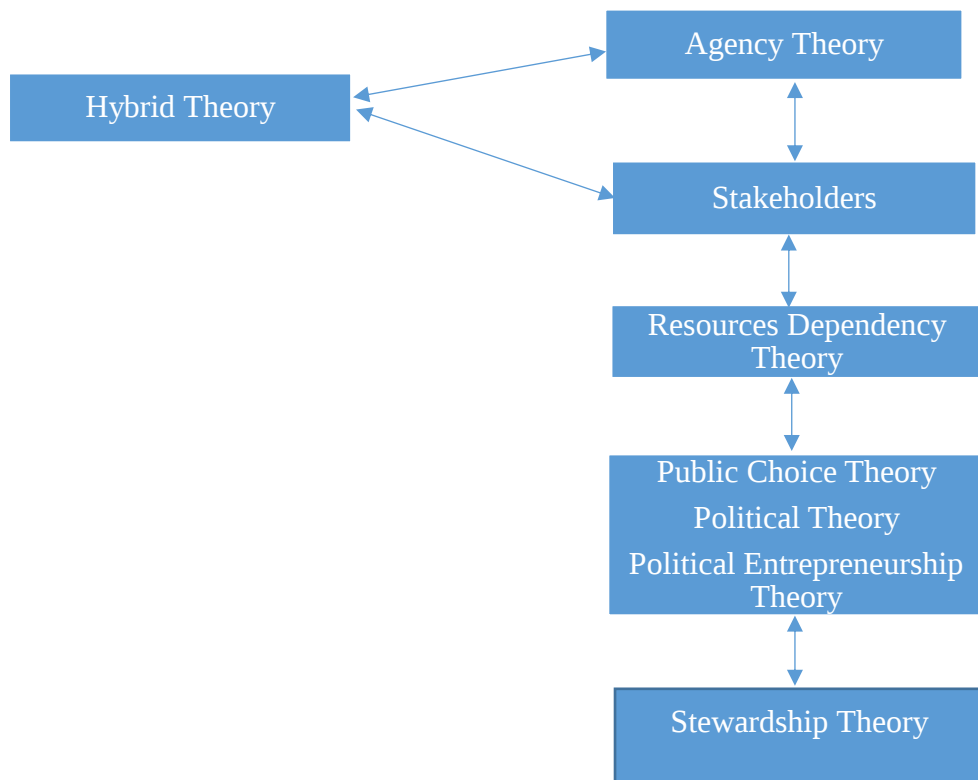


Figure iv: The complementary nature of multiple theory

In view of the different theories shown in *Figure (iv)*, it is argued that theories are influenced by the unique characteristics of the countries where they are developed. These characteristics are, but are not limited to, political, economic, social, cultural, and environmental conditions (Bruton, Peng, Ahlstrom, Stan & Xu, 2015). Young, Tsai, Wang, Liu, and Ahlstrom (2014), argue that most of the existing theories of the firm such as agency, stewardship, stakeholder, and resource dependence theories, originated in the United States (US). These theories therefore, tend to highlight characteristics of the US, which historically does not have a sizable number of SOEs in its economy. Given the intensity of the Cold War between the West, spearheaded by the US on one side and Russia on the other, the debate on corporate governance

took an ideological dimension between capitalism and socialism, with western scholars associating the private companies with capitalism, and state owned enterprises (SOEs) with socialism.

In view of the stated ideological differences, SOEs have been viewed as inefficient in comparison to their private counterparts. Similarly, Lee and Anatokis (2014) urged scholars to re-examine possible cultural biases. They stated this re-examination should be done in terms of the assumptions underpinning theories such as the agency, stakeholder, and resource dependence theories. The failure to consider cultural philosophies and values guiding corporate governance practices in emerging countries such as Confucianism in China might result in inconclusive findings.

From an African perspective, Turyahikayo (2014) points out that little attention has been given to African values and their influence on corporate governance practices. The lack of understanding and insight about African values such as ubuntu and harambee, might have led to a mismatch between the stated values and models and theories, such as the shareholder model and the agency theory.

2.4.1 Agency theory

Abdullah, Yahya, and Turasamy (2014) assert that the existing body of knowledge and academic thinking on corporate governance comes from the core idea of agency theory. Agency theory explains the governance relationship between the “principals” or owners of the firm and those entrusted with the day-to-day management, referred to as “agents” (Jensen &

Meckling, 1976). The views of Adullah, et al. (2014) are supported by Filatotchev and Wright (2011).

The agency theory furthermore assumes that conflict is inherent in any principal agent relationship (Christopher, 2010). The board, as the centre of corporate governance, plays a critical role in the agency theory. This role aligns the interests of the shareholders and management as led by the CEO (Puni, Osei, & Ofei, 2014). This is an issue which has been denounced by literature from emerging economies. The literature shows that the government as the owner of SOEs, the board as supervisor, and the CEO as the executive are interdependent and collaborate to achieve the overall goals of SOEs (Sam, 2012).

Furthermore, the agency theory from an individualistic orientation, assumes that everyone in the company, whether private or public, is motivated by extrinsic or low-level needs. These needs can be money, security, among others. The theory fails to realise that many of the directors, chairpersons of boards, and CEOs are motivated by intrinsic or high level needs such as recognition, self-esteem, and self-actualisation (Loiseau, 2011). The key assumption underpinning the agency theory is the separation of ownership and control. In the context of an SOE, it implies that the government's role as the owner and "principal," must be separated from the roles of the board and CEO as "agents." This brings about a clear demarcation of roles and avoids a role conflict, a challenge in SOEs (Ross, 2013) as identified in the statement of the problem of the current study.

On one hand, a clear separation of the roles of the government, board, and CEO may be a desired outcome (Sultan Balbuena, 2014). On the other hand, the agency theory reduces the

contractual obligation of a company such as an SOE to a relationship between the government as the shareholder, board as the supervisor, and the CEO as the executive. The foregoing assumption implies that other stakeholders such as employees, customers, suppliers, and communities to which an SOE is contracted for job creation, service delivery, sourcing of goods and services, and corporate social responsibility programmes, are excluded (Christopher, 2010).

Furthermore, while the agency theory puts emphasis on profitability and shareholder value maximisation (Lazonick, 2015), SOEs, unlike private companies, are entrusted with multiple objectives. These objectives may relate to political, economic, social, and environmental challenges. They are sometimes in conflict with the profitability and shareholder value maximisation objectives (Ongore & Kobonyo, 2011; Rajogopalan & Zhang, 2008). Contesting the shareholder value maximisation assumption, Stout (2012) argues that to put emphasis on the shareholder value maximisation notion may, to a certain extent, be misleading, given there is no single shareholder. This is because shareholders have different values, an issue which has been overlooked by the existing shareholder-agency centric literature.

Adegbite, Amaeshi, and Amao (2012) equally claim that the agency theory fails to acknowledge the political environment which creates the necessary conditions for private and public companies to operate. They add that in the context of SOEs, the agency theory shapes how the government, as the sole shareholder of SOEs, the board as the supervisor, and the CEO as the executive, influence corporate governance practices in SOEs. This issue is addressed in the current study in terms of the public choice, political, and political entrepreneurship theories

(McCaffree & Salerno, 2011; Roe, 2012; Cuervo-Cazzura, Inkpen, Musacchio & Ramaswamy, 2014).

In term of the control function of the board, one of the key assumptions of the agency theory has been the presence of a majority of non-executive directors on the board compared to the executive directors, such as the CEO, tasked with the day-to-day running of the company. While the non-executive directors bring political, economic, sociocultural, and environmental related experience to the board, they are often unfamiliar with the industry specific and operational activities of the company (De Masi & Paci, 2014). On the other hand, executive directors communicate with their peers in the industry through board interlocks, a mechanism which can serve as a source of vital information (Tricker, 2012; Apadore & Zainol, 2014).

The previously mentioned shortcoming of the agency theory can be amended by the stewardship theory. This theory highlights the importance of having executive directors on the board, as they provide valued operational information (Balasubramanian, 2010). The King III model and code (IoDSA, 2009) equally emphasises the presence of at least two executive directors on the board, preferably, the chief executive officer (CEO) and the chief financial officer (CFO). The agency theory advocates for the separation of the role of the chairperson of the board and the CEO in order to allow effective monitoring of the CEO by the board (Filatotchev & Wright, 2011).

Despite the discussed critical concerns and limitations of the agency theory, and in contrast to the views of Yung (2009) and Buchanan, Chai, and Deakin (2014) that the agency theory does not apply in a stakeholder oriented context such as an SOE, the current study is consistent with

the view of Wicaksono (2009). This view states that agency problems are prevalent in SOEs and that the agency theory is applicable to SOEs. This applicability stands provided that the theory is complemented by other corporate governance theories such as the stakeholder, resource dependence, public choice, political, political entrepreneurship, stewardship, and hybrid theories, as discussed and applied in the current research study.

2.4.2 Stakeholder theory

Christopher (2010) suggests that, in terms of good corporate governance practices, if private or public modern organisations are to be effective, there is a need to balance the sometimes conflicting demands of the agency and stakeholder theories. This implies that an SOE has to find a balance between the pursuit of profits and the maximisation of shareholder and stakeholder values. The view that although the agency and stakeholder theories are sometimes conflicting, they are equally interdependent and complementary, is confirmed (e Cunha, et al., 2015).

The question confronting companies, particularly after the world economic crisis of 2007-2008, is: In whose interest are companies managed? Many scholars seem to agree that an inclusive approach needs to be followed. In such an approach, companies are managed in the interest of the shareholders and inclusive of the other stakeholders (Stieb, 2009; Freeman, 2010; Tricker, 2012; Stout, 2012). In the context of SOEs, the government is the sole shareholder, with the board, CEO, employees, customers, suppliers, and local communities constituting the other relevant stakeholders.

Tricker (2012) explains that stakeholders have multiple and sometimes conflicting interests, which can be enhanced or harmed by the actions of an SOE. The government, as the sole shareholder of the SOEs, wants higher dividends. The boards and CEOs want market related compensation. Employees want higher salaries and benefits. Customers want better services. Suppliers want a market for their goods and services. And, local communities want employment and corporate social responsibility programmes.

To satisfy the diverse demands of stakeholders requires companies to have good leadership skills. Consequently, SOEs require government, board, and CEO leadership which can balance the conflicting demands of the stakeholders, to achieve a win-win situation (e Cunha, et al., 2015). Consistent with the foregoing view, McKenna and Reeser (2013) argue that balancing conflicting views is one of the critical success factors for good leadership. In reality, good leaders always emerge during times of crises. They are known for making good decisions which lead to amicable solutions.

Gangone and Ganescu (2014) contend that the role of government as the sole shareholder and owner is to draw up mandates for SOEs aimed at balancing the multiple and conflicting interests of stakeholders. The board, which exercises the supervisory function, has a duty to interpret the mandates of SOEs. It should also formulate policies and ensure they are executed by the CEO in the best interest of the stakeholders. Given that operations of the SOEs are human-driven (Eforis & Uang, 2015), one of the key factors highlighted by the stakeholder theory is the relationship between stakeholders. The CEO should ensure that stakeholder management is effective by serving as the link between the board and management, employees, customers, suppliers, and local communities.

Premised on the above, in exercising the executive function, the CEO must ensure that operational management carries out the policies as directed by the board. The multiple interests of the stakeholders must be integrated. This is because, given their interdependence, an imbalance in one interest may negatively influence the others. Therefore, if government as the sole shareholder does not invest in SOEs, the employees will not be remunerated fairly. This could affect service delivery to customers, demand for goods and services from suppliers, and limit employment opportunities and corporate responsibility programmes to local communities.

Alternatively, if government does not draw up clear mandates for SOEs, boards and CEOs will not know how to balance the multiple and conflicting needs of stakeholders such as employment policies and regulations of customer and environmental protection. All these factors are indicative of the need for mutual interdependence between stakeholders. This mutual interdependence is a critical ingredient of good corporate governance practices in SOEs (Khoza & Adam, 2005).

Opposing views state the stakeholder theory fails to explain how it goes about prioritising the different stakeholders and their different needs, undermining the principle of accountability (Sternberg, 1997; Jensen, 2001). However, the current study agrees with the following view by Jussof and Alhaji (2012, p. 55). Their position is that, “Stakeholder theory has become prominent because many researchers have recognised that the activities of a corporate entity impact on the external environment, requiring accountability of the organisation to a wider audience than simply to shareholders.” Similarly, Okibo (2012) argues that organisations ought

to function in the interest of all stakeholders, rather than for the sake of controlling stakeholders.

2.4.3 Resource dependence theory

The resource dependence theory complements the stakeholder theory by explaining the interdependent relationship of modern companies with their external environments, given the uneven distribution of resources. According to Hague and Rehman (2014), the assumptions of the theory are that private and public companies are in an interdependent relationship with their environment. Similar to a board in a private company, a board in an SOE, and particularly the outside directors, are presumed to provide access to the resources needed. These resources include finances from government as the sole shareholder or from banks. This financial aid give SOEs operational capital to remunerate employees, provide quality service to customers, pay for goods and services from suppliers, and undertake corporate social programmes in local communities (Letting, Wasike, Kinuu, Mugor, Ongeti & Aosa, 2012).

Hamid (2011) suggests that since many SOE resources are directly or indirectly controlled by government, it is imperative to appoint some directors who have influence on key policy makers in government. However, this influence can be misused for political appointments . This misuse appears to be common in many developing countries. However, in countries such as China and Singapore, SOEs have become multinationals, entering into joint ventures with the private sector to attain a degree of resource independence from the government (Choudhury & Khanna, 2014).

It is argued that the agency theory does not recognise the external factors such as an SOE, which affect a company. However, the resource dependence theory complements this limitation by recognising the interdependence between a company and its external environment in accessing the necessary resources for the long-term sustainability of an SOE. Furthermore, the agency theory limits the role of the board to supervising and monitoring the CEO. However, the resource dependence theory complements this shortfall by recognising the critical role played by the board and particularly outside directors, in ensuring the linkage between the company and external institutions such as government and banks. Equally, the resource dependence theory strengthens the assumptions underlying the stakeholder theory by acknowledging the importance of stakeholders such as customers, suppliers, and local communities (Li, 2015).

Notwithstanding, Abid, Khan, Rafiq, and Ahmed (2015) argue there is a link between resources and political power. This connection is neglected by the agency theory and existing studies when looking at the “triple bottom line.” The public choice, political, and political entrepreneurship theories complement the said limitation. Since government is the sole owner and financier of SOEs in developing economies, SOEs are left with little discretion in prioritising commercial objectives above political and social objectives. This dependence on government can only be reduced if they find another stream of financing, such as private public partnerships or by becoming multinationals, such as their counterparts in China and Singapore (Choudhury & Khanna, 2014).

2.4.4 Public choice theory

SOEs in infrastructure sectors such as energy, telecommunications, and transport are regarded as strategic to national interests. They are mostly state-owned and have socio-economic mandates (Menozzi, Urtiaga & Vannoni, 2010). The public choice theory assumes that political leaders are inclined to serve their selfish interests. They therefore may overrule the board and the CEO in expediting political and social objectives, instead of commercial objectives (Buchanan, 2008; Mbo & Adjasi, 2013). In the context of the SOEs in Namibia and Africa at large, government is the owner, policy maker, and regulator. Given the lack of incentives, these roles cannot be monitored by the electorate, which is often blamed on the electorate's ignorance (Shaw, 2008; Cuervo-Cazzura, Inkpen, Musacchio & Ramaswamy, 2014).

Moreover, boards and CEOs are appointed by government, which compromises their autonomy and independence (Wong, 2006). Poor governance practices in SOEs, and mainly those in developing economies, have been attributed to the public choice theory, overriding the benefits of other theories such as agency, stewardship, stakeholder, and resource dependence theories. However, scholars such as Wilcox, Schneider, and Barnai (2012), Lau, Young, and Li (2007), and Zhang (2014), challenge the notion that politicians are inclined to serve their own interests above the public good. This is a view point that still needs to find support in most developing countries.

2.4.5 Political theory

Ximena (2014, p.26) argues that, "The composition of SOEs, government organs, and management exclusively depends on political dynamics." The political theory highlights the critical role of a country's government in determining the governance practices of private

companies and SOEs. It implies that the successful implementation of corporate governance in companies is incumbent upon the political will of the government of the day. The implication is also that any company which does not take that political influence seriously does it to its own peril (Szamosszegi & Kyle, 2011; Roe, 2011). Consistent with the aforesaid views, Shleifer and Vishny (1997, p.738) note that, “Corporate governance mechanisms are economic and legal institutions that can be altered through the political process, sometimes for the better.”

King III (2009), and Alok and Ayyagari (2014), equally acknowledge the importance and growing influence of stakeholders with an influential stake and “political power.” An example of such a leverage would be the government and society's influence on organisational bodies. Roe (2011) argues that political orientation is the primary determinant of the relationship between the roles of the government, board, and CEO, adding that given their complimentary nature, they fit together like puzzle pieces. The complementary nature of the government, board and CEO, has developed into a new thinking. This rationale states that effective corporate governance practices cannot be achieved through a single corporate governance mechanism, but through a combination and joint efforts of multi-mechanisms such as the government, board, and CEO (Misangyi & Acharya, 2014).

2.4.6 Political entrepreneurship theory

The assumptions of the political entrepreneurship theory are that, in the political environment where government as the sole owner of SOEs operates, there are institutions such as the Ministry of Finance, who are in control of the financial resources, in the form of a national budget or treasury. Funds are usually obtained from the tax payer through forms of taxation such as corporate and individual taxes. These funds are invested in capital projects of SOEs,

such as the expansion of ports or building communication infrastructure or power plants. As such, SOEs are usually at a risk of making losses and putting further strain on the budget through bailouts.

It can be reasonably argued that government, as the owner of SOEs, is performing an entrepreneurial role in the political sphere. This is similar to what entrepreneurs are performing in the private sector. The government, as the owner of SOEs in control of public funds, is inclined to prioritise the allocation of funds to areas which enhance its political legitimacy. As such, SOEs organised through a sort of a political entrepreneurship, can be run efficiently and profitably (Tan, Puchniak & Varrotil, 2015).

2.4.7 Stewardship theory

The stewardship theory is always viewed as an alternative to agency theory (Abid, Khan, Rafiq, and Ahmad, 2014). A steward is a caretaker looking after the owner's interest when the owner is absent (Cruz-Cruz & Frey, 2014). According to Tricker (2012), the agency theory assumes that the board and CEO led management, cannot be trusted. However the stewardship theory stresses the essence of trust as the basis of the power and relationship between the owners or principals and the boards and CEOs as "agents." As such, Heng (2005b) explains that corporate governance is fundamentally about trust and confidence, vital underpinnings of commercial transactions and the market economy.

Consistent with the previous discussion, Yussoff and Alhaji (2012) and Balasumbramanian (2010) opine that contrary to the agency theory, boards and CEOs are considered as stewards who always act in the best interest of government as the owner. They are not motivated by

money, but by the achievement of organisational goals. This in turn satisfies their need for achievement (Davis, Schoorman & Donaldson, 1997; Wicaksono, 2009).

According to Tricker (2012) and, Schaubroeck, Tarcewski, and Theunissen (2016), the relationship between key role players, such as government as the owner, board as supervisor, and CEO as the executive, is interdependent, collaborative, and built on mutual trust. The government as the owner still formulates the mandates of the SOEs to be interpreted and translated into policies by the board and implemented by the CEO, the executive of the company. The board exercises the supervisory function. Thus, it becomes incumbent upon government to create a conducive environment and allow a degree of autonomy for the board and the CEO to exercise their supervisory and executive functions (Yusoff & Alhaji, 2012).

Furthermore, instead of only monitoring the CEO, the board assumes an advisory role. De Masi and Paci (2014), Apadore and Zainol (2014) argue that from a stewardship theory perspective and in the context of public utilities, independent directors protect shareholders' interests while simultaneously providing industry-specific experience to the CEO. They act as advocates for financial viability and corporate performance. The stewardship theory embodies characteristics of both the shareholder and stakeholder models. It proposes CEO duality to have unity of command and to avoid role conflict between the board and CEO. Critics of the stewardship theory, however, view CEO duality as compromising the supervisory role of the board and the interest of the government as the sole owner of SOEs (Stout, 2012).

2.4.8 Hybrid theory

The calls for new theoretical perspectives to address critical gaps and shortcomings between the agency and stakeholder theories, two traditionally opposing extremes, have resulted in the emergence of the hybrid theory (Khanna, 2012; Merendino, 2013, Kaur, 2014; Frynas & Stephens, 2014). Khanna (2012) believes the hybrid theory is applied by successful state-owned enterprises such as Gazprom, Petrobas, China Mobile, Rotterdam Port, and Delhi Mumbai Industrial Corridor. These enterprises emerge to unite whatever political will exists in the public sector with the required expertise of the private sector (Musacchio, Emilio, Ayerbe & Garcia, 2015).

The assumptions of the hybrid theory are that the stakeholder theory's strengths complement the shortcomings of the shareholder theory. This produces a type of hybrid theory which can be contextualised to suit individual countries and SOEs (Yoshikawa & Rasheed, 2009). The implication is that while SOEs enjoy financial assistance from government as the shareholder, they employ skilled directors and CEOs from the private sector, as per OECD guidelines (2014). The SOEs take cognisance of the political, socioeconomic, and environmental factors unique to each country, as well as the contexts of individual SOEs (Kaur, 2014; Aguilera, Judge, & Terjesen, 2014).

The hybrid theory is aligned to both the shareholder and stakeholder models. SOEs in some emerging economies portray some characteristics of the shareholder model such as, a separation of the chairperson of the board and the CEO. These SOEs of emerging economies also portray stakeholder model traits such as the two-tier board structure (Ho & Young, 2013). Kaur (2014) points out that the question that begs answering is: How will the issue of the

relationship and personal trust (the Chinese concept of Guanxi) used in Asian businesses be reconciled with the system of professionalism and ethics used in the private sector (Bavoso, 2016)? Bavoso (2016) concludes that despite much criticism to date, the shareholder model (which is aligned to the agency theory), has remained the guiding criteria for corporate success. Similarly, Da Cruz and Marques (2014) also note that no man can serve two masters.

In light of the various theories outlined, it is becoming evident that the increasing literature in the organisational field is supportive of the notion that understanding corporate governance practices in complex organisations such as SOEs requires the use of multiple theories (Christopher, 2010; Monks & Minow, 2012; Jussuff & Alhaji, 2012; Melahi, Frynas, Sun & Siegel, 2016; Wagana & Nzulwa, 2016). Along similar lines, Boyd and Solarino (2016) strongly advise future researchers to adopt a multi-theoretic perspective, as adopted in the current study. This new way of thinking also highlights that it is not the models or theories and their origins which matter. It is how they are adapted to the various contexts of countries and companies. This is because what occurs in one country cannot be transplanted to others (Stiglitz, 2016).

2.5 Review of related literature

Given the ambiguity of the theoretical findings, it is important to consider the equally mixed and inconclusive real world findings, as informed by the various theories covered (Chang, 2007; Puchniak, 2014). Chang (2007) and Puchniak (2014) further argue that there is a degree of “selection bias” about the inherent poor performance of SOEs in emerging and developing countries. From the shareholder model and agency perspectives, SOEs have been perceived as inherently inefficient. Many emerging and developing countries are negatively affected by their

existence (Rondinelli, 2005; Nellis, 2005, 2012; Vagliasindi, 2008). In the wake of SOE success stories in emerging economies such as Brazil, China, and Singapore, when viewed through the lenses of the stakeholder, hybrid models, and theories, this argument appears not to be compelling, (Ang & Ding, 2006; Khanna, 2012; Kirkpatrick, 2014; Lee, 2014; Götz & Jankowska, 2016).

Similarly, Cuervo-Cazzura, Inkepen, Musacchio, and Ramaswamy (2014) challenge the shareholder model and agency theory assumptions that all shareholders are interested in profit maximisation. This is an issue equally contested by Stout (2012) who argues that shareholders have different values. As such, Cuervo-Cazzura, et al. (2014) point out that as the sole shareholder of SOEs, the interest of government is not only limited to profit maximisation, but extends to political legitimacy, social development, service delivery, and environmental protection. These are different from the interests of a private company. Consequently, corporate governance practices in SOEs cannot be equated to private companies, given the former's complex nature and unique contexts. Therefore, unlike the assumption by Matui (2010), corporate governance practices in SOEs cannot be investigated from a purely private sector perspective (Ishak & Omar, 2011). Similarly, Subramanian (2016) suggests that policy makers deal with corporate governance practices in SOEs differently than their private sector peers.

Consistent with Cuervo-Cazzura, et al. (2014), Ishak and Omar (2011), and Subramanian (2016), Sturreson, McIntyre and Jones (2015, p.6) note that, "SOEs should not be evaluated purely on the basis of financial results (the profit and loss account), but more widely on how they contribute to societal value creation, taking an integrated and holistic view of their impact." Informed by the aforementioned views, the current study suggests that the

performance of the select Tier 3 SOEs should be evaluated on the basis of the quartet or “4Ps” bottom line. This entails the attainment of political, economic, social, and environmental objectives.

After the 2007-2008 global economic crisis, the debate on corporate governance practices shifted from standardised and “one size fits all” notions—models and theories to country, sector, and company specific models and theory preferences (Black, Cavalho & Gorga, 2010). Matui (2010) argues that the type of corporate governance practices to be used is subject to the prevailing ideology, political, socioeconomic, cultural, and environmental conditions of a particular country. The shareholder model and agency theory have been prominent during the years and height of capitalism (Shleifer & Vishny, 1997). However, the balance of power changed with the emergence of countries in Asia such as China and Singapore, as economic powers and global players (Stiglitz, 2014; Guria, 2014; Barkema, Chen, George, Luo & Tsui, 2015; Xu, 2016, Zhou, 2016).

The above-stated countries trade engagements with the rest of the world as evidenced by the increase in FDI (Jones, 2010), necessitate that country contexts such as ideologies and political, socioeconomic, cultural, and environmental conditions, have to be considered by international protocols such as OECD guidelines. As such, the revised OECD (2015) guidelines highlight the importance of contextualisation, as they give insight into why specific models and theories are a mismatch for certain countries, sectors, and companies (Larsson-Olaison, 2014; Radygin, Simachev & Entov, 2015). While taking cognisance of the fact that the world is interconnected and holistic, Richards, Reynolds, and Dillar (2016) also highlight the importance for countries

to adapt and contextualise corporate governance models and guidelines to suit their unique needs and characteristics.

While there is economic growth of countries in Asia, fast growing African economies are also of note, playing their own roles in the global economy (Endres, 2013). Along a similar line of thinking, Lekke, Lund, Roxburgh and Wamelen (2010), and Isukul and Chizea (2015) state that many African countries have achieved relative political stability. This stability is a necessary condition to propel socio-economic development by attracting FDI. Sherbourne (2009) and Afolabi (2015) note that given their vast mineral resources, African nations, and particularly countries such as Nigeria and Namibia, are able to bargain for FDI better deals with nations such as China, in exchange for access to their valuable minerals.

There is growing support for the claims of African nations being fast-growing emerging economies that are attractive to FDI. Still, the consensus seems to be that for future sustainability, there is a need for the African continent to change its comparative advantage to competitive advantage (Jalata, 2014). Achieving that shift requires commitment to good corporate governance practices. This commitment is particularly required in strategic sectors such as electricity, telecommunication, and transport, pillars of a country's competitive index. Above all, the continent needs effective leadership (Booth, et al., 2015).

In another viewpoint, Khan (2012a, 2012b) argues that good corporate governance cannot be considered to be a precondition for development. Citing examples of developed economies, he notes that these economies did not begin with good corporate governance; therefore, why must financial assistance from the World Bank and the International Monetary Fund (IMF) to

developing countries be subject to good corporate governance? Although Khan's argument may seem reasonable, increased literature still appears to support the notion that good corporate governance contributes to development.

Literature on a suitable corporate governance model for Africa remains limited, creating an information gap. However, some scholars believe that the stakeholder model used in Asia may be suitable to Africa because of its inclusive nature (Khomba & Vermaak, 2012; Okari, Keraro & Kiambati, 2012; Musakwa, 2014). Others, such as Gyapong (2016), recommend a modified hybrid model for South Africa. The researcher is in agreement with the compelling argument advanced by Aguilera and Jackson (2010) that states that although they are useful, the traditional shareholder and stakeholder models only partially account for governance realities in emerging and developing economies. As such, a suitable model for Namibia and Tier 3 SOEs is proposed in Chapter 5 of the current study.

After the high profile demise of mostly American and British private companies and financial institutions, there was a paradigm shift from the traditional debate of private ownership versus government ownership. The attention has been on how shareholders, whether private or government, could actively participate in the economy in order to protect their investments and ensure long-term corporate sustainability (Shafjell, 2016; Gelter, 2016). The US government had to intervene to rescue financial institutions such as Fannie Mae and Freddie Mac. This was in stark contradiction to the free market assumptions rooted in the agency theory, raising questions on the future of shareholder-agency centric measures such as privatisation (Nellis, 2012; Ncube, 2016).

The intervention in the economy by governments such as the US government, shows that the effective operations of any company, whether private or SOE, are subject to the political will of the current government (Belskey & Wachter, 2010; Szamosszegi & Kyle, 2011; Griffith, 2016). This is an assumption underlying the political theory and political entrepreneurship theory (Roe, 2011; Tan, Puchniak & Varrotil, 2015). Pursuant to the foregoing discussion, boards have been at the heart of corporate governance in both private companies and SOEs (Gumede, 2012).

However, most corporate scandals were due to the breakdown of governance relations between shareholders and CEOs (Liudas & Dovilė, 2014). This breakdown occurred despite the presence of the boards as a supervisory and monitoring mechanism, highlighting weaknesses in the agency theory (Thakor, 2015). This resulted in the review and emergence of corporate governance reforms and guidelines such as the OECD (2015) and King III (IoDSA, 2009). These reforms and guidelines emphasise stakeholder theory attributes such as inclusivity, collective leadership, and corporate citizenship.

The agency problem between shareholders and CEOs has led to renewed efforts to improve the performance of SOEs by refocusing on the role of the boards. The duties of the board have extended beyond the supervisory and monitoring function of the CEO as outlined by the agency theory. This extension includes issues like stakeholder management, corporate social responsibility, and responding to environmental issues such as climate change. It also covers maintaining interdependence between the company and critical institutions such as the government and financial institutions such as banks (Clarke, 2016).

The inclusive role of stakeholders and the interdependencies between a company and its external environment are attributes of the stakeholder and resource dependence theories (Haque & Rehman, 2014; Gunay, 2016). Therefore, many of the existing studies focus on a single corporate governance mechanism, such as the ownership role of the government (Lim, 2013; Mei, 2013), supervisory role of the board, (Fredericks, 2011; Puni, Osei & Ofei, 2014; Lishenga, 2015), or the role of the CEO (Kleppers, 2010; Tung & Lam, 2012). These studies are mainly underpinned by the shareholder agency-centric approach (Gitundu, et al., 2016). Existing studies fail to recognise that no single corporate governance mechanism can independently lead to effective corporate governance practices (Larcker & Tayan, 2015; Zabri, et al, 2016).

Abid, Khan, Rafiq, and Ahmed (2014) note that existing literature on the role of the board has varied between different scholars focusing on the individual characteristics of the board, as follows:

i) *Board nominations and appointments*

SOE board nominations and appointments are viewed as politically motivated, compared to the merit appointments in the private sector (Rossow, 2005; Vangliasindi, 2008; OECD, 2010; Kamal, 2010; Baltic Institute of Corporate Governance (BICG) 2013; Kachali, 2014). This creates a perception of incompetency. As Drucker (2004) notes, the human race indicates strongly that the only person in abundant supply is the universal incompetent individual, and organisations should be built in such a manner that any man who has strength in one important area is capable of putting it to work. Rossow (2005) and Kamal

(2010) note that political appointments leave the boards with no other alternative than to work in the interest of government ministries, the appointing authority.

ii) *Board composition*

Humanyun and Adelopo (2012) note that the challenge facing most African SOEs is obtaining the right mix of directors on boards. To this effect, Adullah and Valentine (2009) suggest that an effective board should be constituted of “insiders”—executive directors with industry know-how. The board should also be composed of “business experts” sourced from the private sector who can provide expertise on business strategy. It should be constituted of “support specialists” such as lawyers, accountants, bankers, and human resource practitioners, who can provide specialised advice in various fields. Finally, “community influentials” such as politicians, academics, clergy, and representatives of unions, and community organisations, who can advise on labour and social issues should also be on the board. The views by Abdullah and Valentine (2009) are supported by Oosthuizen and Lahner (2016).

iii) *Board size*

Board size indicates the number of directors serving on the board of a private company or SOE. While there are inconclusive findings on the size of a board (Khaled & Alnaif, 2015), smaller boards are found to be more effective than larger boards. This may increase the risk of “free riders.” Handajani, Subroto, Sutrisno, and Saraswati (2014) find that an average of five directors are sufficient to be effective in providing expert advice and opinions on an SOE board.

However, Adams and Mehran (2012) reveal that firms choose board size to balance advisory needs with the cost of decision making.

The OECD (2015) guidelines are not prescriptive and leave the choice to individual SOEs. This is because, as Coles, Daniel and Lalitha (2008), Khaled and Alnaif (2014) point out there is no “one size fits all” approach. The researcher, however, argues that the board size must not only be determined by the size of the firm, but also by its complexity.

iv) *Board independence*

OECD (2010) guidelines recommend that SOE boards should be independent to exercise independent judgement. They recommend that SOEs should be protected from undue political interference. This is an issue which can be a challenge from a political theory perspective (Roe, 2011), given that the SOE boards are appointed by government as the sole shareholder. Ayuso and Argandona (2007) explain that an independent board operates under a legal framework and is constituted by more outside directors without material connections, such as family ties, financial relationships, and professional services with management.

However, the question still remains: In reality, how independent are boards? Stout (2012) attempts to partially answer the question by stating that from a stakeholder’s perspective the board owes its fiduciary duty to a company such

as an SOE. This constitutes stakeholders, such as the government, as the sole shareholder of SOEs, employees, customers, suppliers, and local communities. Nonetheless, Scarborough, Haynie, and Shook (2010) state that having an independent board would alleviate conflict of interests by ensuring board activism.

Similarly, Christensen, Kent, and Stewart (2010) maintain that the board composition comprising independent outside directors is better placed to exercise decision control as they may fear for their reputations, especially under circumstances where they do not have shares in the firm. Similarly, Omid (2016), in his review of corporate governance in China, emphasises the importance of independent directors in regulation and ethical conduct. Scarborough et al. (2010) states that effective decision control is dependent on the independence of the board chairman from the CEO.

An ownership policy clearly separates the roles of the government as owner, policymaker, and regulator, from the supervisory role of the board and the executive role of the CEO. The absence of such a policy increases the possibility of political interference, lack of transparency, and accountability (Vagliasindi, 2008; Mills, 2015). The conflicting roles and lack of accountability results in a blame game between key corporate governance role players. This is an issue pointed out as an undesirable result of bad corporate governance practices, commonly associated with Air India (Bhargava, 2013).

v) ***Board diversity***

Modern SOEs have become complex. Some remain domestic players, while others have become global players (Golley, 2016). Thus, with this transformation, the board is not only faced with domestic challenges, but also with complex ones in the interrelated global environment (Richards, Reynolds & Dillaard, 2016). For directors to be effective, they are expected to have diverse skills and expertise which add value to deliberations and respond to SOE needs (Oosthuizen & Lahner, 2016).

As such, Fredericks (2011) argues it is not good enough for boards to have financial and legal expertise. Today, SOE boards are expected to have directors with political and government experience, who can act as the link between government as the shareholder and SOE. Consistent with Frederick (2011), the BICG (2013) shows that appointing directors with diverse skills can be one of the key contributors to the board's quality decision making and effectiveness. As such, what is needed is political, economic, financial, interpersonal, communications, diplomatic, and leadership skills.

According to the agency theory, boards were limited to commercial and legal issues to maximise shareholder value and discipline the CEO for non-compliance. The researcher's view is that today, boards should have skills to ensure stakeholder management. They should additionally have interdependent relationship building skills. This researcher also believes that today's boards should concentrate on performance-related activities, such as policymaking, strategy formulation, and service, aimed at future sustainability. This reflects the multiple-

theory approach, particularly the agency approach, stakeholder, and resource dependence theories (Boyd & Solarino, 2016).

Another challenge is the gender diversity issue, which claims women are often under-represented on private and public company boards. The reason has always been the misconception that women are less suitable than their male counterparts in competencies and knowledge (Abdullah, Yin & Mei, 2014). However, today, there is an increase in the number of women on boards. Supporting the notion of women on boards, Maran (2008) suggests that gender diverse boards are likely to increase the competitiveness of the company, as there is greater knowledge, innovation, and improved decision making quality.

Furthermore, Shamsul, Ku Nor Izah, and Lilac (2012) argue that women are risk averse, which may lead to better investment decisions. Hoobler, Masterson, Nkomo, and Michel (2016) also find that women play a value adding role on company boards. In countries such as Norway, representation of women on SOE boards is mandatory, with a quota set at 40 percent, and a clear sanction for non-compliance (Obert, Suppiah, Tendai, Desderio & Martin, 2014).

However, the board needs leadership to be effective (Khoza & Adam, 2005; Richards, Reynolds & Dillard, 2016). Dang, Cheng, and Gray (2007) suggest that for a board to be effective, it should be constituted of a diversity not only based on gender, but also on age. While the older board members bring wisdom and experience, middle aged members carry the active responsibility. And given their energy, the young take risks and drive the company. Affirming the view by Kang, Cheng, and Grey (2007), Khan, Hassan and Marimunthu (2017) found that demographic diversity in boards and management levels contributes to good

corporate governance and financial performance of companies. Namibia, despite claims of being a paternalistic society, shows an improvement in the number of women on SOE boards, given the 50/50 representation policy (Nunuhe, 2014).

vi) *The leadership role of the board chairperson*

Cunha et, al. (2015) argue that conflicting, yet interrelated objectives such as commercial and social objectives are inherent in companies such as SOEs. The argument goes on to state that objectives should be balanced by the effective leadership of the board, particularly the board chairperson. This will achieve the overall organisational objective of socioeconomic development. Similarly, Heracleous and Wirtz (2014) refer to Singapore Airlines as the highest performing and respected airline in the world. They state the airline's performance is a result of its ability to transcend organisational paradoxes in addition to effective chairperson spearheaded board strategies. The board chairperson should set the tone in terms of good corporate governance practices. Most importantly, the board chairperson should maintain an interdependent and collaborative relationship with the CEO, built on mutual trust. This view represents a pluralistic theory perspective. It not only includes an aspect of oversight in line with the agency theory. It also includes interdependence, collaboration, and mutual trust. This reflects elements of resource dependence and stewardship theories (Simpson, 2014).

Conversely, poor leadership in SOEs is evidenced by conflicts between board members as well as between the board chairperson and CEO. This leads to

leadership instability, delays in senior appointments, and extended acting periods (Gumede, 2012). Notwithstanding a few studies such as Khoza and Adams (2005) among others, research on the leadership role of the board chairperson has been limited. However, the current study addresses this through the supervisory role of the board and how it influences corporate governance practices in the select Tier 3 SOEs.

vii) *The leadership role of the CEO*

Recruiting a CEO has become an important step given that CEOs are scrutinised for their leadership and decision making expertise. A CEO is the link between the board and management and between the company and other stakeholders. He/she is expected to be a role model for its subordinates and to the external environment (Charlete, 2013). Furthermore, a CEO should set the framework for corporate governance values such as transparency, accountability, responsibility, fairness, integrity, and corporate citizenship, as outlined by the King III model and code (IoDSA, 2009).

The global financial crisis of 2007-2008 widened the gap between the public and corporate leaders such as CEOs of SOEs in particular. The public demands more regulations from the government as the sole shareholder to prevent the re-occurrence of self-centered behaviour by CEOs. This ensures that CEOs of SOEs are working in the interest of society and public good (Fredericks, 2011). To this effect, Kleppers (2010) contends that the relationship between the board chairperson and CEO is crucial for SOE effectiveness.

Along similar lines, Biljalwan (2012) and Wilcox, Schneider, and Bernai (2012) argue that achieving good corporate governance practices in SOEs requires an interdependent and collaborative relationship between government as the sole shareholder, the board as the supervisor, and the CEO as the executive. This is known as the corporate governance tripod or triangle. The leadership role of the CEO has been neglected in existing literature in favour of characteristics such as CEO duality (Tung & Lam, 2012). The current study addresses the issue of the CEO's role and how it influences corporate governance practices in the select Tier 3 SOEs.

Contrary to the views of the proponents of the agency theory (Vrajaj & Akash, 2013; 2016), a review of existing literature shows that some scholars argue that the global financial crisis of 2007-2008 has its foundation in the agency theory and faulty business strategy (Kirkpatrick, 2009; Smith, 2010, Christopher, 2010; Tarraf, 2011). Moreover, the shareholder value maximisation is an important assumption of the agency theory. It seems to have taken on another definition of share price maximisation to realise short-term capital gains at the expense of long-term shareholder wealth creation and business sustainability, an incorrect business strategy.

CEOs were encouraged by shareholders and boards to venture into aggressive risk-taking projects to maximise short-term profits. This increased their bonus pay outs at the expense of shareholders (Erkens, Hung & Matos, 2009; Tarraf, 2011). The foregoing action created an agency problem. In this problem, CEOs in companies such as Bears Stearns and Lehman Brothers, took uncalculated risks to benefit themselves with huge bonus payouts at the expense of shareholders (Bechuck, Cohen & Spamann, 2010).

Furthermore, boards, as the supervisory bodies constituted of the executive and majority non-executive outside directors, failed to monitor and control the CEOs due to misinformation and a lack of operational experience (Kumar & Singh, 2013). As such, Kirkpatrick (2009) concludes that in many cases corporate governance shortcomings facilitated or failed to prevent poor practices. This created a need for the stakeholder theory (Tricker, 2012). It is argued that in order to maximise the stakeholders' interests, there is a need for an interdependent relationship between the shareholder, board, and the CEO. This relationship is based on mutual trust, a view reflected in multiple theory combination of agency, stakeholder, resource dependence, and stewardship theories (Monks & Minows, 2012; Jusoff & Alhaji, 2012; Boyd & Solarino, 2016).

The above discussion indicates that the agency theory cannot, on its own, address the agency problem. It reveals that the theory needs to be complemented by other theories. This would give rise to recommendations to use the multiple theory approach to investigate complex phenomena such as corporate governance (Zattoni, Douglas & Judge, 2013; Akshita, 2015). The current study has adopted the multiple theory approach. Furthermore, the failure of the board confirms the notion that effective governance practices cannot be achieved by a single corporate governance mechanism such as the board. As such, the effectiveness of the supervisory role of the board is subject to the input and collaboration from other corporate governance mechanisms such as the shareholder and CEO, reflecting a multiple-mechanism approach (Aguilera, Desender & Kabbach de Castro, 2012; Schiell, Ahmadjian & Filatotchev, 2014; Misanyi & Acharya, 2014) adopted by the current study.

Following to the above discussion, the assumption of the agency theory is that government should not play an active role in the economy. This assumption, which allows the free-market economy to regulate its own flaws, (Sternberg, 2012, Gitundu, et al., 2016) has been challenged. Sternberg (2012) argues that economic regulatory government intervention is the real cause of the problems, and that issues such as CEO compensation should be left to the shareholders. Ironically, the US government was the first to bailout major banking institutions under programmes such as the Trouble Asset Relief Programme (TARP) (Ncube, 2016).

The researcher agrees with Smith's view (2010) that if government regulates the pay of CEOs, competent CEOs may shy away from joining SOEs and opt for the private sector. Conversely, if government does regulate excessive pay scales that could encourage CEOs to take uncalculated short-term risks, another global financial crisis might occur. This creates a need for a theory to balance the two conflicting, yet interrelated commercial and social objectives that are generally found in SOEs (e Cunha, et al., 2015). The theory gap has resulted in the emergence of the hybrid theory (Khanna, 2012; Lee, 2014). An intervention by the government into the economy, such as in the case of the US government, shows that the role of government as a shareholder and entrepreneur is an undeniable reality (Szamosszegi & Kyle, 2011). This is an assumption of the public choice, political, and political entrepreneurship theories (Menozzi, Urtiaga & Vannoni, 2010; Roe, 2011; Alok & Ayyagari, 2014; Tan, Puchniak & Varrotil, 2015).

From another dimension, corporate governance theories have been dominated by scholars from developed economies such as the USA, UK, Canada, and Australia (Shleifer & Vishny, 1997, Sternberg, 2012; Nellis, 2012; Szamosszegi & Keyle, 2011). Despite the prevalence of SOEs in emerging economies in Asia and in developing African countries, much of the literature

from developed economies has failed to recognise the political, economic, and environmental conditions in emerging and developing economies (Yousuf & Islam, 2015; Chen, 2016; Gyapong, 2016).

However, after centuries of economic domination mostly by the US, emerging economies such as China and Singapore are beginning to challenge the US for global industry leadership and the underlying theoretical assumptions and perspectives. Barkema, Chen, George, Luo, and Tsui (2015) find that there is an increase in literature from emerging economies (Liudas & Dovilė, 2014). This creates a balanced view from the original dominant literature from developed economies. The problem, however, remains with the limited literature in the developing African economies (Mulili & Wong, 2011; Okari, Keraro & Kiambati, 2012). This problem particularly affects southern African economies such as Namibia, despite these economies being dominated by SOEs (Ashipala, 2012; Gumede, 2012; Kefas, 2014).

2.6 Literature gaps

The global financial crisis of 2007-2008 has exposed gaps in the literature reviewed. Consequently, the current study agrees with the assumption that serious reforms are brought about by financial downturns. This results in new ways of thinking (Kirkpatrick, 2009; Black et al., 2010; Yousuf & Islam, 2015).

2.6.1 Definition of corporate governance

The literature reviewed shows there is no universal definition for corporate governance (Yilmaz & Buyuklu, 2016). However, conventional wisdom before the financial crisis was

composed of narrow definitions limited to financial and legal considerations (Shleifer & Vishny, 1997; Aguilera & Jackson, 2010; Tihanyi, Graffin & George, 2014). Today, the definitions have become broader and inclusive of political, socioeconomic, and environmental considerations (Carrunthers & Kim, 2011; Solomon, 2013, OECD, 2015).

Informed by scholars such as Tichapondwa (2013), definitions of corporate governance are becoming equally contextualised, taking into consideration country, sector, and company specific characteristics. These characteristics included political, socioeconomic, cultural, and environmental considerations, which were previously neglected (Nalina & Panchanatham, 2016). This presents a challenge to policy makers and practitioners in developing countries to come up with country, sector, and company specific definitions to identify corporate governance challenges when they occur.

2.6.2 Corporate governance models

The opposing shareholder and stakeholder models have been found deficient for dealing with agency problems before and after the global financial crisis of 2007-2008. The models have also been found to be insufficient for handling the emerging challenges confronting modern complex organisations such as SOEs. Some of these SOEs have become domestic and global players in countries such as China and Singapore (Zhou, 2016). SOEs are entrusted with economic and social objectives which are sometimes conflicting yet interrelated. The objectives are required to be balanced through effective leadership, not only of the board, but in collaboration with government and CEO leadership (Makhado, 2016; Xu, 2016). The foregoing discussions resulted in the hybrid model (Lee, 2014), as did the new use of multiple-mechanisms when investigating corporate governance practices in SOEs (Misangyi &

Acharya, 2014). While there are volumes of literature, traditional shareholder and stakeholder models (Smith, 2014; Dennis, 2016) literature on the hybrid model is still limited. This is an issue which needs the attention of future scholars, given the increasingly complex corporate governance demands in SOEs in African developing countries. These demands cannot be adequately addressed by the shareholder model or stakeholder model (Billis, 2010; Sultan Balbuena, 2014; Nakapodia, Adegbite, Amaeshi & Awolabi, 2016). This presents a literature gap. The current study addresses the gap by proposing a suitable corporate governance model for Tier 3 SOEs and Namibia which constitutes the current study's contribution to the body of knowledge.

Contrary to conventional wisdom, SOEs are inherently inefficient (Nellis, 2012; Gitundu, Kiprop, Kibet & Kisaka, 2016). The global financial crisis of 2008-2009 has brought about a renewed interest in SOEs as instruments of socioeconomic development in Asia (Omid, 2016; Zabri, et al., 2016). This has led to revised OECD guidelines (OECD, 2015). Unlike the OECD guidelines developed in 2005, the revisions particularly aim at assisting governments develop ownership policies. These policies separate the conflicting roles of government as the sole shareholder, policy maker, and regulator, from the supervisory role of the board and the executive role of the CEO. In terms of ownership policy, the aforementioned intervention has been relatively successful in SOEs in countries such as China and Singapore. It addresses the agency problem between ownership and control (Apostolov, 2016), which seems to be a challenge in SOEs in African countries (Chikwiri & de la Rosa, 2015; Amoako & Goh, 2015; Padachi, Urdhin & Ramen, 2016).

The King III model and code (IoDSA, 2009) was developed in South Africa. It was based on the principles of apply or explain and introduced concepts such as leadership and corporate citizenship. The OECD Guidelines and King III are voluntary interventions which are not mandatory, such as the Sarbanes-Oxley Act of 2002. To be applied effectively, the OECD guidelines and King III must be contextualised, so as not to be incongruent to emerging and developing economies (Rossow, 2009).

2.6.3 Theories of corporate governance

The claim of agency theory supremacy (Lampert, 2016) was challenged during the 2007-2008 global financial crisis. Likewise, the view that agency theory can independently address the agency problem in companies has been found misplaced (Christopher, 2010). The modern organisation, such as an SOE, is complex and entrusted with commercial and social objectives. Balancing the two conflicting objectives requires effective governance, board, and CEO leadership to ensure both shareholder and stakeholder interests are met. To attain the socio-economic objectives requires the SOE to interact with its external environment. This interaction will grant access to much needed resources such as financial and legal services.

Equally, SOEs, regardless of whether they operate in domestic markets or globally, need to take cognisance of the political, economic, social, and environmental conditions of a country. The earlier discussion reflects assumptions of multiple theories; it is an approach that, despite limited literature, is recommended when investigating a complex phenomenon such as corporate governance practices in SOEs (Wagana & Nzulwa, 2016).

2.7 Summary

Corporate governance remains a complex and evolving concept with no standardised definition. As such, it has to be contextualised so that its meaning can be understood within the framework of an individual country, sector, or company specific environment. The notion of universal or standardised corporate governance models and guidelines have been found to be deficient. The debate on the shareholder or stakeholder supremacy has been minimised. The notion of convergence between the two opposing models has also been refuted. The emergence of the hybrid model, which arguably presents an opportunity for the traditionally fully government-owned or privatised SOE, will be transformed into a dynamic hybrid form of organisation. The organisation will not only be effective, but able to thrive.

Similarly, there is no single theory which can be universally applied or which is superior to the other. The new perspective is that theories are different, yet interdependent. This implies that the agency and stakeholder theories are different but not mutually exclusive. Therefore, no single theory can investigate a complex concept such as corporate governance. To have a better understanding and insight, the adoption of a multiple theory approach is recommended when investigating corporate governance practices in SOEs.

Equally so, no single mechanism can lead to effective corporate governance practices. This is because in the context of an SOE, the effectiveness of the board is dependent on the input from the CEO and support from government.

SOEs have re-emerged as instruments of socio-economic development, mainly in government run economies such as China and Singapore (Fallon, 2015; Jousuf & Islam, 2015; Inderst, 2016). The relative of successful corporate governance practices in SOEs and models such as Temasek Holdings (Pty) Ltd have become models which developing economies like Namibia can learn from. Consequently, case studies of China and Singapore are covered in Chapter 3.

CHAPTER 3

CASE STUDIES OF SUCCESSFUL MODELS OF CHINA AND SINGAPORE

3.1 Introduction

This chapter deals with the case studies of China and Singapore. The broader focus is on the successful models of the State-Owned Assets, Supervision and Administration Commission (SASAC) and Temasek Holdings (Pty) Ltd (Mills 2015; Leutert, 2016). Particular attention is given to the roles of the government, board, and CEO, and how they influence corporate governance practices in China and Singapore. Case studies are first examined individually, before a comparison is made. Implications to the current study and in particular to Namibia are considered.

3.1.1 The fall of free-market capitalism and the rise of state capitalism

For over 30 years, free-market capitalism, alternatively referred to as the neo-liberal Anglo-Saxon shareholder model, has been dominant, influencing governance frameworks in developed, emerging, and developing countries. Free-market capitalism is also internationally known as the Washington Consensus, because of its promotion by internationally acclaimed organisations such as the World Bank and the International Monetary Fund (IMF). Various events have contributed to this dominance, particularly, the fall of the Berlin Wall, and the consequent collapse of the former Soviet Union (European Commission, 2010; Li, Lin & Wang, 2012; Mac Nally, 2013; Li, 2015; Leithart, 2016; Kurlantzick, 2016; Hsueh, 2016).

Conventional wisdom dictates that the key function of an economic system is to allocate scarce resources efficiently (Haveman, Jia, Shi & Wang, 2016). As such, free-market capitalism is based on the assumption that markets should be responsible for the allocation of goods and

services. Government's role is restricted to regulating these markets. Therefore, this model gives preference to the role of private companies. However, there is increased exposure of the modern enterprise to political, economic, social, and environmental factors. Therefore, it has become imperative to define a company and understand how it relates to its environment. It is argued that a narrow definition of a company and its accountability may have partially contributed to the financial crisis of 2007-2008 (Petrin, & Choudhury, 2016), a view highlighted by Fox (2008) and Kirkpatrick (2009).

The global financial crisis of 2007-2008 weakened the Anglo-Saxon model with its high confidence in the free-market economy and private companies. Consequently, many of the proponents of the model appeared to have lost faith. Kurlantzick (2016) stresses that the Washington Consensus's idea of a combination of the free-market economy and democracy as the necessary drivers for economic development did not produce the kind of growth and equality people in many developing economies had hoped for. Normally a proponent of the shareholder model, the EU Commission (2010) stated that confidence in the model had been severely shaken, an issue which resulted in the emergence of state capitalism and a renewed interest in the SOEs.

State capitalism refers to a situation where the state controls the economy within the context of a free-market economy (Milhaupt & Zheng, 2015). Li (2015) explains that this type of capitalism is known by the predominance of SOEs, selective use of industrial and trade policies, and ironically, a close relationship between the private sector and government. The latter undertakes its activities largely driven by profit motives. Kurlantzick (2016) refers to state capitalism as a system where government has an ownership stake in more than one-third

of the 500 largest companies by revenue in that country. This is a situation which gives the government far greater control over the private sector, compared to a government in a free-market economy such as the US or the UK.

In addition, Chen, Jiang, Ljungqvist, Lu and Zhou (2015) explain that state capitalism, as practiced in emerging economies such as Russia and China, combines state power with capitalist tools. The state provides and controls access to capital through state-owned banks. It identifies key SOEs or national champions and influences their investment decisions. At the same time, the state lists these institutions on domestic and overseas stock markets.

Notwithstanding the above, one of the claims against state capitalism in China has been about the privileges of credit from state owned banks enjoyed by state-owned enterprises (Szamosszegi and Kyle, 2011). Consistent with Szamosszegi and Kyle (2011), Chen, Jiang, Ljungqvist, Lu and Zhou (2015) argue that in terms of the political view, politicians use public funds for their own benefits in what is commonly known as “extending the grabbing hand.” As such, state capitalism in China not only allocates capital to SOEs for profit maximisation, but also for self-serving objectives such as career promotion of Chinese Communist Party (CCP) board chairpersons. Li, Liu, and Wang (2012) suggest that state capitalism is the root of economic distortions. This undermines sustainable growth in countries such as China.

From another perspective, Leung (2016) argues that China’s state capitalism is actually ambiguous. It is different from the “one bang” approach from Eastern Europe. And, while it is gradual and adaptive, it lacks clear direction. With the exception of Singapore, corruption has been associated with authoritarian countries practicing state capitalism due to too much power

in the hands of a few leaders. This stifles democracy and allows leaders to remain in power for life. Moreover, corruption results in inefficiencies at SOE levels and ignores the environment. It also under invests in essential services such as infrastructure, education, social and health services (Kurlantzick, 2016; Hsueh, 2016). Haveman, Jia, Shi, and Wang (2016) find that corruption and assets appropriation by Chinese bureaucrats varies across regions and sectors and is easier to achieve in urban areas than rural areas. It is also more attainable in real estate industries than the steel industry.

In defense of the state capitalism model, Knott (2016) argues that while many states fail to achieve even the minimal level and features of effective governance, state capitalism has proven to be a successful economic model, mainly in Singapore and possibly China. These two nations are prominent adherents to state capitalism, and have experienced rapid economic growth. This is an issue which has become a challenge to developed economies. The challenges stem from the fact that these emerging or transitional economies, due to the predominance of SOEs, are becoming increasingly dominant in economic and political influence, thereby overshadowing the traditionally dominant players such as the USA (Peng, Bruton, Stan & Huang, 2016).

Chan (2014) and Morrison (2015) argue that Singapore has become a hallmark of a corruption-free economy, while China has emerged as a major economic power and holder of huge foreign exchange reserves. Li (2015) argues that state capitalism has demonstrated that government is no longer an inefficient bureaucracy, but a well-informed and highly trained economic agent. Thus, state capitalism's hope is for the highest success in history. Notwithstanding the emergence of state capitalism, the state-led economies of China and Singapore remain export

driven. These economies have many SOEs having trade relations with Anglo-Saxon countries such the US, UK, and Canada. This relationship is also reciprocal, with many multi-national companies also investing in China and Singapore, resulting in the inflow of FDI (Menon, 2007; Lin & Milhaupt, 2013; Dobson, 2014).

3.2 Case study of China

3.2.1 Overview

3.2.1.1 China's global role

China recently became the second largest economy in the world, after the US. The country plays an increasingly vital and influential role in the global economy (World Bank, 2016). Substantiating the aforementioned and elaborating on China's economic growth, Orr (2016, p.1) argues, "No matter what rate the country grows at, in 2016, its share of the global economy, and of many specific sectors will be larger than ever." Similarly, Elteto and Szunomar (2016) describe the Chinese economic growth and expansion as one of the most spectacular cases of today's global economy.

The global expansion of China is primarily aimed at achieving economic objectives of gaining access to minerals such as oil, diamonds, and uranium. Its expansion is also politically aimed at advancing the role of China as an emerging global power. This objective counteracts the political influence of Western powers such as the US and UK. It has been spearheaded by central SOEs or "national champions" under the control of SASAC (State Owned Assets Supervision and Administrative Commission) (Lin & Milhaupt, 2013; Miura, 2015; Hannah & Firth, 2016; Gracia & Herrero, 2017). The "national champions" are mainly involved in strategic sectors such as electricity, telecommunications, air, and sea transport. They are

inclusive of the State Grid Corporation of China (electricity and gas), China Telecom and China Mobile (telecommunications), China National Aviation, and China Ocean Shipping (air and sea transport) among others. And, they represent 80 percent of China's stock capitalization (Nazir, 2017, p.115).

Despite the global financial crisis of 2008 which affected developed economies such as the USA and UK, China has experienced steady economic growth. Chang and Jin (2016) argue that the country's economy has started to slow down. The trend is blamed on debt-ridden SOEs and the reform strategies of the SASAC model. The SASAC model was molded after the Temasek Holdings model of Singapore, known for its reliable and efficient state-owned enterprises model, a view supported by Cummine (2014), Kirkpatrick (2014), and Chen (2016).

Furthermore, the international reputation of Chinese SOEs has been haunted by serious human rights abuses and environmental pollution regulations violations. To this effect, Article 5 of the Company Law of the People's Republic of China (2014) requires companies operating domestically and internationally to undertake in "corporate social responsibility." This approach is required with employees and community advancement, as well as with environmental protection throughout a company's course of business. Corporate social responsibility is an objective which SOEs operating abroad have consistently pursued, which appears to have relatively changed the negative image of SOEs. However, unlike in Singapore, in the Chinese political context the attainment of social and environmental objectives by SOEs continues to pose a challenge in legitimizing the Chinese Communist Party's (CCP) power (Leutert, 2016; Lin, 2017). While economic development is a priority, the CCP maintains that political and social stability is a pre-requisite to economic development. Therefore, government

institutions such as SOEs should centrally and locally strive to maintain political and social stability at all times (Wang, 2014). Furthermore, the gap between the poor and rich remains wide; and taxes and transfers do not have any major distributive impact. Environmental standards are also not enforced effectively and the green taxes constitute a small share of tax revenue (OECD, 2017, p.2).

All things considered, some SOEs under SASAC such as the State Grid of China and China Mobile Communications, which ranked seventh and 55th on the Fortune Global 500 list, posted revenues of US\$339 billion and US\$107 billion respectively, and profits totaling US\$10 in 2014 (Cendrowski, 2015, p.4, 7). Lin (2017, p.6) documents that by the end of 2009, the central SOEs provided employment to approximately 9.3 million employees. The future reforms and performance of the central SOEs under SASAC still remains debatable (Leutert, 2016).

China has mostly traded with the USA and Canada developed economies. However, in 2016 the country focused on establishing trade relations with Europe, and in particular, the UK. To facilitate the above-mentioned initiative, the Going Global Strategy was integrated into a more comprehensive One Belt, One Road Initiative (OBOR), announced by Chinese President, Xi Jinping in 2013.

The One Belt, One Road initiative is a trade and infrastructure network which will connect Asia to Europe and Africa (Zhang, 2016). OBOR constitutes two outward-facing concepts to promote economic engagement and investment along two main routes. The first route is the New Silk Road Economic Belt, which is exclusively land-based and will run westward through

central Asia and onward to Europe. The second route, the 21st Century Maritime Silk Road, will run south and westward by sea, through Southeast Asia, Europe and Africa (Haggai, 2016). While South Africa is already a member of BRICS (Brazil, Russia, India, China, and South Africa) (Oliveira, Ceglia & Filho, 2016), the Port of Walvis Bay will provide Namibia with the opportunity to be connected by sea to southern and eastern Asia, to countries such as Malaysia and Singapore. The port is being upgraded and widened by Namport in a joint venture with China Harbour Engineering, a company specialising in the construction and deepening of harbours, (GNR, 2015).

China sees the One Belt One Road Initiative as an ideal opportunity for trade relations with other countries overland and by sea. However, critics see the initiative as an attempt to further China's desire to gain global dominance and regain its lost glory as a naval or marine power house (Rajan, 2016). However, this study agrees with Haggai's (2016) assertion that the success of the One Belt One Road Economic Initiative will largely depend on effective governance of transparency, accountability, honesty, mutual trust, collaboration, and above all, political will and commitment on the part of the different countries and political leadership involved.

Secondly, some scholars are concerned about the magnitude of the One Belt One Road Initiative, given the approximately 60 countries involved. They are also apprehensive about the three continent geographical spread spanning central Asia, Europe, and Africa (Dollar, 2015).

Despite agreeing that China is establishing itself as a dominant regional and global influential power, Zhang(2016) suggests there is need for the country to formulate a relative coherent set

of foreign policies and strategies, based on partnership diplomacy rather than the conventional alliance diplomacy.

State-owned enterprises are spearheading the One Belt, One Road initiative and agenda. These SOEs are mostly involved in monopolised and highly controlled sectors of the Chinese economy such as power, aircraft, and telecommunications (He and Wang, 2014). The One Belt, One Road initiative is mainly financed by the Asian Infrastructural Investment Bank (AIIB). The bank had 57 founding country members in 2015 and initial holdings of US\$100 billion (China Daily Europe, 2016). In addition, SOEs involved in infrastructure are also funded by the Chinese Export and Import (Exim) Bank and the China Development Bank (Dollar, 2015; Kong & Gallagher, 2016).

3.2.1.2 China's role in Africa

China's state capitalism in Africa has been controversial and caused a great deal of debate (Gu, Vaz & Mukwereza, 2016). The nation's overseas direct investment (ODI) is perceived by some as an attempt to gain access to Africa's critical resources such as uranium, copper, diamonds, and oil to sustain Chinese economic growth. In addition, Chinese infrastructural companies are viewed as competition for domestic African companies due to Chinese technology and the importation of skilled and semi-skilled Chinese labour. This denies employment opportunities and the transfer of skills to mostly unskilled local citizens (Amanor & Chichava, 2016).

In contrast to the claims of Amanor and Chivasa (2016), Gu (2011) argues that China's relationship with Africa is based on a win-win principle. In this relationship, China and government to government agreements have made much needed investments in critical

infrastructure capacity building such as telecommunications and transport. Moreover, large and complex projects such as the widening of ports are completed well ahead of time and without any strings attached.

Nevertheless, China's presence in Africa has increased to include trade relations with countries such as Ethiopia, Mozambique, Angola, and Nigeria. However, China's role on the African continent and in particular, in the SADC region, was amplified by its relationship with South Africa. Since the global financial crisis of 2007-2008, the economic and political unity of BRICS (Brazil, Russia, India, China, and South Africa) countries, China has been acknowledged as playing a critical role in global economic governance reforms (Yong, 2012).

China is one of Namibia's biggest trading partners, particularly in sectors such as telecommunications and transport. In these sectors, companies such as Huawei and China Harbour Engineering Company are involved in providing Namibia with telecommunication technology and constructing the Namport terminal, respectively (Odada & Matundu, 2008; Tjihenuna, 2014). Therefore, the researcher argues that understanding China's success and shortcomings of its corporate governance model will assist Namibia in developing a formidable corporate governance model.

3.2.2 Country context

King (Institute of Directors Kenya, 2016, p.3) states:

Every country has its own particular challenges. Consequently, it is appropriate for every country to develop its own corporate governance framework. This

notwithstanding, the basic principles of good governance are equally applicable to both public and public entities in every country.

Following King's view, Clarke (2006) provides a contextualised definition of corporate governance (*Gonzizhili*), defined as a set of rules and practices regulating relationships among participants in a post-traditional Chinese business enterprise, that governs decision making within that enterprise. Corporate governance in China tends to be inclusive and puts emphasis on relationships among all participants with interest in the business enterprise. This reflects a stakeholder model and stakeholder theory orientation (Wang 2014).

With a size of about 9 326 410 square kilometres and a population of about 1.3 billion people, China is the most populous country in the world today (World Bank, 2016). China has a multi-ethnic society and to ensure harmony, the government has embarked on efforts to revive Chinese nationalism and ancient Confucianism philosophy. Despite the existence of different languages spoken by minority groups such as the Manchu and the Mongols, Mandarin is the most widely spoken language (World Population Review, 2016).

Ruled by its only political party, the Chinese Communist Party (CCP), China follows a Marxist-Confucius nationalistic ideology. This philosophy fulfills various functions related to political, economic, and social life, cementing national identity and support, among others (Heberer & Schubert, 2006; Wang, 2014). The Chinese economic system is referred to as the socialist market system (Young, Li & Lau, 2007; Ho & Young, 2013). SOEs are central to the Chinese economy, particularly the centrally owned SOEs or *yangqi*. These SOEs are subdivided into two groups by their strategic importance and size. The first is the core group of 53 known as “important backbone” SOEs, crossing strategic industries such as defense,

telecommunications, electricity, aviation, petroleum, and shipping, and the government keeps absolute control. The remaining small-sized SOEs, some of which were later privatized, remained under the control of provincial and local authorities (Wang, 2014).

3.2.3 SOEs role and reforms

Historically, SOEs in China were government-owned. Referring to the resolution by the Third Plenary Session of the 18th Chinese Communist Party (CCP) and Article 3 of the Law on State-owned Assets of Enterprises, Wang (2016) states that SOEs in China belong to citizens. Wang adds that SOEs are important instruments driving China's modernisation and socio-economic development that safeguard people's common interests. Moreover, state-owned assets shall belong to the state, and specifically, all people. And, as a trustee, the State Council shall exercise the ownership rights to the state-owned assets on behalf of the state.

According to the OECD (2012), China faces the challenge of finding an appropriate balance between the government's responsibilities as an active owner and the undue political interference in the governance and management of SOEs. This creates a principal-agent problem, an assumption of the shareholder model and agency theory (Abdullah, Yahya & Turasamy, 2014). Nevertheless, Shafjell (2016) argues that modern organisations are complex. The argument states that corporate governance frameworks of modern organizations cannot be viewed purely on ownership, but viewed equally on each of their long-term sustainability objectives.

Under the current conditions of globalization, attaining long-term sustainability requires collaboration between the government and private sector. Most importantly, long-term

sustainability demands effective leadership (Meyer and Wu, 2014). To ensure SOE sustainability, there is a need for reformation and improving profitability. By 1978, SOEs were a good source of social welfare, providing employment and various safety nets such as stable wages and lifelong careers. However, SOEs had also become inefficient and unproductive.

SOE reform in China was a gradual process with much experimentation, known as “crossing the river, while feeling the stones.” The process was criticised by some due to its perceived lack of urgency in decision-making and execution. This made room for possibilities of not achieving the planned and desired outcomes (Shi, 2007; Leutert, 2016; Berkowitz, Ma & Nishioka, 2015, 2016). Three distinct phases are illustrated in *Table 2*.

Table: 2. *Three phases of SOE reforms in China*

Period	SOE reforms and achievements	Leadership
1978-1994	• Gradual transformation from a centrally-planned economy to a market based economy. • SOEs reforms start, and managers are given autonomy in decision-making such as paying employee bonuses. • The general corporate law is enacted allowing the establishment of private companies.	Deng, Xiaoping
1994-2012	• Largest privatisation, increases corruption. • SOE profitability decreases. • 2003-SASAC established.	Hu Jintao

2003	• Socialism with Chinese characteristics. • Commitment to mixed ownership. • Separation of ownership and control. SASAC not to be involved in operational matters of SOEs. • Integration of “go out strategy” into One Road, One Belt initiative.	Xi Jinping
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From *Table 2*, it appears that the Chinese government, under the leadership of Xi Jinping, is committed to take China to socialism with Chinese characteristics, as the government has embarked on the following key principles (Wang, 2016).

- i) Encouraging people to be part of the decision making.
- ii) Maintaining democracy and the rule of law by respecting individual rights and liberties.
- iii) Recognising the critical role played by the private sector in SOE reform and the national socio-economic development agenda, by encouraging joint ventures between private companies and SOEs.
- iv) Developing and establishing government to government trade and business relationships through overseas direct investments (ODI) led by strategic SOEs (Wang, 2016).

3.2.4 Government role

3.2.4.1 Leadership role

The new way of thinking in corporate governance practices highlights the inherent conflicting, yet interrelated commercial and social objectives at firm and national levels. It has increased the need for effective leadership by government, as the sole owner of SOEs, the board in its supervisory role, and the CEO as the executive (e Cunha, et al, 2015). The Chinese government, led by the CCP, and driven by the Marxist-Confucius nationalistic ideology, commits itself to developing socialism with Chinese characteristics. This commitment will promote socio-economic development through a free-market economy (Young, Li, & Lau, 2007; Szamosszeqi & Kyle, 2011).

Szamosszeqi and Kyle (2011) refer to socialism with Chinese characteristics as a system, where, despite the existence of private ownership, public ownership still dominates. They stress that the top leadership in China asserts that SOEs are to continue to be main actors in the domestic economy and foreign expansion, backed by the country's massive foreign exchange reserves and government-owned banks. The current study interprets the government led development reforms and the funding of SOEs by the government-owned banks, as depicting the Chinese government as an active shareholder and entrepreneur. This can be reasonably associated with the agency and resource dependence theories (Haque & Rehman, 2014; Bavoso, 2016), and the political, public choice, and political entrepreneurial theories (Roe, 2011; Cuervo-Cazurra, Inkpen, Musacchio & Ramaswamy, 2014; Tan, Puchniak & Varottil, 2015).

In analysing the political leadership and development in China, Zhang (2015) argues that China experienced SOE reforms and socioeconomic development for 25 under years Xiaoping, where accurate ideas and strong leadership played a key role. However, this appears to have been reversed under Hu Jintao's government, which was characterised by inaccurate ideas and weak leadership, resulting in SOE reforms and social economic development stagnating. This meant China had succeeded in reaching economic prosperity, but not social prosperity. The post global financial period resulted in the emergence of the hybrid model and theory. This theory is viewed as the new way of addressing corporate governance practices involving globalisation challenges and complex companies entrusted with commercial and social mandates (Khanna, 2012).

Consistent with this new approach and applying the hybrid model, Xi Jinping, an admirer of the Singapore model of corporate governance, similar to Xiaoping, resolves that the reforms of SOEs is an urgent priority. Given that most of the larger SOEs are operating in both the domestic and global markets, they need to maintain high standards of corporate governance and competitiveness (Meyer & Wu, 2014). In terms of competitiveness, Meyer and Wu (2014) reveal that at the November 2013 Third Plenum of the 18th CCP Central Committee, China's leadership endorsed the concept of a mixed ownership economy. The objective was an injection of private capital and skills into SOEs to enhance growth and competitiveness, and consequently ensure long-term sustainability. As Khanna (2012) remarks, this would create the type of an organisation that was government-owned and commercially managed.

In line with this discussion, Miura (2015) points out that Chinese leadership then started with an SOE reform initiative. The goal was to make remarkable progress by 2015. The initiative, spearheaded by Xi Jinping, had the following objectives:

- i) To create a mixed ownership structure between government and the private sector mostly through the sale of SOE shares. This would provide a win-win situation where the private sector would give capital, skills, and expertise at board and management levels, while the government provides political will.
- ii) The reorganisation of large SOEs into holding companies, known as state-owned capital investment companies, and the development of state-owned management systems to improve the overall efficiencies of the state-owned capital.
- iii) The redeployment of state-owned capital with the level of public interest as the criterion, and the establishment of a modern company system to improve corporate governance.

Miura, (2015) further notes that by 2015, progress towards the achievement of the above objectives had been very slow. The executive leadership of China appears to be committed towards introducing market-oriented principles in the managing of SOEs. However, the Chinese Communist Party appears not to be keen on relinquishing its influence on SOEs or “national champions,” in particular. Governance reforms such as the separation of ownership from control and the recruitment of foreign experts still remains a challenge. In contrast to Miura’s view (2015), Peng, Bruton, Stan, and Huang (2016) argue that most Chinese SOEs have been transformed, as they now list part of their shares for sale to the public, employ more market-oriented executives, and collaborate with foreign multinationals.

Maintaining higher standards of corporate governance, the guiding opinions of the Communist Party of China Central Committee and State Council on Deepening the Reforms of SOEs was released in September 2015. Xi Jinping's administration resolved that (Leutert, 2016):

- i) National interest supersedes all individual interests. Private companies wishing to operate in China should demonstrate value addition and goodwill of technology, skills, knowledge transfer, and creation of much needed employment.
- ii) Whether foreign or domestic, all companies operating in China are required to adhere to high standards of corporate governance, implementing values such as transparency, accountability, responsibility, corporate citizenship, and effective leadership. This is outlined by the OECD guidelines (2015) which serve as the internationally accepted standards for good corporate governance practices.
- iii) No tolerance for corruption, as demonstrated by the anti-corruption campaign spearheaded by Xi Jinping, which resulted in offenders being jailed.
- iv) Strict regulatory framework to ensure compliance to good corporate governance practices.

In line with the above, Chou (2016) argues that in this complex, challenging, and competitive global environment, it is no longer sufficient for political leaders to be popular and rely on the populist vote to be in power. Consequently, they must continually demonstrate their merits in what he termed as “political meritocracy.” This is an assumption associated with political theory (Roe, 2011) and supported by Bell (2015). In a recent article, Chou (2016) describes political meritocracy as a unique feature of the CCP where potential leaders at the national

level, aspiring for the position of the president, are subjected to strenuous tests and trials to determine their intellectual, social, and moral capabilities.

Chou (2016) further argues that the CCP is the only party that can elect candidates to the position of head of state. However, some degree of democracy is practiced at local authority levels, where the notion of trial and error or “crossing the river, while feeling the stones” is practiced. He suggests that developed and developing economies should learn from the political meritocracy of China because democracy is not the universal good as perceived. He adds that a nation’s fate cannot be put at risk because history shows not every person that manages to win through a vote should lead.

3.2.4.2 Ownership policy

China is not a member of OECD. However, Guria (2014), Secretary General of the OECD, points out China’s increasing importance as a dynamic engine for the world economy. The Secretary General contests that despite a difficult international environment, with the Chinese economy continuing to grow, the OECD continues to support the country’s economic and social development agenda. Since 2004, the China-OECD Corporate Governance Policy Dialogue has provided a platform for a structured policy debate between China and the international community, using the OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-Owned Enterprises (OECD, 2012).

The Chinese government has modified the recommendations of the OECD ownership policy to fit its political, economic, social, and environmental conditions. This modification was enacted to address the conflicting roles of the government and separate them from ownership,

policymaking, and regulatory roles. China's political objectives, driven by Chinese nationalism, are rooted in the Confucianism doctrine. They are targeted towards the development of characteristically Chinese socialism to promote the modernisation of a national governance system, led by the Chinese Communist Party (CCP) (Wang, 2014).

The developmental objectives of characteristically Chinese socialism have created a national identity and cohesiveness towards a common goal. This goal is aimed at uplifting the millions of Chinese people out of poverty. Stiglitz (2014, p.1) states, "No country in the recorded history has grown as fast and moved people out of poverty as China over the last thirty years." Stiglitz (2014) further highlights that the hallmark of China's success has been the government's political will and leadership to support strategic SOEs achieve their domestic and international objectives, a view echoed by Changwen, (2014), Mei (2013), and Hersh (2012).

Furthermore, the ownership policy has resulted in the classification of SOEs individual objectives to monitor and evaluate them accordingly (Du, 2014). In addition, in 2002, China developed a country code of corporate governance which follows a "comply or explain" principle (OECD, 2014). Ho and Young (2013) argue that the modernisation of Chinese SOEs can only be realised through selective use of international governance standards such as OECD guidelines, to establish a new form of government led paternalistic governance.

3.2.4.3 Ownership model

China has adopted the State-Owned Assets Supervision and Administration Commission (SASAC), a centralised agency model established in 2003 (Wang, 2014). Figure (v) shows the SASAC model, as adapted for the current study.

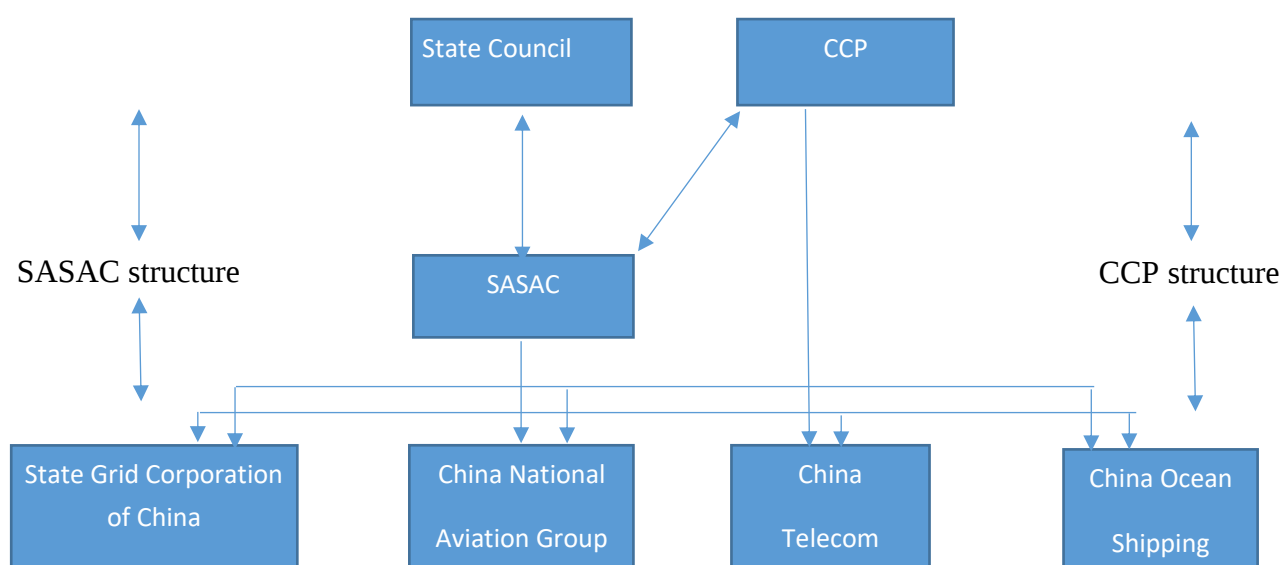


Figure v: The parallel legal and political governance structure of the SASAC and CCP

SASAC is an ownership agency which reports directly to the State Council and exercises the ownership rights of the Chinese government. It also performs oversight over strategic SOEs, particularly those which have been relatively successful domestically and internationally (Lin & Milhaupt, 2013).

Ho and Young (2013) state that in addition to exercising the ownership role on behalf of the government and performing the oversight function, the SASAC also serves as the appointing authority of CEOs. This is an issue perceived as constituting role conflict between the ownership role of the government and the board, which is supposed to appoint the CEO (Lin, 2013).

Lin (2013) argues that in line with the SOEs Asset Law, SASAC can appoint and evaluate SOE directors and top management, including the CEO. This is an issue which strips away the

board's most important power—selecting and evaluating the CEO. This creates an agency problem. Arguably, CEOs should be accountable to the boards. In this case, how can they be expected to be accountable to the boards, if the appointing authority is the SASAC?

There appears to be confusion between the views of Ho and Young (2013), and Lin (2013) on whether SASAC should appoint CEOs or allow this appointment to be the prerogative of the board. However, both scholars are in agreement that the powers conferred to the SASAC present a conflict between ownership and control roles, as explained by the agency theory (Denis, 2016). Chinese SOEs are faced with two parallel governance structures that demand adherence. The first structure is the legal governance structure of the company law or *Gongsi Fa*, revised in 1999, 2004, 2005 and 2013 (Leutert, 2016). The second structure is the political rules and discipline of the CCP Constitution.

Party cadres in leadership positions such as board chairpersons, CEOs, directors, senior managers, union leaders, and employees are expected to comply with the party line, a crucial political dimension of corporate governance in China. This party line is usually ignored in many studies about corporate governance practice in Chinese SOEs (Pargendler, 2012; Wang, 2014). To understand corporate governance practices in Chinese SOEs, the current research study concurs that the obligation imposed upon CCP officers has an immense bearing on corporate governance practices in SOEs (Herber& Schubert, 2006; Pargendler, 2012). This cannot be overlooked.

According to Wang (2014, p.652), “Maintaining the Party’s political leadership over SOEs is a principle of fundamental importance that shall never be shaken and undermined.” The impact is particularly felt on ownership and regulatory roles of SASAC, as well as on the behaviours

and actions of the CCP members in SOEs (Miura, 2015). The Chinese government does not hold elections to justify its legitimacy. It does use the CCP through its network in SOEs to win the hearts and minds of the people. This involves controlling the political, economic, and social resources so that citizens depend on the party for SOE services basic services such as energy, telecommunications, and transport (Graceffo, 2015).

Influenced by the Confucius philosophy, the Chinese government is, according to Wang (2014, p. 639), perceived as:

[A] ruler, who has the mandate of heaven, possesses the quality of virtue, shows respect to his subjects, follows the rules of the ancestors, and tries to win the hearts and minds of the people, will be considered a just and legitimate one. A just ruler will strengthen his legitimacy by promoting policies that will benefit the people, not himself, by ensuring relatively equal distribution of these benefits, and by allowing the people to do what they do best.

SASAC's perceived closeness to the CCP has invited much criticism about its independence as a regulator (World Bank, 2014). SASAC was established to provide a clear demarcation between ownership and control, and to limit political intervention in the operations of SOEs. These are goals which some claim SASAC has failed to achieve (Deng, 2007; Szamosszeqi & Kyle, 2011; Batson, 2014). The foregoing views have been refuted by Globerman and Shapiro (2009), and Cui and Yiang (2010) who argue that SOEs operate independently from the government.

Lin and Milhaupt (2013) describe the parallel legal and political governance of SASAC and the CCP as complex and difficult to be understood by any outsider. The structure creates unnecessary levels of accountability, which in turn creates a blame culture, in which everyone claims accountability for profitability and no one accepts accountability for losses.

Despite the criticism, SASAC has been credited for relative success. Xin and Rabinovitch (2010), argue that SASAC was created in 2003 with a commercial aim of growing the value of government owned firms. Profits of SOEs under SASAC's control, which include, among others, China Mobile, Shenhua Energy and Sinopec, soared to 815.1 billion yuan (US\$120 billion) in 2009 from 240.5 billion yuan in 2002. On this account, SASAC has been a success story (Naughton, 2006). In his farewell speech, Li, the former SASAC chairman, states that over past years, SOEs have fulfilled a political, economic, and social duty, as mandated by government (Xin & Rabinovitch, 2010).

Asserting Li's view, Zhang (2013) points out that China's drive for modernisation of its SOEs has resulted in remarkable economic development. Despite being faced with unique challenges, China has seen the need for good corporate governance and positive efforts have been made by regulators such as SASAC to improve the system. China has adapted the OECD guidelines of the centralised ownership of SOEs to fit its unique conditions. This approach has attracted criticism mainly from the Western dominated literature. However, it is hailed as a success story from the Asian lens. China has been taking a cautious and gradual process toward SOEs reforms (Puchniak, 2014).

In addition, Tomasic (2014) explains that the pervasive role of government within individual SOEs is fundamental in understanding China's corporate governance practices. Although China may have transplanted models and codes, the local meaning of these transplants is inevitably different, due to the dominance of the role of government in SOEs, as a shareholder and regulator. Xi Jinping refers to the SOEs in China as the foundation of the CCP, whose control needs to be retained and not left in the hands of the private investors (Yu, 2013). This view contradicts the assumptions of a mixed ownership and free-market economy (Miura, 2015).

3.2.4.4 Legal and regulatory framework

The legal and regulatory framework in Chinese SOEs follows a combination of legal and political governance (Leutert, 2016). Similar to company laws in other jurisdictions, the company law in China provides all the legal requirements such as legal personality and limited liabilities. The Law on State Owned Assets in Enterprises, under which SASAC can appoint or remove a board chairperson and CEO, also form part of the company law (Wang, 2014).

China has adopted a Civil Law company structure. Under this structure, a two-tier board consisting of a supervisory board and executive management board is determined. Furthermore, the roles of the shareholders' general meeting, two-tier boards, and CEO, are defined (Young, Li & Lau, 2007). However in reality, decisions on key SOE issues are made by the CCP through the party and the following mechanisms (Wang, 2014):

- i) The fundamental discipline of the party, which places an obligation on all party members, such as board chairpersons, directors, CEOs, union leaders, and employees, to comply with the party line.

- ii) The appointment and promotion of top SOE executives are made by the CCP.
- iii) Party cells in SOEs make important decisions for the SOE, and ensure they are consistent with the Party line.
- iv) SOE executives accused of infringements are investigated by the CCP and disciplined under the party disciplinary structure.

Considering the twin governance structure, it is evident that SASAC's role as shareholder and regulatory agency is subject to the tight control of the CCP (Wang, 2014). This implies that although the establishment of SASAC may have targeted the separation of ownership and control, the reality shows an increase of party control at ownership, governance, and management levels (Wang, 2010). However, it should also be remembered that there is no one size fits all approach. A contextual legal and regulatory framework which incorporates the political, economic, socio-cultural, and environmental factors may be suitable for Chinese SOEs (Lau & Young, 2006; Tsui, 2010).

The Code of Corporate Governance was introduced in 2002 and is based on the "comply or explain principle." It is also the overarching rule book (ISS, 2013). In support of Lau and Young (2006) and Tsui's (2010) views, Chen (2013) and the OECD guidelines (2014) suggest that an effective legal and regulatory framework should be enforceable and be implementable. Chinese capitalism regards civil and political rights and freedoms common obstacles to economic prosperity, that are not limited to the US and UK.

Sam (2007) explains that in China, instead of the rule of law, the rule of relationship or *guanxi* places emphasis on personal relationships and trust between parties. This rule of relationship can make it difficult for the legal and regulatory framework to be enforced. Conversely, the Confucius philosophy, pervasive in Chinese society and advocating for consensus resolution of disputes, may ensure compliance and enforcement of the legal and regulatory framework (Lau, Young & Li, 2007; OECD, 2011).

The current study is also consistent with the view that while countries can learn from international standards such as OECD guidelines, they should develop legal and regulatory frameworks which best suit their countries and SOEs' contexts. This is an issue recommended by the Report of the United Nations Economic Commission for Africa (2013).

3.2.5 The role of the board

SOE Boards are generally perceived as politicised and incompetent organisations, serving merely as conduits for personal and political interests (Fredericks, 2011). For boards to become professional, appointments of directors should be done on merit; and outside professional recruitment human resources agencies should be used when available (OECD, 2010).

3.2.5.1 Structure of the board

In terms of the Company Law, SOEs, and in particular the central SOEs should have a two-tier board structure. The tiers should be composed of a supervisory board and an executive board (Wang, 2014). The supervisory is viewed as the centre of corporate governance board monitors and appoints the executive board, while the executive board is responsible for the day-to-day

operations of the SOE (Wang, 2016). The supervisory board originates from civil law countries such as Germany. It is reflective of the stakeholder model and theory, given its members who include employees, politicians, and unions. The executive board mainly includes executive directors and is reflective of common law countries such as the US and UK. It also reflects the shareholder and agency theory. Consequently, the two-tier board structure represents a hybrid model and theory (Khanna, 2012; Lee, 2014).

3.2.5.2 Appointments of the board

The appointment of boards in SOEs is viewed as dubious and non-transparent, because in many of the cases, there are no formal procedures (Frederick, 2011; Szamosszegi & Kyle, 2011). In China, the situation is not any different. The appointment of directors appears to be subject to a combination of legal and political governance, as any appointment made by the SASAC, the agency which legally carries out the ownership function, needs to be endorsed by the CCP.

One stream of literature finds that the SASAC has a dominant power over SOEs. This dominance includes the appointment and dismissal of directors and top executives (Habbash, Xiao, Salama, & Dixon, 2014). In contrast, Wang (2014) argues that the CCP has to participate in the appointments of senior leadership, such as the chairperson, deputy chairperson, and CEO. Wang (2014) further states there should be a balance between the appointment requirements of the company law and CCP organs, such as the Central Organisation Department. As such, the appointments of top leaders should pursue the following steps:

- i) The Party Organisation Department should examine the qualifications of the candidates.

- ii) The Party Committee deliberates on the candidates.
- iii) The Party Committee makes a recommendation to the board after all legal requirements have been met.

In sum, the Central Organisation Department directly appoints all top leaders, board directors, chairpersons, and CEOs. Although SASAC is the authorised representative of government, its power to appoint top leaders of SOEs appears to have been usurped by the party. These different views on the board appointments are explained from a multiple theory perspective of the agency, stakeholder, public choice, and political theories. It is evident that unlike in the past, corporate governance practices such as the appointments of boards have been contextualised. Consequently, the researcher agrees with Lazonick (2015), that the different views by scholars represent the different lenses they approach the concept of corporate governance.

3.2.5.3 Board composition

Size and skills

The OECD guidelines (2015) do not prescribe any board size but leave it to individual countries and SOEs. Siu and Zou (2013) suggest that in terms of company law, a supervisory board should have at least three members, one of which should represent the employees. In an executive board, the number of members can vary between three to 13 directors.

In a comparative study between Chinese SOE boards and private company boards, Tong, Junarsin, and Li (2015) find that directors in SOEs are on average older. They therefore present

more experience and wisdom, and are educated with at least a bachelor's degree. Given the notion of the "no one size fits all" view and Khaled and Alnaif's (2014) view that the size of the board is determined by the size of a firm, the current study argues that the complexity of the firm plays an equal role.

3.2.5.4 Board independence

Conventional wisdom dictates that preferably, a board should have more independent directors with a variety of skills in order to make objective and independent decisions. Examples include politicians, lawyers, and accountants (Fredericks, 2011; Johson, Schnatterly & Hill, 2013). In Chinese SOEs, politicians and party personnel occupy most board seats (Tong, et al, 2015; Leutert, 2016). Proponents of public and political theories argue that this is an issue that may compromise their independence (Buchanan, 2008; Roe, 2011; Mbo & Adjasi, 2013). Moreover, top leadership serving on SOE boards is appointed by the CCP and expected to ensure CCP disciplinary policies of the Party are implemented (Wang, 2014). This view shows allegiance to the interest of the shareholder and is an agency theory assumption (Abdullah, Yahya & Turasamy, 2014; Li & Xu, 2015).

The independent directors system has been transplanted from the Anglo-Saxon model unitary board system into a highly concentrated Chinese two-tiered ownership board system with catastrophic results. Ma and Khanna (2015) found an inherent notion of reciprocity across Chinese business culture (Cuervo-Cazzura, et al., 2014) and that independent directors in SOEs in China are inclined to feel indebted to their appointing authorities. This indebtedness can be to government as the principal or boards and CEOs as agents. These independent directors will

also generally support the line of arguments of appointing authorities, while sacrificing their own independent views.

3.2.5.5 Board leadership

It is argued that a board is as good as its chairperson (Luo & Ye, 2015). The tone of corporate governance practices at the top is set by the chairperson (Kazim, 2015). The role of the chairman is that of leadership (Buamin, 2015). This leadership role is not only important for connecting the board to the business. It is also crucial for ensuring the presence of the CCP in SOEs. This forms the foundation of the party's social and economic development. Thus, the chairperson of the supervisory and executive boards is appointed by the party (Wang, 2014). The positions of chairperson and party secretary are generally occupied by the same person. This individual simultaneously performs a director's duties and the work of the CCP to ensure party ideologies are complied with (Leutert, 2016).

Overall, the two-tier board structure and particularly the role of the supervisory board have attracted a lot of criticism, resulting in much debate. One school of thought argues that the supervisory board only serves as a decoration to Chinese SOE governance systems. There is criticism that it does not add any value to the oversight function (Leutert, 2016). While proponents of the stakeholder theory argue the supervisory board provides much needed information to other stakeholders, such as on employees. These proponents add the stakeholder theory enhances the protection of stakeholder interests (Ding, Wu, Li & Jia, 2009; Cho & Rui, 2009; Muswaka, 2014). Muswaka (2014) recommended South Africa adopt the two-tier board structure.

3.2.6 The role of the CEO

3.2.6.1 Appointment

The recruitment of CEOs is subject to the parallel legal and political governance approach (Wang, 2014). It has been claimed that SASAC appoints and removes CEOs. This would be in direct violation of the right of the supervisory board to appoint CEOs, who are accountable to them (Szamosszeqi & Kyle, 2011). Another stream of literature claims that CEOs are directly appointed by the CCP through the Central Organisation Department (Lin, 2013; Leutert, 2016). This creates a situation with no clear separation of responsibility and accountability (Lin & Milhaupt, 2013).

Despite the recruitment approach, it is evident that in China, there is no concrete evidence that SOEs are recruiting outside experts as CEOs, regardless of the pronouncement of mixed ownership (Lin, 2013; Miura, 2015). Lin (2013) describes the CEO recruitment system as a system that strongly favours insiders over outsiders. Requirements include political allegiance to CCP and SOE specific knowledge. In contrast, Peng, Bruton, Stan, and Huang (2016) argue that given their mixed ownership and global roles, SOEs in China have recruited foreign specialists.

The CCP is fully involved in the recruitment of CEOs. Candidates are either promoted from within or reshuffled. As such, Chinese CEOs are not only professionals but also double up as party cadres. This ensures party policies are implemented. The internal recruitment system may be beneficial to national policies of employment creation. However, it poses a risk to corporate governance. This is because the internal recruitment system promotes a culture of group think and the notion of “business as usual,” thereby undermining government and party initiatives (Lin, 2013).

3.2.6.2 Relationship between the CEO and Chairperson

In many incidences, the principal-agent problem in SOEs is brought about by the power relationship between the chairperson of the board and the CEO (Kleppers, 2010). The Confucius doctrine is pervasive in China and requires respect for authority and consensus resolutions of disputes, whenever they occur. This approach aims to ensure the attainment of common SOE and national developmental goals (Young, Li & Lau, 2007; Milhaupt & Zheng, 2015).

In such a culture, it is expected that the principal-agent problem between the board and the CEO is mitigated through party discipline and Confucius doctrine guidelines. A sound relationship based on integrity and honesty between the chairperson of the board motivates the non-executive directors to be committed to their roles. A weak relationship between the chairperson and CEO also leads to many cases of the CEO being fired. This is a regular occurrence in Namibian SOEs.

3.2.7 Summary

In looking at the corporate governance reforms involving the government ownership role, the supervisory role of the board, and the executive role of the CEO, one fact is evident. It is that despite the ownership policy which established SASAC as representing the Government as the shareholder, the CCP has not relinquished its control of SOEs. This control is noticeable in the CCPs pervasive role in critical decision-making such as appointments and the removal of boards and CEOs. It is therefore difficult for China to emulate the Singapore model of Temasek, which has been admired by the Chinese leadership (Wang, 2014; Miura, 2015; Leutert, 2016).

Nevertheless, the current study concurs with Stiglitz (2014) who states that for the last 30 years, no country has succeeded in taking its people out of poverty as China has. Equally, the level of FDI the country is attracting signifies a certain level of good corporate governance practices (Dobson, 2014). Quah (2016) concludes that to date, China has lifted 600 million people out of poverty, relatively silencing some of its critics.

3.3 Case study of Singapore

3.3.1 Overview

3.3.1.1 Singapore's global role

Though internationally accepted, OECD (2005, 2015) guidelines are not mandatory. They are, however, recommendations which should be contextualised to suit the unique characteristics of individual SOEs and countries. These different factors include their history, political, economic, social, cultural, and environmental factors. Similarly, Peng, Bruton, Stan, and Huang (2016) argue that corporate governance models and theories are influenced by their own environments. These views translate into the modern thinking notion that, “no one size fits all.” Sharing an overview of corporate governance seen through Asia’s four most powerful economies, Yokoshiwa (2015, p.4) states, “China, Japan, South Korea and Singapore,” have made progress in corporate governance in response to globalisation. Each country has maintained its own “specificities.” This implies that China, Japan, and South Korea may have common characteristics, such as being the most advanced countries. However, in terms of corporate governance, they differ in political, economic, social and environmental factors. These differences have influenced their respective corporate governance models.

Singapore is a unique country run like a commercial corporation. However, private corporates are run with the ultimate aim of making a profit to pay dividends to their shareholders. Singapore's mission with its Government Linked Companies (GLCs) is to ensure they achieve political, economic, social, and environmental prosperity in the interest of its citizens (Puchniak, 2016). To reach these sometimes conflicting objectives, the leadership began their SOE reforms and national socio-economic development agenda by making an analysis of the country's strengths, weaknesses, opportunities, and threats (SWOT) from a global perspective (Tan, 2016).

After gaining independence in 1965, the newly formed Singapore was faced with the challenges of consolidating the political power of the People's Action Party (PAP), led by Lee Kuan Yew. As an economic entry port, Singapore was a country mainly dependent on transnational sea transport. However, the end of British rule and the departure of the British army deprived Singapore of its income. Furthermore, a lack of natural resources such as minerals and a lack of industries and foreign direct investments (FDI) further complicated the country's economic situation (Tan, 2016).

The breakaway from the Malaysian Federation also presented Singapore with the challenge of being financially self-sufficient. As an entry port for ships from various countries to converge, there was a social diversity of ethnic groups such as Chinese, Malay, and Tamil, peoples. This resulted in racial tensions and religious conflicts (Ortman & Thompson, 2016).

However, this study agrees with the findings of Tan and Lai (2014) that state crisis plays a critical role in legitimising regimes. These conflicts test governments on whether they can

deliver in times of a crisis. Delivery is measured by national unification and the maintenance of stability, the weighing of costs and benefits, and in taking timely decisions in the national interest.

Additionally, Singapore faced Severe Acute Respiratory Syndrome (SARS), a 2003 epidemic that affected public health and the national economy. Although the epidemic was contained, the responsiveness of the government allowed it Singapore to strengthen its health institutional framework and approach to risk disaster management (Perreira, 2008).

As a mainly UK-US export led economy, Singapore was also challenged by the economic crisis of 2007-2008. This crisis caused a decrease in the country's exports, leading to a loss of employment opportunities (Tan & Lai, 2014; Murray & Budden, 2015). Singapore, as a small island, is challenged by the availability of land and accommodation. This shortage has led to congestion in light of the growing population. Consequently, Singapore's population density is ranked the third in the world (Huang, 2012).

3.3.1.2 The role of Singapore in Africa

Unlike China, Singapore does not have many established trade links with African developing countries. Klasa (2014) notes that although the country is home to cutting edge technology and financial services, Singapore appears to have very little in common with Africa. This is a view which the current study regards as an opportunity missed, given the various opportunities available in Africa, a continent with the fastest growing economies.

Although the trade relations between Singapore and Africa, and in particular Namibia, are still at an infant stage, there are future prospects (Lide, n.d). However, for major Singapore companies to invest on the continent there is a need for SADC African countries in particular, to review their immigration policies on visas, taxes, among others. Most of the investments in Africa are to be spearheaded by Temasek. Singapore hopes to use its port as a gateway for trade between Africa and Southeast Asia. Having identified Singapore's weaknesses, its government immediately turned them into opportunities. This was achieved using the country's strengths including its suitable geographical location for sea and air transport, state-of-the-art airports and ports, technology, skilled human resources, and above all, visionary leadership (Kumar & Siddique, 2010).

3.3.2 Country context

Singapore is about 660 square kilometres with a multicultural and multilingual population of about 5.3 million people (Oeterlli, 2014). The major languages spoken are English, Mandarin, Malay, and Tamil, making the issue of having one official language challenging. This space is occupied by a slang referred to as "Singlish," which is difficult for a non-Singaporean to understand (Menon, 2007; Kumar & Siddiqui, 2010). At independence in 1965, Singapore was faced with political, economic, social, and environmental challenges (Ortman & Thompson, 2016).

The newly independent state withdrew from the Malaysian Federation. This necessitated a need for Singapore to establish itself as an economically independent sovereign state, separate from its potential hostile neighbours of Malaysia and Indonesia. This resulted in reduced trade from Indonesia, Singapore's biggest trading partner at the time. These economic challenges were

further aggravated by Singapore's lack of mineral resources and FDI to stimulate industrialisation (Mills, 2015; Randon, 2015). Socially, the new independent state was faced with high unemployment generally caused by the withdrawal of the British army, a major employment source (Chen, 2016). Furthermore, there was a shortage of proper housing and racial and religious tensions. Environmentally, the country was faced with a fast-growing population for the size of the country. This required every piece of land to be optimally utilised (Tan, Puchniak & Varottil, 2015; Stiglitz, 2016; Tan, 2016).

To address the political, economic, social and environmental challenges, Singapore established Temasek Holdings (Temasek), which controlled GLCs such as Singapore Telecom (telecommunications), Singapore Airlines, and Singapore Ports (air and sea transport), Singapore Power (electricity) (Ortman & Thompson, 2016). Temasek and its portfolio GLCs commit themselves to the following:

“Doing the right things today with tomorrow in mind, we strive for an ABC

World—an active economy for jobs and opportunities; a beautiful society of

peace and inclusion; and a clean earth as our common home” (Temasek

Review, 2017.p.3).

The ABC World translates into the attainment of the following objectives (Temasek Review, 2017):

- i) An economic objective creating jobs, which sustain cities, fulfills citizens’ lives, and creates an economically self-sufficient nation.

- ii) A political and social objective of creating resilient individuals, cohesive families, and inclusive communities. This addresses the challenges of racial and religious tension and creates national ideology and identity, legitimising the power of the People's Action Party as the ruling party.
- iii) The attainment of an environmental objective by providing fresh air, clean water, and a pollution-free world, which should be preserved for future generations.

The political, economic, social, and economic objectives appear to have been successfully achieved (Chen, 2016). To date, Singapore is enjoying political stability, and has emerged as a wealthy city-state in Southeast Asia (Tan, Puchniak & Varotill, 2016). It has created employment opportunities, with an unemployment rate estimated at 2.2 percent (Labour Market Report, 2017), adequate public housing, improved health facilities, quality education, and above all, various corporate social responsibility programs to preserve its environment. Singapore also boasts Temasek Holdings and GLCs such as Singapore Airline and Singapore Telecommunications under its portfolio. These GLCs received awards for good governance practices, having been at the centre of this quickly occurring transformation (Stiglitz, 2016; Obeid & Sundarasan, 2017). Temasek posted a revenue figure of US\$61.5 billion in 2008, compared to a revenue figure of US\$71.6 billion in 2017. This shows Temasek's commitment to creating value and contributing towards the economic transformation of Singapore (Sim, Thomsen & Yeong, 2014; Temasek Review, 2017).

Singapore has a superior geographical location and a natural deep sea harbour making it an ideal trading port en route to countries such as China and India. This geographical position has contributed to Singapore becoming a wealthy city-state in Southeast Asia today (Tan, Puchniak & Varotill, 2015). The country has been ruled by the PAP since 1959, and the party has maintained its political legitimacy through regular elections (Tan, 2016). This is a feature of democracy highlighted by Tan (2016) as a key success factor of Singapore's corporate governance model.

Singapore's economy is best described as a mixed economy. However, some scholars refer to it as state capitalism (Lin & Milhaupt, 2013). Although the country appears to advocate free-market policies, government intervention in the economy is also evident. That is why the economy is sometimes referred to as state capitalism. Singapore is run on a commercial basis with zero tolerance for corruption. Singapore's unemployment rate of 2.2 percent is one of the lowest in the world.

Today, Singapore has achieved political stability, economic prosperity, and social cohesion (Stiglitz, 2013; Chen, 2016). This was done through the provision of public housing, improved health facilities, quality education, and economic development (Tan, 2016). Given its small size and a policy of inclusivity, the political, economic, and social benefits are enjoyed by most of the citizens. The reforms in Singapore happened rapidly because of government's active role in the transformation process (Stiglitz, 2016).

3.3.3 The role of government

Given its lack of natural resources, the developmental objective of Singapore's government has been to advance into a global logistics, transport, and financial hub. To achieve this, it has become imperative for the government to take the lead. The government developed a national identity and pride, which the citizenry identified with, and which fostered national unification (Chen, 2016). To attract investors from developed economies such as the US and UK, the country needed to emerge as a corruption-free society through the implementation of strict governance regulations.

Siddiqui (2010) narrates that the Singaporean government created an environment and a culture of credibility. It also fostered a trustworthy reputation that assured foreign investors of the safety of their investments. This corruption-free culture and environment of trust created led to investments by multinational companies (MNCs), mostly in infrastructure (Khanna, 2012). However, Singapore also did not want to antagonize China. This led to the government developing an industrial policy which accommodates both the characteristics of the shareholder and stakeholder models, or what some term as the "balancing act" (Sam, 2007).

Similar to China's SOEs, government linked companies (GLCs) are the major instruments of Singapore's socioeconomic development agenda. The government resolved to tackle economic and social inequality through GLCs to ensure the delivery of public goods and services, such as electricity, telecommunications, air, and sea transport. The ownership of GLCs, as opposed to SOEs in other countries such as China and Namibia, is not direct in the sense of shares held by a ministry of finance for example. It is, however, held indirectly, through Temasek Holdings Limited (Sultan Balbuena, 2014; Oeterlli, 2014; Leutert, 2016). Consequently, GLCs are not

government owned and controlled, but government-linked. This allows government to separate its ownership role from its regulatory role (Kirkpatrick, 2014).

As such, Forfas (2010) contends that if the government as the sole shareholder of SOEs does not ensure regular reviews of SOEs operations, there is a risk that SOEs can drift away from their founding objectives, or that individual objectives may not reflect the current national development needs. To this end, the Singaporean government has not only been determined and willing, but has been quick at implementation socioeconomic reforms (Lim, 2014).

The current study agrees with Loong (2004) that governance reform strategies can only succeed if they are founded on guiding principles. Singapore's success is founded on the following principles (Siddique, 2010; Tan, 2016; Chen, 2016):

- a) *Visionary and effective leadership.* Leadership is key. There is a need for a visionary leadership which can articulate a compelling vision. This can inspire and rally the nation around a common national socioeconomic developmental strategy. Lee Kuan Yew provided such a leadership in Singapore before and after independence.
- b) *Anticipate change and stay relevant.* In view of the pace and scale of changes facing countries at the time of independence, the Singaporean government decided not to allow the country to be passive and trapped in the past. While the leadership under Lee Kuan Yew appreciated the past, they preferred to look at the present and anticipate the future.

As such, the government became pro-active. By questioning the old assumptions, they collectively implemented new ideas and innovations. The notion of being trapped in the past by blaming the colonial regimes for issues such as poverty, long after gaining

independence, or at worst emulating the colonial masters by holding to old tested practices, has led many developing economies into a complacency of adopting innovative approaches towards the implementation of their socioeconomic developmental strategies (Nellis, 2012).

c) *Reward for work and work for reward*. This has become the foundation for Singapore's political values. By acknowledging its vulnerability as a small nation without any mineral resources it became imperative to establish relationships both with Western and Eastern global powers, namely the United States and China. However, in order to maintain its self-reliance, Singapore has had to rely on its own human resources and their skills. However, above all, social cohesion and hard work needs to be rewarded accordingly. The notion of dependence and claims of entitlement still haunts most of the sovereign states in Africa, today (Humanyun & Adelepo, 2012; Gitundu, et al, 2016).

d) *Inclusivity*. Singapore embarked on the notion of creating a stake of opportunities for all. The end result of any governance reform should not be institutional strength or economic well-being. It should be nation-building, targeting the creation of an inclusive society that enjoys political stability, economic well-being, and social equality. These are objectives which Singapore can relatively claim to have achieved.

3.3.3.1 Leadership role

The critical factor that differentiates Singapore's economic miracle from other countries such as China is its visionary leadership. It is derived from its legitimacy not only from the ballot

box, but also from delivering economic and social benefits to its citizens. The Singaporean leadership took a pragmatic approach of mitigating the political, economic, social, cultural, and environment challenges identified at independence.

To maintain a good relationship with the the US and China, dominant global powers of the time, under the leadership of Lee Kuan Yew, the Singaporean Government took a conscious policy decision of non-alignment. This policy decision was very effective during the global economic crisis originating in the US, resulting in a decrease in exports to the US (Kirkpatrick, 2009). Singapore could then alternatively turn to China to balance its economy. Furthermore, the policy of non-alignment and the zero tolerance for corruption led to Multi-National Companies (MNCs) investment into Singapore. MNCs were attracted by the ease of doing business in the country. In turn, the MNCs created much-needed employment and equally transferred the necessary skills to the locals (Sam, 2007; Siddique, 2010).

Besides highlighting the significance of national symbols such as the national flag, Singapore employed the use of slogans carrying messages of unity to instill national pride in the citizens. The usage of these slogans became the norm in Singapore. Today, Singaporeans continue to stand united and live in harmony despite terror attacks across the world seeking to divide societies. Emphasising racial and religious harmony, Deputy Prime Minister Hean declared, (The Straits Times, 2016.p.3) “We focus on what we have in common and what unites us as Singaporeans, rather than be drawn apart by what makes us different.” Despite the scarcity of land, the government started building houses in a way to conserve and use land prudently to gain the support of the people. Similarly, Stiglitz (2016) argues that through the provision of

housing and high quality education, the country developed into a global hub of trade, finance, and transportation within a rapid period of time.

In addition, the Singaporean leadership entered into a social contract with the citizens. With this contract, people were willing to accept a more intrusive role of the government, by giving up some individual rights and working hard in exchange for political stability, economic prosperity and social cohesion, and a better quality of life. These are challenges facing many developing economies today (Bruno, 2014; Max, 2015; Chong, 2015). Lee Kuan Yew discouraged a culture of handouts. As a result, well-off citizens are encouraged to contribute more to help those at the bottom of the ladder. Citizens are compelled to take ownership of their own needs, and individuals have been mandated to save into a “provident fund.” This money is used to pay for adequate health, housing, and retirement benefits (Stiglitz, 2013).

Stiglitz (2016) points out that attaining economic growth is not good enough because the existence of inequality between people can result in political instability. Consequently, it is argued that economics and politics are inseparable and need to complement each other. This balance has to be achieved through effective leadership (e Cunha, Fortes, Rodriques & Rego, 2015).

Lee Kuan Yew was not only a visionary leader, but a leader committed to meritocracy at the government level. Today, Singapore attracts the best and the brightest talent, who are paid properly and supported by leadership to do their jobs. Lee argues that meritocracy should be the yard stick for equal opportunities, with the best individual appointed for the job, particularly in government leadership positions. Despite some opposing views, according to Djajadikerta

and Zhang (2015), the leadership of Lee Kuan Yew was always a source of inspiration to many in Singapore and beyond.

3.3.3.2 Ownership policy

While Singapore is not a member of the OECD, OECD guidelines are still important to the country. This is because, similar to China, OECD members include Singapore's major trading partners, such as the US, New Zealand, and Australia (Gonuguntla, 2011). Singapore has developed an ownership policy which clearly separates the roles of the government, as owner, policy maker, and regulator. This separation allows the government to concentrate on policymaking, while leaving the operational management and control of the business to the board and CEO (Mills, 2015).

The separation of ownership and control reflects the assumptions of the agency theory (Shleifer & Vishny, 1997). Furthermore, the ownership policy led to the development of performance evaluation of respective SOEs. Most importantly, the policy spearheaded the development of a country-specific code of corporate governance in 2005, amended in 2012 (Kirkpatrick, 2014). The Singapore Code of Corporate Governance follows the “comply or explain” approach (OECD, 2014).

3.3.3.3 Singapore's centralised model

Sam (2012) argues that the possible conflict between the roles of government as an owner, policy maker, and regulator, can be mitigated by a centralised ownership model, of which Singapore provides an excellent case study of with Temasek Holdings Proprietary Limited.

This view is supported by Inderst (2016). Chang (2007) and Ho (2009) point out that Temasek Holdings (Pty.) Limited exercises ownership rights over successful GLCs such as Singapore Power (electricity and gas), Sing-Tel (telecommunications), Singapore Airlines, and Singapore Ports (air and sea transport). GLCs are not government owned and controlled, but are owned indirectly through a holding company (Temasek) which 100% owned by the government, which makes them to be government-linked (Kirkpatrick, 2014).

Ng (2010) argues that the Singaporean government established Temasek with a commercial dimension to allow the company to be managed with commercial discipline. As such, Temasek has been adequately funded and given freedom and autonomy to grow. In addition, Chen (2016) notes that overall, Temasek's operation is in line with the OECD's (2005, 2015) recommendation that although government, as the owner, should be an active participant in the process of corporate governance, it should not involve itself in the day-to-day operations of SOEs. This allows these institutions to have full autonomy to execute their respective mandates, an issue substantiated by Mills (2015).

Figure (vi), illustrates the Temasek Holdings (Pty) Ltd ownership structure (Sim, Thomsen & Yeong (2014), as adapted for this study.

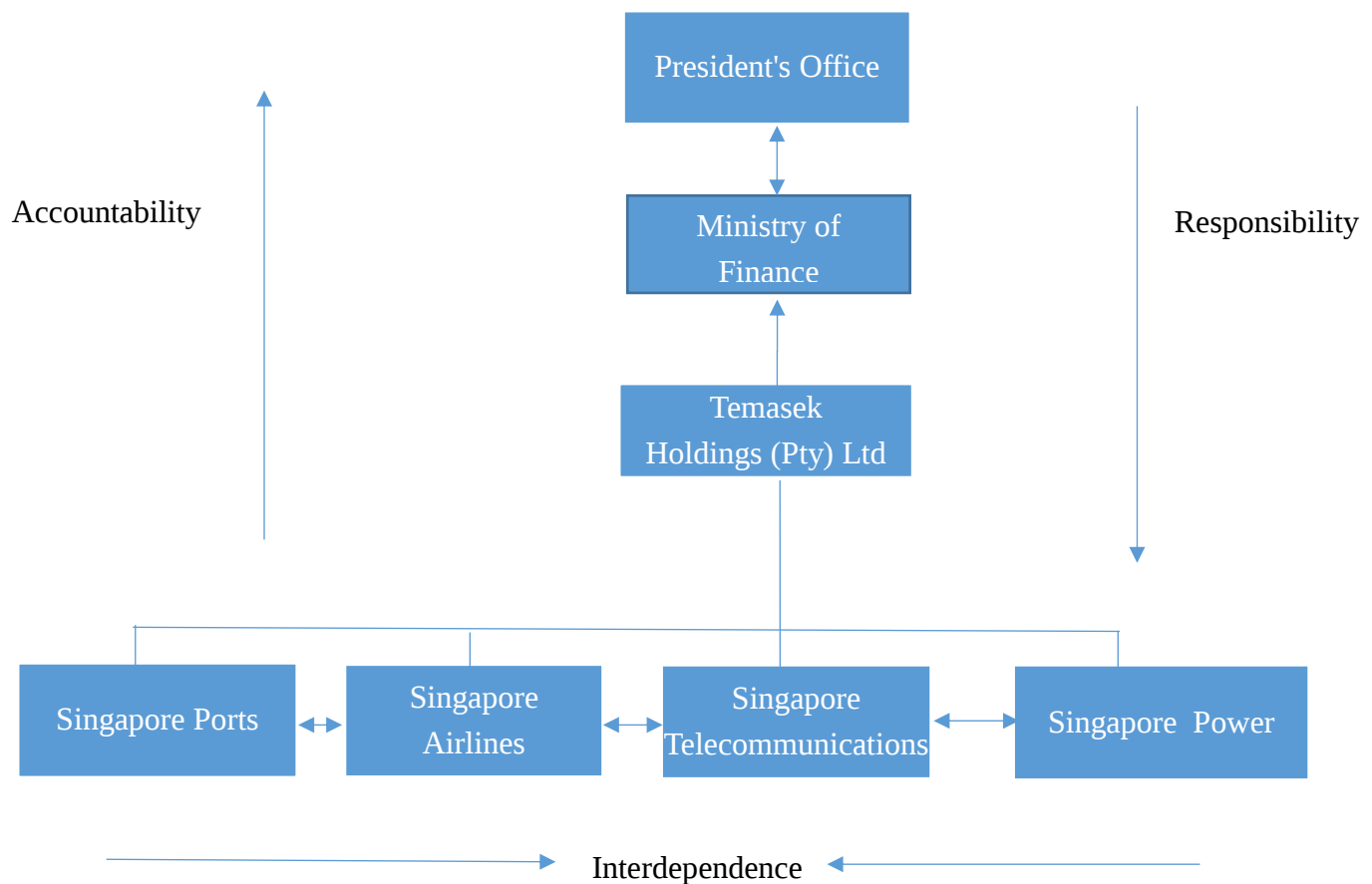


Figure vi: Temasek Holdings Structure

Temasek is incorporated under the Singapore Companies Act. Temasek is designated a Fifth Schedule entity under the Singapore Constitution, which imposes certain measures to protect the government past reserves. Although Temasek reports directly to the Ministry of Finance, the president's approval is required before a withdrawal on past reserves can occur. As a result, the president becomes the steward, protecting the assets of the nation (Sim, Thomsen & Yeong, 2014). Confirming the foregoing, Temasek Holdings (Pty) Ltd.'s annual report (2012, p. 44) states, "Under Singapore's constitution and laws, neither the president of Singapore, nor the government, is involved in our investment, divestment, or other business decisions, except

Temasek's past reserves." Sim, Thomsen, and Yeong (2014) similar to Ang and Ding (2006) and Wicaksono (2009), find that the ownership policy which has resulted in the separation of the multiple roles of government, has also succeeded in limiting the political interference of government in the day-to-day activities of Temasek Holdings (Pty) Ltd. This is a remarkable milestone in the implementation of good corporate governance practices as recommended by the OECD guidelines (OECD, 2015).

Similarly, Chen (2013) says that successful implementation of good corporate governance practices at Temasek are not necessarily a result of laws, but are greatly attributable to the self-disciplinary nature and hands-off approach of the Singaporean government. This is an issue which the leadership of Lee Kuan Yew has been committed to (Sam, 2007). To substantiate the level of independence of Temasek from the government as the owner, Cummine (2014) shows that Temasek had not received any regular financing from the government in its 40 years of existence. This shows a level of financial independence, unlike that of most SOEs.

Despite the claims of Temasek's independence from the government, critics questioned the appointment of Ho Chin as the Managing Director of Temasek, wife of the Singaporean Prime Minister (Sam, 2007; Kirkpatrick, 2014). From the lens of entrepreneurial and resource dependence theories, it is argued that the proximity of Ho Chin to political power led Temasek to get the necessary financial and political support, which turned it into a successful domestic and global player (Ng, 2010; Haque & Rehman, 2014; Tan, Puchniak & Varotttil, 2015).

Nevertheless, according to Rajaram (2014), cultural values establish the standards expected in a particular society. Consequently, the marital relationship between the Managing Director of

Temasek and the prime minister may be perceived as nepotism from a Western cultural perspective. However, the same view may not apply within the context and business relationship in Singapore, where business interaction is guided by the Confucius philosophy, which emphasises personal relationships or “*guanxi*,” as a key success factor to business (Sam, 2012).

3.3.3.4 Legal and regulatory framework

Similar to Chinese leadership, Singaporean leadership has been apprehensive of the civil and political rights and freedoms practiced in developed economies such as the USA and UK. The leadership in Singapore views them as obstacles to economic prosperity (Sam, 2007). Nevertheless, SOEs in Singapore are established in accordance with the Company Act (2006). These SOEs are required to comply with the Singapore Code of Corporate Governance (SCCG) (Townsend, 2012) which is similar to the UK’s Combined Code and based on the principle of comply or explain.

The rationale for aligning the code with the UK Combined Code is to assure the investors that their investments will enjoy protection at the level equivalent or superior to their home jurisdictions (Townsend, 2012). The code expects each SOE to disclose its corporate governance practices in its annual report and to explain any deviation from any guideline of the code (Institutional Shareholder Services (ISS), 2013).

The SCCG is not prescriptive on the size of the board. However, it gives clear guidelines on independent directors stating, “There should be a strong independent element of the board

which is able to exercise objective judgment (SCCG, 2012, p.4).” The SCCG (2012) gives clear guidelines on the role of the board and the CEO. It puts emphasis on the difference between leadership as opposed to management, similar to the King III model and code (Khoza& Adam, 2005). Furthermore, the code gives guidelines on the recruitment, selection, and evaluation of boards and CEOs, highlighting the importance of transparency (Sam, 2012).

According to Cummine (2014) and the constitution, neither the president nor government of Singapore can influence Temasek’s investment decisions. This means that sectoral ministers are not allowed to interfere in the day-to-day operations of Temasek. Singapore was rated seventh in the World’s Corruption Perception Index (Chan, 2014). Thiemann (2014) explains that in Singapore, the eradication of corruption is a matter of national survival. This is because no government can survive or attain its development objectives if the SOEs, who are supposed to be instruments of development, are riddled with corruption. Moreover, Singapore placed second in the Global Competitive Index 2014-2015 (World Economic Forum, 2014) and earned itself the nickname of the “Competitiveness Champions.”

Anti-corruption laws have been in existence in Singapore since before independence. The primary legislation governing corruption in Singapore is the Prevention of Corruption Act (PCA) (Thiemann, 2014). Thiemann (2014) further concludes that although the PCA criminalises both private and public sector corruption, corruption in the public sector, such as in SOEs, is viewed in a more serious light and consequences may be severe. Similar to China’s, business relationships in Singapore are rooted in Confucianism, which views people as relational beings. As such, relationship networks and building trust play an important role. Disputes are usually settled through consensus. Court litigations are not the preferred solution

(Kirkpatrick, 2014). Furthermore, Confucianism teaches the need to be obedient to authority, which explains why private and public businesses care much about their relationship with the government (Barkema, Chen, George, Luo & Tsui, 2015).

SOEs in Singapore, and in particular the “national champions” under the control of Temasek, are run on a commercial basis, and not prioritised on the basis of government ownership. They compete in the domestic and international markets as any other private company (Sam, 2012). The laws and enforcement actions against anti-competitive and corrupt behaviour are complimentary and not mutually exclusive (Thiemann, 2014).

3.3.4 The board’s role

Boards in Singapore and particularly at Temasek are not only viewed as professional, but also as constituting global expertise. Most GLCs, such as Sing Tel and Singapore Airlines, have become global players and accommodate foreign nationals on their boards (Cheng, 2016). This has sent a signal to investors that their concerns are accommodated at the highest decision-making level, particularly as investors from developed economies such as the UK and US. Kok (2015) contends that boards in Singapore are expected to be strategic and forward looking. They should set a tone of good corporate governance at the top, and instill a culture that places ethical values above profits.

3.3.4.1 Board structure

Singapore, given the country’s background of being a British colony, has characteristics of the Anglo-American model (Filatotchev & Wright, 2011, Abdullah, Yahya & Thurasamy, 2014). The Singapore Companies Act, as amended in 2014, provides for a one-tier board structure.

The act highlights the importance of the majority of independent directors. Usually the position of the board chairperson and CEO are occupied by different incumbents (Chen, 2016). According to Mak (2015), Temasek advocates that the positions of the chairperson and CEO should be separate in order for the board to provide effective oversight and supervision of the CEO.

In the one-tier board structure, the majority independent directors and the CEO's non-duality are assumptions of the agency theory (Bavoso, 2016). The debate about the CEO's duality or non-duality still remains inconclusive (Krausse & Semadeni, 2013). Proponents of the stewardship theory, which is based on the principle of unity of command, remain convinced that unity of command creates clear lines of authority. This can encourage quicker decisions and provide assurance to stakeholders about who is accountable (Pick, Tonnello & Leblanc, 2011). However, compelling arguments still favour separation of the two positions in countries such as Singapore, as separation provides a healthier balance of independence and transparency (Palanissamy, 2015; Chen, 2016).

3.3.4.2 Appointments of the board

Puni, Osei, and Ofei (2014) argue that the appointments of boards should be transparent, and if possible, the services of competent human resource consultants should be obtained. To ensure transparency, fairness, and accountability, these appointments are still subject to the president's approval (Sim, Thomsen & Yeong, 2014).

3.3.4.3 Board composition

Size and skills

- While there are inconclusive findings on the ideal size of boards, smaller boards are found to be more effective than larger boards. This may increase the risks of “free riders” (Khaled & Alnaif, 2015).
- Handajani, Subroto, Sutrisno, and Saraswati (2014) found that an average of five directors is sufficient in providing expert advice and opinions on an SOE board. The OECD guidelines (2015) are not prescriptive on the board size. They leave the choice to individual SOEs, because as Coles, Daniel, and Lalitha (2008) point out, there is no “one size fits all” approach.
- Similarly, Chen (2013) points out that the Singapore Code of Corporate Governance (2012) does not prescribe a minimum or maximum size of an SOE board. The code allows individual SOEs to decide on what they consider to be the appropriate size of a board to ensure effective decision making. Clarke (2016) argues that the current business environment demands directors focus on more than the financial success of the business. They should also consider the wider implications of factors such as corporate social responsibility and environment protection, and their impact on the future sustainability of the business.
- Consistent with Clarke’s view (2016), McKenna and Reiser (2013) suggest there is a need to shift away from a managerial and operational perspective of efficiency and doing things the right way. There should be a shift toward a strategic or leadership perspective, which focuses on doing the right thing. As such, directors on Temasek boards are usually of a high calibre, with diverse skills and

commercially experienced. Temasek's global presence resulted in the appointment of international directors (Mak, 2015). Djajadikerta and Zhang (2015) state that Temasek draws its highly skilled and experienced directors from a domestic and international human resource pool. Temasek's board is constituted by 14 directors. The majority are non-executive independent business leaders from the private sector (Temasek Review, 2015).

3.3.4.4 Board independence

OECD guidelines (2010) recommend that SOE boards should be organised so that they can exercise objective and independent judgment. They should also be protected from undue and direct political interference. An independent board operates under a legal framework. It constitutes more outside directors who have no material connections, such as family ties, financial relationships, and professional services with management (Ajuso & Argandona, 2007).

Under Singapore's constitution, Temasek Holdings Limited is shielded from undue political interference (Temasek Holdings (Pty) Limited Annual Report, 2012). However, the appointment of the boards by government raises questions (Mak, 2015) about their independence as seen from the lens of the public choice, political, and political entrepreneurship theories (Shaw, 2008; McCaffree & Salermo, 2011; Roe, 2011).

Contrary to Mak (2015) and Puchniak's (2016) concerns, a recent study found that Singapore transplanted the American style of independent directors. This was a seemingly illogical and

misplaced decision into a system where companies such as Temasek are state-owned. However, this decision was surprisingly successful. Given the successful role played by independent directors in the implementation of corporate governance at Temasek, he recommends countries such as China emulate the example.

Bringing in independent directors is a strategy which resulted in the emergence of the hybrid model and theory. Bruton, Peng, Ahlstrom, Stan & Xu (2015) describe a hybrid organisation as adaptable to various contexts and needs. While Khanna referred to modern state-owned enterprises such as Singapore Airways and Singapore Telecommunications as SOEs that are government owned, but managed similarly to a private company and by professional managers.

3.3.4.5 Board leadership

A board chairperson is critical to the effectiveness of the board. The leadership style and behaviour of the chairperson determines whether he or she will earn the commitment and respect from other directors on the board and the CEO (Pick, Tonello & Leblanc, 2011). Singapore's Company Act is not prescriptive on the role of the chairperson. This is an issue which is entirely left to the discretion of individual companies.

Nevertheless, the Singapore Code of Corporate Governance (SCCG), (Tabassum, 2012; Chen, 2013) states that for the board to make independent judgments, there must be a clear separation between the role of the board chairperson and the CEO. The chairperson should ideally be an independent director and leader (Buamin, 2015; Chen, 2016). From a resource dependence

theory, Paulinus and Nympha (2015) argue that the chairperson of the board should be multi-skilled to facilitate interaction between the company and its environment.

Before joining Temasek, Lim Boon Heng, the Temasek Board Chairman, held several cabinet positions in the Singaporean government. These positions equipped him with the necessary political experience. He also held various positions in the labour unions, in addition to being a chairman of a company in the private sector. The positions in the labour movements and private sector allowed him to acquire the necessary human resource and financial skills (Temasek Review, 2015). Although political connections have been viewed negatively from the agency theory perspective (Bavoso, 2016), it should be noted that in terms of the resource dependence theory, an interdependent relationship between the board and government as the sole owner and financier of SOEs is imperative; and the chairperson needs to ensure that (Luo & Ye, 2015).

3.3.5 The role of the CEO

3.3.5.1 Appointment

The OECD guidelines (2005; 2014) recommend the separation of the roles of the board chairperson and the CEO. SAICA (2009) concurs with OECD guidelines stating that the board must appoint the CEO to create a better understanding between leadership and management. To ensure a consensus approach between the proponents of the agency and stewardship theories and the CEO-duality or non-duality role, Al-Gamdi and Rhodes (2015) suggest that a CEO can also add value to the decision making and effectiveness of the board if appointed as an executive director. This is an issue also recommended by King III (IoDSA, 2009).

Despite the perceived nepotism of her appointment while being married to the Prime Minister (Kirkpatrick, 2014), Ho Ching, Temasek Holdings (Pty) Ltd's CEO, has been credited with transforming Temasek from a small government bureaucracy to a modern day investment fund and global player (Pablo, 2012). Ho Ching has a professional career in the private sector, having been a former president and CEO of Singapore Technologies Group, among other companies. The perceived negative perception of nepotism is dispelled by the findings of a study by Ang, Ding and Thong (2013). The study shows that politically connected companies such as Temasek are associated with good corporate governance practices. These practices include the non-duality roles of the board chairperson and CEO. Despite being made by the Ministry of Finance, the CEO appointment is subject to the approval of the President (Mak, 2015).

3.3.5.2. Relationship between the board chairperson and CEO

Khoza and Adam (2005) identify an interdependent and collaborative relationship between the roles of the CEO and the board chairperson to be a critical determinant of effective governance practices, a view supported by Kleppers (2010). Confucianism, which is pervasive in Chinese and Singaporean societies (Tan, 2016; Leutert, 2016), views the government as a steward acting in the best interest of all the citizens, whose authority and legitimacy must be recognised and respected by all.

As such, the need to implement government directives as the sole owner of SOEs serves as the national interest to which the Singaporean chairperson and CEO have to be committed to. This must supersede all personal interests. Chip Goodyear, an American national recruited by Temasek to replace Ho Ching, the Temasek CEO, could not fit in the Singaporean cultural

environment. This also demonstrates the need to be committed to the Confucianism values of collaboration and consensus (Pablo, 2012).

Therefore, the working relationship between the chairperson and CEO is guided by the Confucianism requirement that subordinates should respect their superiors (Kirkpatrick, 2014). Somehow, the pervasive influence of Confucianism mitigates the agency problem in SOEs in Singapore (Chen, 2016). Although Confucianism is a shared ideology between the case studies of China and Singapore, there exist some similarities and differences as outlined in Table 3.

Table: 3 Summary of similarities and differences between Chinese and Singaporean case studies

Similarities		
Theme	China	Singapore
<i>Country context</i> - Political system - Population	State Capitalism Multi-racial	State Capitalism Multi-racial

<i>Government role</i> • Corporate Governance • Leadership • Ownership policy • Ownership model	Active participant Visionary and committed In existence and adapted to respond to local conditions Centralised	Active participant Visionary and committed In existence adapted to suit local context Centralised
<i>Board role</i> • Independent directors system	Board present; performing supervisory function introduced	Board present; performing supervisory function introduced
<i>CEO role</i>	Present; performing executive function	Present; performing executive function
Differences		
<i>Country context</i> • Country size • Population	Huge: 9 326 410 sq. km 1.3 billion	Small: 600 sq. km 5.3 million

Government role • Corporate governance approach • Results • Performance policy • Ownership policy • Ownership model	Cautious & gradual experimentation Succeeded in bringing about political stability & economic prosperity, social equality still not realized Political allegiance Developed, but complex and giving room for political interference and overlapping roles between SASAC and CCP Agency model SASAC; Parallel roles of SASAC and the CCP; No clear separation between ownership and regulatory roles	Planned, pragmatic, quick at implementation Succeeded in achieving political stability and social equality Meritocracy Effective ownership policy, clear demarcation of roles (the government's, board's and CEO's roles) Holdings company model, Temasek; Effective demarcation between ownership, policy and regulatory rules
Board role • Structure • Appointment • Composition	Two-tier board Parallel appointing authorities SASAC and the CCP Supervisory board, shareholder and employees Executive board, only executive managers	Unitary (one-tier) board Line Minister, endorsed by the President Majority non-executive independent directors N/A

• Size	3- Supervisory board Executive Board 3-14	14 non-executive Independent directors
• Skills	Competent	Highly competent
• Independence	Independent directors not effective	Independent directors effective
• Board leadership	Conflicting roles	Effective leadership
CEO role • Appointment	Parallel appointing authorities SASAC and the CCP	Line Ministry with approval by the President

3.4 Similarities between the Chinese and Singaporean case studies

3.4.1 Country contexts

Despite some minority groups, the populations in both countries are mainly made up of Chinese people, where the culture is rooted in Confucianism, a doctrine which demands respect for authority such as the government and superiors. SOEs predominate in both countries and have been at the centre of the socioeconomic developmental agenda (Leutert, 2016; Chen, 2016). The economies in China and Singapore are referred to as state capitalism, in which the government is actively participating in the economy, notwithstanding the existence of the private sector (Szammoszegi & Kyle, 2011).

3.4.2 Government role

Critics such as Shleifer and Vishny (1997) arguing that governments should leave business to the private sector. However, the active role played by the Chinese and Singaporean

governments demonstrates that government involvement in the socioeconomic development of countries is an unavoidable reality (Siddiqui, 2010; Stiglitz, 2016).

i) *Ownership policy*

China and Singapore have developed ownership policies to separate the roles of government as owner, policy maker, and regulator. This separation clearly indicates government's role as owner, as opposed to the supervisory role of the board and the executive role of the CEO (Jiang & Peng, 2011; Cummine, 2014)

ii) *Ownership model*

There are three types of ownership models; the decentralised, the dual, and the centralised models (Ximena, 2014). The OECD guidelines (2005, 2015) recommend the centralised model. China and Singapore both have adopted the centralised model and contextualised it to fit their country specific conditions (Wang, 2014; Tan, Puchniak & Varotttil, 2015).

It can be reasonably said that both Chinese and Singaporean governments have succeeded in ensuring political stability and economic prosperity. These nations have therefore lifted their citizens out of poverty, despite the autocratic regimes led by the CCP and PAP. They have also demonstrated an interdependent relationship between political stability and economic prosperity (Stiglitz, 2014; Chen, 2016).

iii) *Leadership role*

The leadership in China and Singapore, starting with Xiaoping and Xi Jinping (Meyer & Wu, 2014; Zhang, 2015) and Lee Kuan Yew have been committed to the socio-economic development agendas. This commitment can be ascribed to the pervasive Confucius philosophy in both countries (Bruno, 2014; Max, 2015).

3.4.3 The role of the board

SOEs in China and Singapore have board structures which are separate from ownership (Abdullah, Yahya & Turasamy, 2014). The board structures serve as centres of corporate governance practices (Mak, 2015). The leadership roles of board chairpersons ensures effective governance practices (Lin, 2013; Mak, 2015).

3.4.4 CEO role

SOEs in China and Singapore are headed by CEOs who are responsible for the day-to-day executions of board policies and directives. CEOs also provide the overall leadership for SOE management and employees (Wang, 2014; Tan, 2016).

3.4.4.1 Relationship between CEOs and board chairpersons

The cultures of both China and Singapore are rooted in Confucianism. Relationships between CEOs and Boards are maintained through respect of authority and by consensus resolution of disputes, as and when they occur (Young, Li & Lau, 2007; Milhaupt & Zhang, 2015). African values which can be compared to Confucianism, such as *ubuntu*, a value which advocates for humanness, and compassion towards a fellow human being (Okari, Keraro & Kiambati, 2012), and *harambee*, also highlighting the issue of pulling together. The stated African values address

the issue of a common goal which can only be achieved through collaboration (Turyahikayo, 2014).

3.5 Differences between Chinese and Singaporean case studies

3.5.1 Country contexts

While China has a size of about 9 326 410 square kilometres, and a population of 1 382 323 332 (World Population Review, 2016), Singapore has a size of about 660 square kilometres, with a population of about 5.3 million people (Siddique, 2010). Both China and Singapore have multi-racial societies, with the Chinese being in the majority. It can be reasonably said that the size of China and its large population has been an obstacle in the corporate governance reforms at SOE level and the socio-economic development at the national level. Thus, despite the admirable poverty reduction through economic prosperity, social justice and equality still appear to be a distant dream (Stiglitz, 2014). On the other hand, the small size and population of Singapore has contributed to the rapid inclusive socioeconomic development, which is enjoyed by many if not most of the citizens (Lim, 2014; Siglitz, 2016).

3.5.2 Government role

Notwithstanding the fact that both governments are autocratic and led by single parties, their approach on corporate governance practices and reforms have been different. While the Chinese government has adopted a cautious and gradual approach, its counterpart in Singapore has been quick at implementation (Lin & Milhaupt, 2013). The Singapore government has implemented a model of good corporate governance combined with authoritarian rule. China succeeded in achieving political stability and economic prosperity. Singapore realised that political stability and social equality were interdependent, and to sustain them a country needed economic development (Ortman & Thomsen, 2016). Furthermore, the efficiency in terms of

corporate governance in Singapore was achieved because of the use of meritocracy as a performance criterion, as opposed to mainly political allegiance in China (Wang, 2014; Chen, 2016).

i) *Ownership policy*

The ownership policy of Singapore has been applauded by scholars such as Mills (2015). However, the ownership policy of China is still attracting a fair amount of criticism, given the CCP's pervasive involvement in all levels of SOEs operations. This is despite SASAC being the legal entity exercising the ownership right on behalf of the government. The foregoing relationship between SASAC and the CCP clouds SASAC's independence (Szammoszegi & Kyle, 2011).

ii) *Centralised ownership model*

In 2003 China adopted a centralised agency model of SASAC (Wang, 2014) as opposed to the holding company model adopted by Singapore in terms of Temasek Holdings (Pty) Ltd (Sam, 2012). The ownership role of SASAC appears to be hampered by the pervasive role of the CCP which creates a political governance perception. On the other hand, the Temasek model is recommended as a model from which developing countries can learn from, given its commercial orientation and discipline (Ng, 2010; Sim, Yeong & Thomen, 2014; Mills, 2015; Chen, 2016).

3.5.3 Role of the board

Structure of the board

- In view of the Company Law which is characterised by both the civil and common laws, SOEs in China have a two-tier board structure. This structure consists of the supervisory board which has the origin from civil law countries such as Germany and the executive board which has origins from common law countries such as the US and UK (Khanna, 2012). The two-tier board structure does not make provision for CEO-duality (Wang, 2014).
- Boards in Singapore have a unitary or one-tier structure which mostly originates from the US and UK and is directed by the Company Act as amended in 2014 (Filatotchev & Wright, 2011). Notwithstanding the inconclusiveness of the debate on a CEO's duality or non-duality, the Temasek model advocates the separation of the board chairperson's role from that of the CEO's. In many of the companies the positions of chairperson and CEO are occupied by different incumbents (Mak, 2015).

Appointment of the board

- The appointment of the boards at SASAC creates a perception of politicisation of the appointment process (Leutert 2016). While Habbash, Xiao, Salama, and Dixon (2014) claim that the boards are appointed and removed by SASAC, Wang (2014) argues that the CCP has to participate in the appointment of senior leadership positions such as the chairperson and deputy chairperson of the board. The situation

at best creates a perception of politicisation of the appointment processes (Leutert, 2016).

- In the case of Temasek, boards are appointed on merit because Temasek ensures that only the best and brightest are recruited, including international appointments. Although board appointments are made by the Ministry of Finance to which Temasek reports to ensure transparency and accountability. The appointments are subject to approval by the president of Singapore (Sim, Thomsen & Yeong, 2014).

Board composition

- In terms of Company Law in China, the supervisory board should have at least three members of which one should represent the employees. The size of the executive board can vary between three to 13 directors (Siu & Zou, 2013).
- In terms of age and skills of directors, Juarsin and Li (2015) find that directors in SOEs are on average older, therefore presenting more experience and wisdom and have at least a Bachelor's degree. Khaled and Alnaif (2014) recommend that the size of the board should be determined by the size of the firm.
- In contrast, Chen (2013) finds that the Singapore Code of Corporate Governance (2012) does not prescribe a minimum or maximum size of an SOE board and leaves the choice to individual SOEs. Scholars such as McKenna and Reiser (2013), Clarke (2016) stress the importance of skilled boards in coping with the diverse challenges confronting the modern organisation. These challenges are not only limited to commercial aspects of the business, but are broader and include political, social and

environmental factors. As such, Temasek's boards are usually of high calibre, with diverse skills and commercial experience (Djajadikerta & Zhang, 2015).

Board independence

In Chinese SOEs, board positions are filled by politicians and CCP cadres, an issue which is perceived to compromise their independence (Jonson, Schnaterly & Hill, 2013; Cuervo-Cazzura, et al, 2014). Although the Singapore Code of Corporate Governance (2012) directs companies to have more independent directors, some critics still argue that government being owner and appointing authority simultaneously may compromise the independence of the boards (McCaffree & Salerno, 2011). Although, the system of independent director has been transplanted by both China and Singapore from the United States of America, it is argued that the system has been more successful in Singapore than China (Puchniak, 2015; Chen, 2016).

Board leadership

- The appointments of chairpersons of the supervisory and executive boards are the domain of the CCP, and sometimes the position of the chairperson and the party secretary are occupied by the same person. This compromises the independence of the chairperson as a director (Lin, 2013; Wang, 2014, Leutert, 2016).

In Singapore, the independence of the chairman is very crucial. The current chairperson Li Boon Heng is an independent director with a lot of experience, given the various positions he occupied in the public and private sector (Temasek Review, 2015).

3.5.4 The role of the CEO

3.5.4.1 Appointment

In Chinese SOEs, the appointment of the CEO is subject to the parallel legal and political governance. While conventional wisdom advocates for the board to appoint the CEO, Lin (2013) argues that the CEO recruitment system is solely handled by the CCP, with party allegiance and loyalty as criteria.

In Singapore the CEO is appointed by the Ministry of Finance and approved by the president. As a domestic and global player Temasek makes use of its pool of international networks only to recruit the best (Chen, 2016, Tan, 2016). However, as shown by the sudden departure of American citizen Chip Goodyear, commitment to the Confucianism philosophy of consensus decision making and respect for authority is an absolute prerequisite. However, Ang, Ding and Thong (2013) find that perceived politically-connected companies such as Temasek are associated with good corporate governance practices.

3.5.5 Summary

Looking at the two case studies of China and Singapore, both countries are using the OECD (2005, 2015) as a benchmark for good governance practices in SOEs, which they have adapted to suit their unique country contexts such as political, economic, social and environmental contexts (Mills, 2015; Stiglitz, 2016; Tan, 2016). As recommended by the OECD (2015) guidelines, the governments of China and Singapore have been actively participating as owners of SOEs and GLCs. They have consequently developed their respective ownership policies to clearly demarcate the role of the owner as opposed to the supervisory and executive roles of

the board and CEO. This, therefore, addresses the agency problem between ownership and control.

Furthermore, China and Singapore have relatively succeeded in developing centralised models as recommended by the OECD guidelines. The SASAC and Temasek models have performed the ownership function on behalf of the governments to allow the respective governments to concentrate on the policy making functions (Chen, 2016; Leutert, 2016). Notwithstanding their similarities, the two models fundamentally differ in autonomy of SOEs and GLCs, and by the independence of the roles of the board and CEO. Accepted as the legal governance structure, the oversight role of SASAC runs parallel with the political structure of the CCP. These structures cross at the decision level in terms of appointment of senior personnel and negatively affect the supervisory and executive roles of the board and CEO. This further complicates the problem of the multiple and sometimes conflicting role of the government as the owner, policy maker, and regulator (Wang, 2014).

In contrast and as evidenced by scholars such as Wang (2014), Chen (2016), and Leutert (2016), the Temasek model clearly demarcates the roles of the government as the owner, policy maker, and regulator. The autonomy of the board as the supervisor and the CEO as the executive is clearly articulated under Singapore's constitution and laws which shield Temasek Holdings Limited against undue political interference (Temasek Holdings (Pty) Limited Annual Report, 2012). The aforesaid still demonstrates that the Temasek model presents an appropriate model to develop a suitable model for Tier 3 SOEs and Namibia. The Namibian context is going to be investigated through the research methodology as discussed in Chapter 4.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

Methodology refers to a study of methods, tools and processes by which researchers obtain the relevant data to address research problems and objectives (Regioniel, 2015). Labaree (2013) argues that methodology is crucial to any research study because readers want to know how data was collected and analysed and why the researcher chose a particular method or methods. Furthermore, Labaree (2013) notes that an unreliable method produces unreliable results. This may undermine the value and interpretation of the research findings.

4.2 Purpose and objectives

As such, the overall purpose of the current study is to investigate corporate governance practices at NamPower, Telecom, Air Namibia, and Namport, and to provide some insights on the ownership role of the government, the supervisory role of the board, and the executive role of the CEO to ensure good corporate governance aimed at serving the interest of stakeholders. To achieve these objectives, the researcher opted to engage in a free-flowing interactive manner with knowledgeable participants to collect data through face-to-face interviews and to uncover how participants experienced corporate governance practices in the select Tier 3 SOEs (Makono & Nyaruwata, 2014; De Lyser & Sui, 2014). The choice of a methodology is usually informed by a philosophy or paradigm (Creswell, 2013; Yin, 2014).

4.3 Research paradigm

Joubish, Khuram, Ahmed, Fatima, and Haider (2011) refer to a paradigm as a world view and whole framework of beliefs, values and methods within which researchers work. In the world of science two paradigms are distinguished namely, the positivist and phenomenology paradigms. While the former attempts to explain a phenomenon in terms of measurements such as numbers and statistics, the latter explains a phenomenon mainly in terms of words (Koigi, 2011). The researcher opted for a phenomenology paradigm. It is described by Creswell (2013) as a philosophy which seeks to understand the essence of a phenomenon by examining the views of the people who have experienced the phenomenon in their natural settings. The phenomenological paradigm enabled the researcher to collect rich data from small samples through semi-structured interviews, coding and analysing data in order to look for patterns and themes (Finlay, 2009). The assumptions of the phenomenology paradigm are not only in line with the researcher's world view, but are also in congruence with the statement of the problem and the objectives of the current research as reflected in Chapter 1.

Furthermore, the researcher agrees with Kafle (2011), that phenomenology as a philosophy has a wide spread recognition. As supported by Joubish, et al. (2011. p.2086), "Many researchers using qualitative methods adhere to the school of thought called phenomenology." Kafle (2011) further notes that the paradigm has relatively remained free from criticism due to its philosophical and methodological strengths of providing rich and complete data about human experiences and meanings which emerge rather than being imposed by the researcher.

4.4 Research design

Creswell (2009) refers to research design as a plan and procedure for research which span the decision from broad assumptions to detailed methods of data collection and analysis. The choice of the research design is influenced by the research paradigm, research problem, and objectives (Yin, 2009). The current research study investigated corporate governance practices, a new and complex human behavioural phenomenon at the select Tier 3 SOEs. The objectives were reflected in Chapter 1, and the empirical data collected mainly through semi-structured interviews were the responses about the experiences of:

i) Permanent secretaries were better placed to respond on the questions related to the government ownership role. This is due to their role as the accounting officers in the Ministries of Works and Transport, Mines and Energy, and Information Communications and Technology under which the selected Tier 3 SOEs resort. In addition to the permanent secretary of the State Owned Enterprises Secretariat, these three permanent secretaries are the link between the government as represented by the line ministries with Nampower, Telecom, Air Namibia, and Namport.

ii) The board chairpersons of the respective select Tier 3 SOEs were better suited to respond on questions on the supervisory function of the board. The Working Party on State Ownership and Privatisation (2012) argued that good and effective boards are created by good chairpersons.

iii) CEOs/MDs are full-time employees of the selected employees whose executive function does not only include the link between the board and employees of the select

Tier 3 SOEs, but also the engagement of other stakeholders such as customers, creditors, and the broader communities. Consequently, they were better placed to respond to questions related to the executive function and stakeholder engagement.

In such circumstances, the preferred approach was to employ research methods that provided flexibility and diversity and enabled an investigation of the real world, a strong attribute of a qualitative design (Merriam, 2009; Creswell, 2013).

The researcher did not choose a quantitative design because, as argued by Avison and Malaurent (2013), a quantitative design reduces the need for the researcher to obtain an understanding of individual participants' experiences. Similarly, a mixed method design was not preferred, as it would have involved the use of probabilities and inferences instead of capturing the details of the experiences of individuals as narrated by them. Therefore, the goal of the current research study is to gather first-hand information from knowledgeable participants (Cornelissen, 2016), extended beyond what could have been discovered through quantitative and mixed designs.

Pursuant to the above discussion, the research design undertaken in the current study was the qualitative design (Matui, 2010; Mulili & Young, 2011; Ashe, 2012; Tran, 2015; Bonney, 2015). Moreover, qualitative research has the advantage of helping a researcher conduct research in natural settings and interpret corporate governance practices through the meanings and perspectives of the respondents (Bansal, & Korley, 2012; Pettigrew, 2013). As Creswell (2013) says, qualitative research begins from the premise that social reality is inherently associated with human beings and their social context.

Critics have identified some limitations associated with qualitative design, such as small samples, high costs and extensive researching time (Simon, 2014). However, attributes such as deriving in-depth meaning about a new and complex phenomenon such as corporate governance practices or gathering authentic data from participants in their natural settings to address the research problem and objectives, still made the qualitative research design the preferred choice for conducting research in social and behavioural sciences (Khadimally, 2014).

4.5 Research methods

The case study method is suitable when a researcher wants to gain an in-depth understanding of a specific phenomenon (Alberghini, Gricelli & Grimaldi, 2014). In the current study, the researcher wanted to gain an in-depth understanding of corporate governance practices in the select Tier 3 SOEs in Namibia.

Table 4

Different types of case studies, definitions and published study examples

Case study type	Definition	Published study example
Descriptive	This type of case study is used to describe an intervention in the real life context in which it occurs (Yin 2014).	Tolson, Fleming and Schartau (2002)
Explanatory	This type of case study is used when seeking to answer a question sought to explain the presumed casual links in real life interventions that are too complex for the survey or experimental strategies. In evaluation language, the explanations would link program implementation with program effects.	Joia (2002)

Exploratory	This type of case study is used to explore those situations in which the intervention being evaluated has no clear single set of outcomes.	Bhasin (2012) - Voluntary corporate governance disclosures: An exploratory study. Boateng (2016) explored how top-down board structure impacts the control and ethical structure of special projects in Ghana. Bonney (2015) explored strategies Ghanaian SOEs may use to improve financial performance.
Multiple case studies	A multiple case study enables the researcher to explore differences within and between cases. The goal is to replicate findings across cases. As comparisons will be drawn, it is imperative that the case studies are chosen carefully so the researcher can predict similar results across cases or predict contrasting results based on a theory (Yin, 2009).	Matui (2010) investigated five SOEs in Papua, New Guinea Boating (2016) explored four separate special projects in Ghana
Intrinsic	Researchers who have a genuine interest in the case should use this approach when the intent is to gain better understanding of the case. It is primarily not undertaken because the case represents other cases or because it illustrates a particular trait or problem but because in all its particularity and ordinariness, the case itself is of interest. The purpose is not to understand some abstract construct or generic phenomenon. The purpose is not to build theory (although that is an option, Stake, 1995).	Hellstrom, Nolan and Lundh (2005)
Instrumental	It is used to accomplish something other than understanding a particular situation. It provides insight into an issue or helps to refine theory. The case is of secondary interest; it plays a supportive role facilitating our understanding of something else. The	Luck, Jackson, Usher (2007)

	case is often looked at in-depth, its context scrutinized, its ordinary activities detailed because it helps the researcher pursue the external interest. The case may or may not be seen as typical of other cases (Stake.1995)	
Collective	Collective studies are similar in nature and descriptive to multi case studies (Yin,2009)	Ashe (2012)

In view of the fact that the four Tier 3 SOEs were the focus of this study, a multi-case study approach was considered appropriate. Yin (2014, p.16) defines a case study as “an empirical study that investigates a contemporary phenomenon in-depth and within the real world context, especially when the boundaries between phenomenon and context may not be clearly evident.” The researcher agrees with the view by Yin (2014) that the multiple case study approach is considered more robust and promotes powerful and compelling findings.

Furthermore, Yin (2014) argues that the multiple case studies provide a full variety of data and use triangulation of data to achieve qualitative rigour and validity in a qualitative research, a view confirmed by Bonney (2015). Triangulation is referred to as the confirmation of the same information by different instruments such as semi-structured interviews and document analysis, one of the strengths of a case study method (Paco, 2015) used in the current study. Moreover, the researcher was assisted in collecting data from multiple sources, increasing the credibility of the study and used to develop themes (Creswell, 2009). Despite these attributes, as a research method case studies have been traditionally viewed as lacking rigour and objectivity (Yin, 2009, 2014).

In order to overcome this criticism, the current study involved four Tier 3 SOEs as units of analysis. These were investigated to gain in-depth knowledge of corporate governance practices in each SOE. Furthermore, the similarities between the data were identified and after

the data was analysed a unique country specific corporate governance model suitable for Tier 3 SOEs was developed. The mentioned approach addresses the issue of external validity. Yin (2014) refers to reliability as the ability of another researcher to follow similar case studies to arrive at the same findings and conclusions as the original researcher. To this effect, a case study research protocol, as illustrated in *Appendix A*, and a set of semi-structured interview questions were developed based on the objectives to guide data collection. Data was documented, tape-recorded, and transcribed to address the issue of reliability (Yin, 2014). Hyett, Kenny, and Dickson-Swift (2014.p.1) conclude that, “Despite the ongoing debate about credibility, and the reported limitations in comparison to other approaches, case study is an increasingly popular approach among qualitative researchers.”

4.6 Population

Table 5: Population of ten (10) Tier 3 SOEs

T3 SOEs	Line Ministry	Number of Permanent Secretaries	Number of Chairpersons of boards	Number of Chief Executive Officers	TOTAL
Air Namibia Namport Trans Namib Road Construction Company	Ministry of Works & Transport	1	4	4	9
NamPower	Ministry of Mines and Energy	1	1	1	3
Telecom	Ministry of Information & Technology	1	1	1	3
Meat Corporation of Namibia Namibia Water Corporation	Ministry of Agriculture & Water & Forestry	1	2	2	5

August 26 Holdings Company (Pty) Ltd	Ministry of Defence	1	1	1`	3
State Owned Enterprises Governance Council Secretariat	State Owned Enterprises Governance Council	1	-	-	1
TOTAL		6	9	9	24

Tier 3 SOEs, refer to entities which are 100 percent owned by the government of the Republic of Namibia and classified in terms of section 2 (2.3) of the Government Gazette No. 4538 of 2010. Tier 3 SOEs are grouped together by total revenue, total assets, and total number of employees. Tier 3 SOEs are expected to be profitable and pay dividends to the sole shareholder, the government of the Republic of Namibia (Schlettwein, 2010). There are ten Tier 3 SOEs in Namibia, listed as: NamPower, Telecom, Air Namibia, Namport, Namibia Post (Nampost), Meat Corporation of Namibia (Meatco), Roads Contractors Company (RCC), TransNamib Holdings Limited, August 26 Holdings Company (Pty) Ltd, and the Namibia Water Corporation (NamWater) (Government Gazette, 2013) (*Appendix D*). The scope of this research was limited to four case studies, namely, NamPower, Telecom, Air Namibia, and Namport. As appropriate in multiple case study research, the researcher agrees with Piekari, Welch, and Paavilainen (2009) that the emphasis should be on depth rather than breadth, meaning that a smaller number of cases with richer data was preferred.

Table 5: This table shows a total population of twenty-four (24) permanent secretaries (PSs), chairpersons of boards, and chief Executives officers (CEOs) who are key role players in corporate governance practices in the ten (10) Tier 3 SOEs. Air Namibia, Namport, TransNamib and Road Contractors Company report to the Ministry of Works & Transport and were represented by one (1) permanent secretary, the permanent secretary of the Ministry of

Works & Transport. The Meat Corporation of Namibia and Namibia Water Corporation report to the Ministry of Agriculture, Water & Forestry, and were represented by one (1) Permanent Secretary of the Ministry of Agriculture, Water & Forestry.

4.7 Sample

In social and behavioural sciences, three sampling techniques are commonly used, namely, probabilistic sampling technique, aimed at representativeness of the the total population, and convenience and purposive sampling techniques usually criticised for not being representative of the total population (Teddlie & Yu, 2007). Convenience sampling and purposeful sampling techniques may have some similar characteristics such as, that both are non-probabilistic sampling techniques, non-representative of the population and being subjective (Etikan, Musa & Alkasim, 2016). However, Teddlie and Yu (2007) pointed out that convenience sampling technique involve choosing samples which are easily accessible, willing to participate and less costly. However, some of the limitations associated with purposive sampling are limited access to information and high costs (Simon, 2014).

Corporate governance practices in Namibian Tier 3 SOEs are a political sensitive topic. Therefore, several permanent secretaries and board chairpersons were reluctant to avail themselves to participate in semi-structured interviews. As such, it was necessary for the researcher to select participants who were knowledgeable, available and willing to sign the Written Consent (Annexure B) indicating their willingness and availability to participate in the semi-structured interview process. Consequently, a convenience sampling technique was adopted for the current study.

Twelve participants were originally selected including four permanent secretaries of the portfolio ministries. These ministries included the Ministry of Works and Transport to which Namport and Air Namibia report, the Ministry of Mines and Energy to which NamPower reports, the Ministry of Information and Communication Technology to which Telecom reports, and the permanent secretary of the State-Owned Enterprises Governance Council. Only two of the permanent secretaries were interviewed, those from the State-Owned Enterprises Council (now named the Ministry of Public Enterprises) and the Ministry of Information and Communication Technology. The two permanent secretaries of the ministries of Mines and Energy and Works and Transport did not avail themselves for interviews due to time constraints. As accounting Officers in their ministries and agencies, these participants were better placed to provide the researcher with in-depth information about the government's ownership role and how it has influenced corporate governance practices in the selected Tier 3 SOEs.

Four board chairpersons from NamPower, Telecom, Air Namibia, and Namport were found to be ideal for providing rich data about the supervisory role of the board and how it has influenced corporate governance practices in the selected Tier 3 SOEs. As noted by the Working Party on State Ownership and Privatisation Practices (2012), good and effective boards are created by good chairpersons, and the inverse is equally true. Only two chairpersons were interviewed as the chairpersons of NamPower and Telecom did not consent to interviews citing time constraints.

A total of four CEOs from the respective selected Tier 3 SOEs were found appropriate for providing rich data on their experiences in their respective roles and feedback on how CEOs

influenced corporate governance practices. All four CEOs were available and interviewed. Out of the twelve participants originally identified, only eight were interviewed. The researcher was comfortable with the eight participants, as they were able to provide rich information that addressed the research objectives as outlined in Chapter 1. Robinson (2014) notes that participants selected must have the relevant knowledge and experience to provide useful information.

4.8 Research instruments

Research instruments are tools to collect data in research studies (Creswell, 2009). Qualitative researchers usually use multiple instruments to collect data in order to ensure triangulations (Paco, 2015). Yin (2009) highlights six research instruments in case research studies, namely: interviews, document reviews, archival records, direct observation, participative observation, and physical artefacts. This study used semi-structured interviews and a review of documents such as annual reports, personal field notes, and newspaper reports. The stated documents were used to cross-verify the data from semi-structured interviews.

Creswell (2009) defines an interview as a guided discussion aimed at accessing people's perceptions and the meanings and definitions of situations and construction of realities, to provide authentic insight into people's experiences. The rationale for using interviews was to gain access to individuals who could describe and analyse a situation or phenomenon such as corporate governance practices in their own words. This provides insight into meanings which can be associated with their experiences and social world. In the current study, the participants which include permanent secretaries, board chairpersons, and CEOs were best positioned to respond to the interview questions

Nevertheless, there are various types of structured and unstructured interviews. However, the researcher opted for semi-structured or in-depth interview methods which allowed face-to-face interactions with the various participants. The open-ended questions allowed the researcher to clarify issues and probe for further information. Since the selected participants were knowledgeable and experienced they were able to speak clearly and openly about their experiences.

Semi-structured interviews can provide some subjective responses given that permanent secretaries, board chairpersons, and CEOs are appointed by the government. To minimise subjectivity, the researcher asked follow-up questions and cross-verified the interview responses with the data such as annual reports of the selected Tier 3 SOEs, personal field notes and newspaper reports.

Since case study research uses multiple sources of data for enhancing research, the researcher employed document review as one of the research instruments. Document review is referred to as a systematic procedure for reviewing or evaluating documents (Yin, 2009; Creswell, 2009). The documents contained text (words) and images which were collected without the researcher's intervention.

Documents used as part of this study were primarily annual reports of the select Tier 3 SOEs, personal field notes, and newspaper reports. In fact, these documents were used to provide

background and context which the researcher employed to ask additional questions, and most importantly, to verify the findings from the semi-structured interviews.

As a research instrument, document review was cost-effective, less time consuming and accessible, since most of the annual reports could be accessed through the internet. However, the researcher also experienced some limitations as argued by Bowen (2009), for example, some of the annual reports could not be retrieved. Despite this, the researcher found that the advantages clearly outweighed the limitations.

4.9 Procedures

Letters of access were obtained from the selected Tier3 SOEs. Participants were notified in advance of the time, venue, and purpose of the interviews. Multiple modes of communication such as telephone calls, e-mails, letters, and personal appointments were used. Semi-structured interview questions were sent to participants three days before the actual date of the interview. The headquarters of NamPower, Air Namibia, and Telecom are situated in Windhoek, and as such, the researcher was only required to travel to Walvis Bay where the head office of Namport is located.

4.10 Data collection

Data collection process aims at collecting rich data to answer the research question and objectives (Englander, 2012). Before the main study was undertaken, a pilot case study of Namibia Water Corporation (NamWater), classified as a Tier 3 SOE similar to the selected Tier 3 SOEs, was undertaken from 20 June 2015 to 20 July 2015. The researcher used the

results of the pilot study to improve the research protocol and semi-structured interview questions.

In a research study which involves a phenomenological paradigm, a qualitative research design, and a multiple case study method, such as the current study, the researcher constitutes the central instrument of data collection. In support of the previous view, Sanjari, Bahramnezhad, Fomani, Shoghi & Cheraghi (2014, p.2) argued that:

Humans have increasingly become the “instrument of choice” for naturalistic research, due to certain characteristics: they are highly responsive to environmental stimuli, have the ability to interact with the situation, pull together different pieces of information at multiple levels simultaneously, and perceive situations holistically; moreover they are able to process findings the instant they become available, can present immediate feedback, and feel unusual responses. Nevertheless, researchers need to improve the abilities that make them appropriate human instruments and consequently, their interpersonal skills are of major importance in natural settings and study processes.

Consistent with the view of Sanjari, et al. (2014), the researcher gathered data through interaction with the selected participants, ensuring that appointments were arranged timeously and copies of the questions were sent in advance for the participants to familiarize themselves with. Eight participants were interviewed, including one permanent secretaries from the State-Owned Enterprises Governance Council, which at the time of writing became the new Ministry of Public Enterprises. The second permanent secretary was from the Ministry of Information and Communication Technology. The permanent secretaries of the ministries of Works and Transport and Mines and Energy could not avail themselves due to time constraints.

In addition, board chairpersons of Air Namibia and Namport were interviewed. The remaining two board chairpersons of Telecom and NamPower could not avail themselves for the interviews, citing time constraints. All four CEOs of the selected Tier 3 SOEs were interviewed. The interviews followed a six-stage case study protocol (Goodrick, 2014; Tran, 2015) which was modified for this study. As explained by Goodrick (2014), a case study protocol outlines the processes of data collection and information retrieval which occur across all cases.

4.10.1 Case study research protocol

Stage 1: Arrival of the researcher

The researcher introduced himself and shook the hand of the participant and reaffirmed the identity of the participant and role as per appointment.

Stage 2: Introducing the study

The researcher introduced the research topic, explained the nature and purpose of the study, explained its relevance to the select Tier 3 SOEs, and why the participant was selected. The researcher reaffirmed the ethical issues such as confidentiality, right of participation, and withdrawal. Furthermore, the researcher explained the content of the consent form and upon agreement with the content, the participant was requested to sign voluntarily.

Stage 3: Commencement of the interview

The researcher reaffirmed the one hour 30 minutes duration of the interview and requested permission to tape record the interview to capture all information including the verbatim narrative accounts. Only after permission was granted did the actual interview start. The researcher used guided questions which were sent to the individual participants three days before the actual date of the interview. After the demographic information, the first question or “ice breaker” was to ask the participant about his or her perceived understanding of corporate governance.

Stage 4: Substantive part of the interview

The researcher guided the participant through key questions based on the objectives of the research and as they appear in the interview guide per category (an example of the semi-structured interview questions is attached in the appendices). Each question was explored in-depth, using follow up questions and probing. The researcher paid particular attention to emerging issues from the participants, and as a general rule the researcher spoke less and did not interrupt the participants, unless they started repeating information already obtained.

Stage 5: Ending the interview

The researcher ended the interview ten minutes before the expiration of the one hour 30 minutes time frame by switching off the tape recorder and giving the participant an opportunity to ask any questions or clarifications or add anything he or she deemed to be of importance. The researcher also encouraged the participants to take along blank interview forms to complete if they felt that they did not adequately responded to the questions.

Stage 6: Post interview

The researcher thanked the participants warmly and reassured them of confidentiality and anonymity and committed himself to present them with the transcribed copies of the interviews for verification. With the exception of one, each participant was sent a transcript and seven of the participants were in agreement with the content of the transcripts.

4.11 Data analysis

Thematic analysis, which emphasises pinpointing, examining, and recording patterns or themes within data (Alhojailan, 2012; Vaismoradi, Jones, Turunen & Snelgrove, 2016) was chosen as an appropriate technique for this study. Thematic analysis is defined as “a qualitative analytical method for identifying, analysing, and reporting patterns (themes) within data. It minimally organises and describes your data set in (rich) detail. However, frequently it goes further than this and interprets various aspects of the research topic” (Braun & Clarke, 2006, p. 79).

Thematic analysis focuses on human experience, a key component underlining the phenomenology paradigm, qualitative design, and multiple case approach used in this study. It also highlights the overall essence of this study, namely: trying to gain a deep understanding of corporate governance practices in select Tier 3 SOEs by capturing the perceptions, feelings, and experiences of select participants interviewed. Unlike in the proposal, the researcher argued that he was the central instrument of data collection. Of note is that while computer software such as Atlas-ti can be used as an effective tool to store, organise, and retrieve large volumes of qualitative data, it does not analyse data, which remains a key function of the researcher.

As such, the data from the semi-structured interviews and document review were manually analysed. The researcher followed a six-phase guide of conducting thematic analysis as recommended by Braun and Clarke (2006) and modified for this study.

4.11.1 Thematic analysis phases

Phase 1: Becoming familiar with the data

Good qualitative data analysis depends on a good understanding of the data. Despite the researcher having collected and transcribed the data, there was a need to review it by repeatedly reading the data and listening to the tape recordings to discover themes as they emerged, thus making the process interactive.

Phase 2: Generating initial codes

In generating the initial codes and data reduction or simplification and creation of categories for more efficient analysis, the researcher made inferences about the meaning of the codes.

Phase 3: Searching for themes

The researcher combined codes into overarching themes which accurately depicted the data. Themes were identified and highlighted manually through colour coding.

Phase 4: Reviewing the themes

The researcher determined how the themes supported the data and the theoretical perspectives.

Phase 5: Defining and naming the themes

The researcher defined each theme and identified which aspects of the data were captured. To clarify, the researcher described each theme with a few sentences.

Phase 6: Producing the report

The researcher selected the themes which were relevant to the study objectives and cross-checked with the participants interviewed about the data accuracy.

Thematic analysis has disadvantages such as reliability concerns due to a wide variety of interpretations and a lack of clear specified procedures. If analysis excludes theoretical framework, a third disadvantage is limited interpretive power. However, despite these limitations, thematic analysis has considerable advantages. According to Vaismoradi, et al., (2016) thematic analysis is widely recognised for being transparent, systematic, and flexible.

4.12 Research ethics

Ethical issues are very important in any research study involving human beings (Cooper & Schindler, 2010; Osei, 2013). Zickmund (2010) refers to research ethics as the appropriate behaviour of a researcher relative to the norms of the society. This implies that a researcher has an obligation to ensure that companies studied and participants interviewed are not adversely affected by the outcomes of the research study.

Premised on the above, a case study research protocol (*Appendix A*) was used as follows:

- i) Introducing the researcher to the participants.
- ii) Re-confirming the scheduled appointments.
- iii) Introducing the topic and the purpose of the research study.
- iv) Explaining why the particular companies and participants were selected.

Furthermore, the participants were presented with a written consent form (*Appendix B*). This form asked participants to confirm whether the nature and purpose of the research study and their right to participate or to withdraw was explained to them. Issues of privacy and confidentiality were also covered in the consent form. Webb (2008) and Dinwiddie (2012) state that the disregard of confidentiality and privacy has caused many research participants to lose their employment and suffer psychological and physical harm.

While confidentiality and privacy are used simultaneously there are differences between the two terms (Mbanaso, Cooper, Chadwick, & Anderson, 2009). Privacy refers to the right of an individual or person to prevent others from accessing information or other activities, a non-negotiable issue for the individual whose privacy needs to be respected. On the other hand, confidentiality involves the protection of a person's privacy. It relates to how information shared by an individual such as a participant, with a person in a position of trust such as a researcher, is treated (Osei, 2013).

In light of the above, participants were given the opportunity to participate or withdraw. Consequently, some permanent secretaries and board chairpersons exercised their right not to participate.

Furthermore, the results were recorded accurately and correctly and were to be used for study purposes only. Data collected was safely locked up in safes and all data written and recorded were to be destroyed within a time frame of five years after the thesis has been duly approved. Copies of the final thesis document were provided to the select Tier 3 SOEs as requested. The research study was subject to the ethical requirements of the Namibian Business School (NBS).

4.13 Summary

Chapter 4 outlined the methodology used in this study. The phenomenology paradigm, qualitative design, and multiple case study approach were also explained and justified. The data collection instruments, procedures, and data analysis using the thematic analysis were discussed and justified. Finally, the ethical issues guiding the study were also outlined. The data were presented and analysed in Chapter 5.

CHAPTER 5

PRESENTATION OF DATA AND ANALYSIS

5.1 Introduction

It is argued that while semi-structured interviews and document reviews as covered in the methodology in Chapter 4 provided a descriptive account of the research study, they regrettably did not provide explanations. As such, it is the researcher's obligation to make sense of the data by exploring and interpreting them (Burnard, Gill, Stewart, Treasure, & Chadwick, 2008). Similarly, Rodik and Primorac (2015) argue it is the researcher who analyses the qualitative data and not the computer software, an approach which was adopted by the current study by analysing the data manually.

The semi-structured interview questions dealt with the following themes: demographics, definition of corporate governance, the role of Tier 3 SOEs, the roles of government, the board, and CEO and recommendations by participants. These themes represent the dialogue between the data and the researcher. They assisted him in understanding the data and provided structure and analysis (Heuva, 2007).

In presenting his analysis, the researcher has an obligation of remaining true to the participants' words and meaning and to represent their experiences accurately without imposing his own subjective assumptions (Isaacs, 2014; Vaismoradi, Jones, Turunen & Snelgrove, 2016). As such, the presentation of data mainly used quotes from the participants. The recommendations by the participants primarily constituted the emerging themes. Figure (vii) illustrates the steps which were followed to present and analyse the data as adapted from Spinks and Canhoto (2015), and are summarised below.

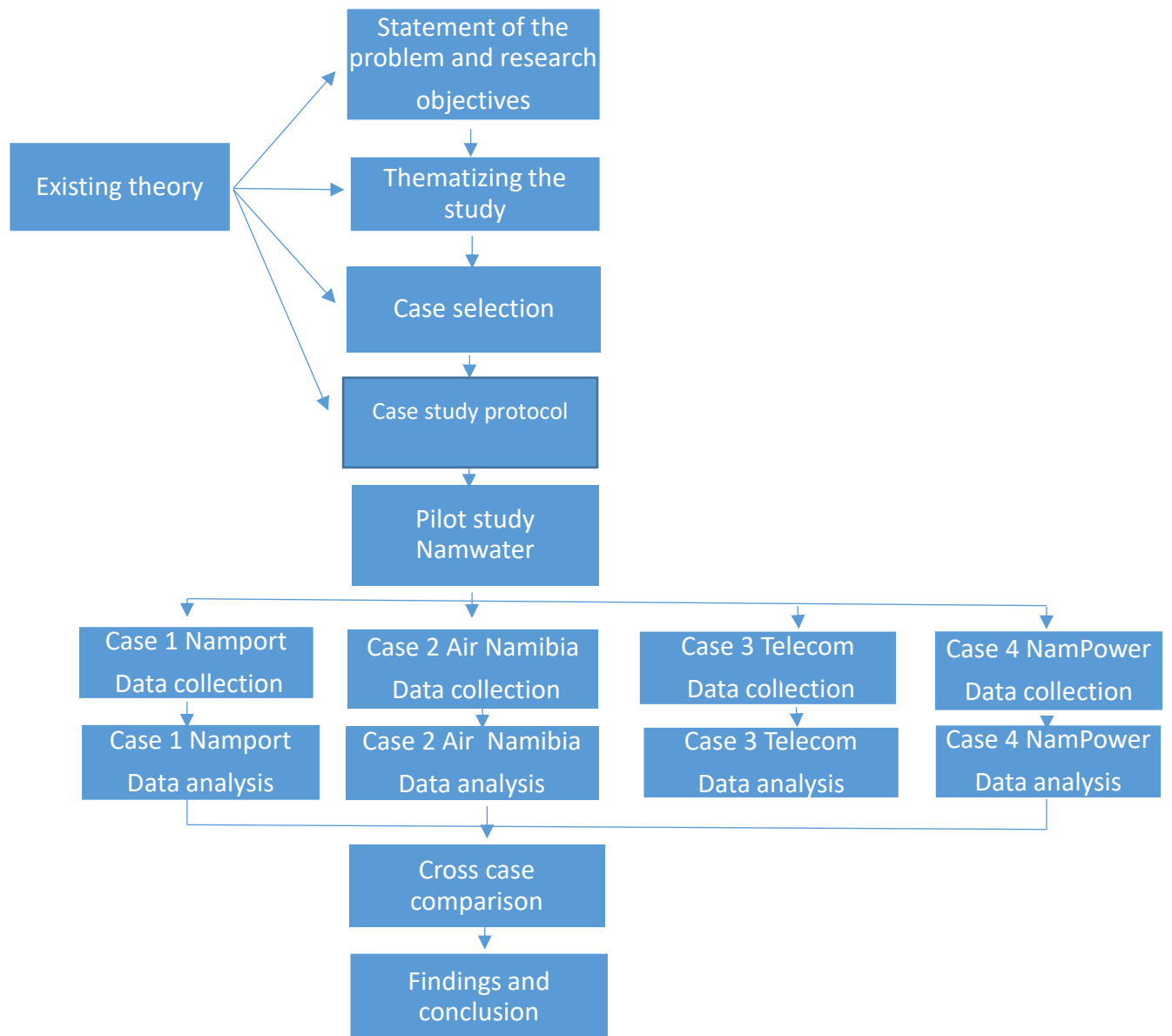


Figure vii: Order of data analysis in this study

The statement of the problem and the research objectives are covered in Chapter 1, with the existing theory covered in Chapter 2. The case selection, case protocol, and pilot study of Namwater are covered in Chapter 4. Goodrick (2014, p.1) suggests that “an understanding of each case is important to establish the foundation for the analytic framework that will be used in the cross-case comparison.” As such, the presentation and analysis of data were done on individual case studies of Namport, Air Namibia, Telecom, and NamPower before a cross-case comparison was done. While the presentation and analysis of the individual case studies and cross-case comparison may include establishing similarities and differences, the researcher is in agreement with the view of Goodrick (2014) that the cross-case comparison stage extends beyond establishing similarities and differences. It goes on to use the similarities and differences to support or refute the literature reviewed, an issue which is covered in Chapter 6.

5.2 Individual case studies

Premised on the above discussion, the presentation of data and analysis commenced with individual case studies before the cross-case comparison. Codes were assigned to the participants indicating their respective positions. Interview data from participants was transcribed by the researcher and the themes identified, coded, grouped and differentiated by the following colours.

Table 6: Colour coding of themes

Theme	Code	Colour
1. Demographics	(DGCS)	Blue
2. Definition of corporate governance	(DOCG)	Red
3. The role of the government	(ROG)	Yellow

4. The role of the board	(ROB)	Green
5. The role of the CEO	(ROC)	Orange
6. Recommendations - participants	(RBP)	Brown

5.2.1 Case 1: Namibia Port Authority (Namport)

5.2.1.1 Overview

Namibia Ports Authority (Namport) was established in 1994 under the Namibian Ports Authority Act 2 of 1994, and operates as the National Port Authority, managing the ports of Walvis Bay and Lüderitz. Namport is wholly owned by the government of the Republic of Namibia (Government Gazette 1994), and its head quarters are in Walvis Bay. The Walvis Bay port provides an easier and much faster transit between southern Africa, Europe, and Americas. The port also provides access to the sea to landlocked countries in SADC such as Botswana, Zambia, and Zimbabwe. Namport has a vision of being a world class port in Africa. Its mission is to provide world-class port services to all local, regional, and international sea born trade (Namport Annual Report 2014).

Namport has a five member board constituted of non-executive directors. At the time of the current study, the revenue of the company was N\$875 million with a labour force of 965 employees (Namport Annual Report, 2014,p.15). Arguably, Namport is one of the Tier 3 SOEs that has a good track record in terms of stability in board and CEO tenure. During the field research it was the only select Tier 3 SOE with a substantive board and CEO in place.

Notwithstanding the stated successes of Namport, the company has also been faced with allegations of tender irregularities. One allegation involved the pre-qualification of a Chinese

company China Harbour Engineering (CHEC), as it was the only preferred tenderer for the design and construction of a new container terminal at Walvis Bay port. However, the Anti-Corruption Commission (ACC) cleared Namport in this instance (Smit, 2011). A second tender involved a tugboat tender awarded to Damen Shipyards, Cape Town, resulting in a High Court challenge by Centani Investment. Although the court did not revoke the tender, Centani Investment was granted leave to institute an action of damages against Namport for unfair “administrative actions” (Windhoek Observer, 2013). De Klerk (2016) recently reported an alleged linkage of Namport to a company cited in the leaked Panama Papers, an allegation refuted by Namport’s CEO. The CEO also reiterated the stance that the primary purpose of Namport is to promote Namibia as a trade hub for the SADC and to ensure trade between the world and SADC via Namibian ports and corridors.

Table 7: Participants interviewed (Namport)

Title	Code	Number	Qualification	Gender	Age	Home Language
Chairperson	(CBN)	1	Masters Dev. Finance	Male	44	English
CEO	(CNP)	1	MBA	Male	49	Damara
Permanent Sec. SOEGC	(PSS)	1	MA	Male	57	Oshiwambo
Total		3				

NB: Due to the oversight function of the State-Owned Governance Council (SOEGC) over Namport, Air Namibia, Telecom, and NamPower under the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, the responses of the permanent secretary of the SOEGC, code (PSS)

are included in the presentation and analysis of the selected Tier 3 SOEs. Two participants the (PSS) and (CBN) were interviewed in Windhoek, while the (CNP) resides in WalvisBay and were accordingly interviewed there.

5.2.1.2 Demographics (DGCS)

The chairperson and the CEO are both male and from different ethnic origins. Both are well educated and skilled in finance and general management respectively. They are both in their forties indicating each are still in the younger age group.

The chairman has been in the position for four years and five months, while the CEO has been in the position for six years and six months. At the time of writing, Namport was the only select Tier 3 SOE with a substantive CEO serving a second term. The permanent secretary of the SOEGC is male, well-educated with a master of arts (MA) in Education and is 57 years old, representing the middle age group. He has served in his position for more than five years. The demographics reflected skills, ethnic, and age diversities, a relatively good combination needed for an SOE to be effective. The participants responded as follows:

“I am 49 years old...male, have a general MBA from Harriot Watt University... although a Damara, I end up speaking mostly Afrikaans...(laughter). I serve in my position for six and half years” (CNP).

“Aah...I am 44 years old, male, have a masters degree in developing finance...my home language is English...and I serve for three years and I was re-appointed, I am now in my second year” (CBN).

“Yah, I am 57 years old ...male and obtained a MA degree in education planning and management...I am Oshiwambo speaking and have been in the position for more than five years” (PSS).

5.2.1.3 Definition of corporate governance (DOCG)

Corporate governance is a new concept in Namibia, but tends to be misunderstood by many shareholders, boards, and CEOs. However, it is argued that it was very important for key role players to have an understanding of the definition of corporate governance in order to identify corporate governance challenges when they appear in their respective contexts, such as in SOEs (Matui, 2010).

The three participants had a fairly good understanding of the definition of corporate governance, although they seemed to differ in perspectives. Based on their individual responses, this can be ascribed to their different fields of expertise. While one definition was about abiding by the laws of the country and including other role players such as employees, the other highlighted the issues of ethics and accountability of the board in representing the shareholder's interest. The last definition emphasised doing things as prescribed by law and ethics and abiding by the rules. The definitions were as follows:

Yeah...my understanding of corporate governance in the context of Namport really is to do the right things, to remain within the provision of the laws of this country relevant policy, ahh...guidelines that govern this institution, but also...aah ...proper relationships between the various structures of the organisation, starting from the shareholder up to the person on the floor and aah...adhering to the acceptable modes of managing and leading this institution as a broad approach. (CNP)

“I think ...corporate governance for Namport is for the Board to act as the custodian of good ethics and accountability and representing the interests of the shareholder” (CBN).

“The art of doing things as prescribed by the laws, standards, and regulations such as ethics and mainly abiding by the rules” (PSS).

5.2.1.4 The role of the government (ROG)

i) Ownership

The absence of an ownership policy separating the government’s multiple roles as owner, policy maker, and regulator was of concern to the participants. Separating the government’s role from the supervisory position over the board and the executive role of the CEO was also of concern and the participants responded as follows:

“Ownership model needs to be improved...delegation of responsibilities once the roles are clear” (CBN).

“I think what is important is to define clearly the objectives of the entities and to define the roles of the key role players...the government as the shareholder, the board, and the CEO...When there is an overlap somebody will be hurt” (CNP).

ii) Policy making

One participant expressed concern about the inconsistency of government policies regarding Namport operations. However, this issue did not seem be of concern to the other participants.

“Yeah, the best thing is to have clear policies and procedures so that everybody...is treated under the same framework...There should be consistency” (CNP).

iii) Political objectives and interference

To the question about political objectives and political interference the participants responded as follows:

“Fairly autonomous, very little interference never experienced it” (CBN).

“Unlike with other companies, there is no interference from the shareholder. We do not have such issues...The company is run by the board and management” (CNP).

Depends how you define interference and intervention, the principal must have a say in the running of the SOEs, not in the day-to-day operations, but in terms of policy guidance...Imagine the board suspends a CEO and the shareholder is expected not to intervene. (PSS)

iv) Regulatory and legal framework.

a) Regulatory framework

The Ministry of Works and Transport is the owner, policy maker and through the Directorate of Maritime Affairs (DMA) is the regulator. A conflict of roles appears to exist, because Namport is an operator and a regulator. The participants responded as follows:

“Gmf...(laughter)...an inherent challenge...Namport is a regulator and an operator” (CBN).

Namport is regulated by the Directorate of Maritime Affairs (DMA), however the regulatory function is not clearly defined...there is currently a bill being drafted...In terms of the authority, Namport plays a dual role as port authority and an operator...The regulatory role is supposed to be done by the DMA, a directory in the Ministry of Works and Transport, but currently it is not well defined like in other countries and a bill is in the process of being drafted. (CNP)

“Many are regulated through their own establishment acts and also through the Government policies and regulations” (PSS).

b) Legal framework

- *SOEG Act, 2006 (Act nr.2 of 2006), as amended in 2008*

The State-Owned Enterprises Governance Act (SOEG) Act, 2006 (Act nr 2. of 2006) as amended in 2008, has been amended again at the time of writing to make provisions for the new Ministry of Public Enterprises, which is beyond the scope of the current research. However, it was a consensus view of the participants that the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008, was dysfunctional and did not take into consideration the unique needs of individual SOEs such as Namport. The responses were as follows:

Yes, the SOEG Act...I have been advocating for amendments, because some of the provisions such as the remuneration levels for Boards and CEOs were not serving the

purpose...and there is no compliance, because the SOEG, Act is silent on the issue of enforcement. (PSS)

“The Act is not an enabler for business, there was no consultation” (CBN).

“Provide general guidelines without taking into consideration the individual SOE...needs...bold decisions needs to be taken...” (CNP).

- *The State Owned Enterprises Governance Council (SOEGC)*

All three participants were in agreement that the SOEGC was dysfunctional, stating the following:

“To provide an oversight function...however, did not have any mechanism or power to enforce the legal framework, the SOEG Act” (PSS).

“There is no relationship...the SOEGC never had capacity” (CBN).

Yeah...now that they have become a ministry, the act that established the council also affects us...We also try to adhere to stipulations of the act...but due to limitations the linkages were not forth coming (CNP).

“Of the act...but due to limitations the linkages were not forth coming” (CNP).

- *King III, Model and Code and the NamCode.*

Despite the fact that King III Model and Code has been adopted by the Namibian government as the guide for good corporate governance for SOEs, only some of the stipulations appeared to be applicable to Namport. The same also applies to NamCode. Two of the three participants' perceptions appeared to be in conflict with the corporate governance statement in the Namport Annual Report (2014). They responded as follows:

Well, in principle we have taken the “spirit” of King code...but Namport being a parastatal...We cannot take all the stipulations of King III which apply mostly to the private sector, but we try to apply it...NamCode has not been officially adopted...We also look at NamCode (CNP).

King III is not useful to SOEs because in SOEs... You just have to comply with the standards and objectives set by the shareholder and not explain...There is no choice, whereas with King III you have to apply and explain (PSS).

“It is a good guide” (CBN).

In terms of governance agreement, the authority subscribes to the principles of good corporate government principles as set in the King III code. The board of directors ensures that these principles are incorporated across the entire business operations of the authority (Annual Report, 2014, p.18).

- *Application of Ubuntu*

From the two participants who responded, Ubuntu is applied at Namport but within limits, because it can be easily abused.

Ubuntu applies to Namport within reasonable limits...We take care of our employees...and have recruited 30 people from the marginalised communities...But sometimes people abuse Ubuntu...We try to apply Ubuntu...We do it within limits. (With reference to employees from previously advantaged communities). They must understand that we are a nation in transformation...Even black employees don't want to share with communities outside...However, they need to understand that as a company we do not just take care of the people who are employed...but also the communities outside (CNP).

“Ubuntu ensures team spirit and cohesion...have a good team at Namport” (CBN).

5.2.1.5 The role of the board (ROB)

i) Board structure

Namport has a unitary board structure comprising five independent none executive directors with no executive directors. The CEO attends board meetings by invitation (Annual Report, 2014).

ii) Appointments of directors

Both the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008 and the Namibia Port Authority Act 2 (1994) are used at Namport in addition to the King III Model and Code (IoDSA, 2009). This is a situation that can result in multiple and conflicting legal frameworks.

“The board is appointed by the shareholder represented by the Minister of Works and Transport for now...” (CNP).

“The line Minister of Works and Transport appoints the Board” (CBN).

In terms of the law, the SOEGC must be consulted before any appointment is made, a guideline which is ignored. The line ministry is responsible for the oversight function over the board and is also the appointing authority, which is contrary to good corporate governance practices. (PSS)

“The Minister, subject to subsection (2) may appoint and who, in the opinion of the minister, has commercial expertise relevant to the functions of the authority” (Nampont Act, 1994, Section 4 (d).

Whenever it is necessary to appoint members of the board of a state-owned enterprise, either upon a first constitution or a new term of the board for filling a vacancy, the head of the secretariat must, after consultation with the portfolio minister and with regard to Section 14(2) make a report to the council. This report should contain recommendations on the number of members, including executive members if any, to be appointed for the terms for which the member or members in particular positions are to be appointed. This is the expertise required in the membership of the board (SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008,15(1), p.11).

iii) *Board composition*

- *Size and skills*

There seem to be multiple legal frameworks with sometimes conflicting stipulations. Two participants mentioned the lack of skills and relevant competencies, which somehow appeared to be refuted by the annual report (2014).

The SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, Section 14(1) (a) (p.10) prescribes a size within the limits of five to seven directors. The Namport Act (1994) prescribes a size within the limits of four to six directors in addition to three permanent secretaries. The *SOEG Act, 2006 (Act nr 2 of 2006)* as amended in 2008, requires the head of the secretariat to propose the skills required. However, the Namport Act (1994) directs that the minister should ensure that directors to be appointed should have commercial expertise relevant to the authority.

The authority has a unitary board structure comprising of five independent and non- executive directors (Annual Report, 2014, p.19). This is in line with the *SOEG Act, 2006 (Act nr 2. of 2006)* as amended in 2008 guidelines.

Although King III Model and Code (IoDSA, 2009) recommends that the CEO and the chief financial officer (CFO) be appointed as executive directors on the board, neither the CEO nor the CFO are members of the board (Annual Report, 2014).

“No, I am not a director on the board, I am attending board meetings by invitation...As per the Establishment Act, all the directors of the Board must be non-executive independent members” (CNP).

“SOEs have no capacity in terms of skills” (PSS).

“Board training needs...right directors competency...The remuneration does not allow to recruit the best” (CBN).

v) *Board independence*

It is evident that unlike in other countries such as Singapore, the terminologies independent and non-executive director are used interchangeably without any clarity as to the difference. The responses of two participants were similar on the claim of political interference. However, the third participant pointed out the conflicting role of the government as the owner while simultaneously being the appointing authority of the independent directors.

“Unlike with other companies there is no interference from the shareholder and we do not know such issues...The company is run by the board and management” (CNP).

“Fairly autonomous...very little interference, never experience...” (CBN).

“The line ministry is responsible for the oversight function over the board and is also the appointing authority, which is contrary to good corporate governance practices (PSS).

vi) *Board Leadership*

- *Appointment of the chairperson*

The chairperson of the board is appointed by the Minister of Works and Transport (Annual Report, 2014, p.19), contrary to the Namport Act 4 (1994), 4(4)) which states that “the chairperson of the board shall be elected by the members of the board.” The SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, 15 5(b) stipulates that the chairperson is appointed by the portfolio minister. These multiple legal frameworks are relatively conflicting and may create a challenge of reinforcement. Two respondents confirmed that the chairperson is appointed by the line minister, while one argued they are not known in the process.

“The chairperson is appointed by the line minister” (CBN).

“The chairperson of the board is appointed by the minister” (CNP).

In terms of the law, the SOEGC must be consulted before any appointment is made, a guideline which is ignored. The line ministry is responsible for the oversight function of the board and is also the appointing authority, which is contrary to good corporate governance practices. (PSS)

vii) *The leadership role of the chairperson*

The chairperson of the board appeared to have a good understanding of his role and responded as follows.

Chairperson is the moral compass...The role of the chairperson is to ensure that there is cohesion at the board level and to ensure that principles such transparency, accountability, responsibility and independence are enforced...create an enabling environment and to always strike a balance between guidance and execution. The

chairperson to ensure that there is a trust relationship with the CEO...because the moment the trust relationship nothing works. The key role of the chairperson is the fiduciary duties (CBN).

Non-executive directors are required to devote sufficient time to the company affairs. While there is no formal limitation on the number of other appointments directors can hold, approval from the chairperson must be obtained prior to acceptance of additional commitment that may affect the time that they can devote to the authority (Annual Report, 2014, p. 19).

“A person must not serve as a board member on more than two boards of State-owned enterprises” (SOEG, Act, 2006 (Act nr. 2 of 2006) as amended in 2008, 15(6), p.12).

5.2.1.6 The role of the CEO (ROC)

i) Appointment of CEO

While there were mixed responses as to why the position at Namport is referred to as CEO and not managing director, the Namport Act is silent on the above stated matter. It only refers to the board appointing a port captain for each port managed and controlled by the authority (Namport Act, 1994, 20 (1)). While clarifying what is meant by the position of CEO, the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008, is equally silent on the appointment of a CEO. The two participants responded as follows:

The board appoints the CEO...in consultation with the minister and I know that the minister goes to cabinet for endorsement...Appointments in this position has been a

public appointment...Many people have applied...a shortlist was drawn up...and an external consultant was used. Interviews and the board took the result to the shareholding minister and cabinet who appointed their preferred candidate who in this case is myself (CNP).

“The board does the final interview...the line minister is consulted and cabinet, as courtesy” (CBN).

ii) Functions of the CEO

Although the SOEG Act (2006) is silent on the appointment of a CEO, it defines the position as:

“Chief executive officer” in relation to a state-owned enterprise, means the person who either alone or jointly with one or more other persons, is responsible under the direct authority of the board of the state-owned enterprise for the conduct of the business of the state-owned enterprise (SOEG, Act, 2006 (Act nr 2 of 2006) as amended in 2008, p.4). The question about the functions of the CEO was responded to as follows:

Yeah, my role is to ensure that Namport achieves its mandate within the framework of the strategy that we set and with the team of management and staff appointed. My goal is to ensure that we execute our mandate within the framework of good governance...that is transparency, no favours and within the constitution of this country. My role is to ensure that people who work for this company should look forward to coming to work every day...creating a

conducive environment and also to serve as a link between the company and the shareholder and other stakeholders. (CNP)

“The board is the custodian of the strategy...which is executed by the CEO” (CBN).

The CEO reports and is accountable to the board. This means that the CEO on a day to day basis works closely with the chairperson of the board and reports on quarterly basis to the board. The CEO's targets are set by the board and also evaluated by the board as set by the shareholding minister otherwise there will be a disconnect between the targets of the CEO, the board and shareholding minister. (CNP)

iii) Leadership role of the CEO

Participants were of the view that there should be a clear demarcation between the roles of the chairperson and CEO. Trusting relationships between the two roles are a must and this should be encouraged through open engagement, sharing bad and good news. A good relationship between the chairperson and CEO is critical. The two participants responded as follows:

Well, the relationship between the CEO and the chairperson must be clearly defined to the extent that the CEO is responsible for the day-to-day operations of the company, but the CEO and the chairperson must have regular engagements for the CEO to brief the chairperson and for the chairperson to give guidance about what is expected by the shareholder. At no point must the chairperson play the role of the CEO and the CEO

must respect the relationship of the chairperson with the shareholder. Now, formally...normally the chairperson engages with the minister as per Namport Establishment Act and the SOEG Act and the CEO on a day-to-day basis with the permanent secretary. (CNP)

“Clear role clarification wants not to become operational...but to guide the CEO...give strategic direction. We have been steering as a board...we have a great CEO and an executive team where there is cohesion” (CBN).

“Absolutely critical because if there is no trust nothing will happen” (CNP).

5.2.1.7 Recommendations of the participants

Notwithstanding certain differences, all participants seemed to be in agreement of revisiting the current ownership model and to improving the competencies and skills of boards and CEOs. The three participants suggested as follows:

“Role clarity between the roles of the shareholder, board, and CEO...as a compact as to what the shareholder expects from the board and CEO. Financing of Tier 3 SOEs by the shareholder” (CBN).

SOEs’ mandates are not clear as to why they have been created...Boards and CEOs roles are not clear...lack of skills...no guidance from the shareholder...more needs to be done to perfect our governance system...The permanent secretary is the accounting officer of the ministry who is the administrative centre dealing with issues such as

reporting to various government committees on activities of SOEs, however in the SOEG Act there is no provision for the role of the PS, an unfortunate omission. One wish...that the interaction between policy makers, practitioners, and researchers continues intensively in the future to the benefit of political stability, peace, and economic development of our country, because if Tier 3 SOEs do not provide essential services for which they have been created for people are going to revolt and the political stability and peace we enjoy today in our country may be disturbed. Furthermore, as a country we are a global player and must benchmark our corporate governance practices against corporate governance practices of successful countries such as Singapore. (PSS)

I think what is important is to define clearly the objectives of the entities and to define the roles of key role players...the government as the shareholder, the board, and the CEO...When there is an overlap of roles...somebody will step on another's....and somebody will be hurt. (CNP)

5.2.1.8 Summary

Participants interviewed shared many similarities and differences in terms of the recurring themes, which can be summarised as follows:

i) Demographics

All participants interviewed were male, having post graduate qualifications, with more than five years of service. However, they differed in terms of their ethnical origins and age groupings.

ii) Definition of corporate governance

Most of the participants defined corporate governance in terms of rules and regulations. The few differences could have been informed by the academic background, exposure to various training and induction programmes, and different working and country contexts.

iii) The role of the government

• *Ownership and policymaking*

Consensus views suggested the need for an ownership policy. While most of the participants were satisfied with the policy functions of the government as the sole owner of Namport, one participant pointed out the inconsistencies of some policies which need to be streamlined.

• *Political objectives and interference*

No divergent views were raised about the compatibility of the political objectives of the government with the objectives of the board and the CEO or that Namport is solely owned by the government and therefore a conduit of the state. The government does not interfere in day-to-day operations of Namport; it intervenes in policy guidelines.

• *Regulatory and legal framework*

Concerns were raised about the conflict of roles between the Ministry of Works & Transport's regulatory function through the Directorate of Maritime Affairs (DMA) and Namport's regulatory function in terms of the Namport's Establishment Act (1994). The SOEG Act, 2006 (Act nr.2 of 2006) as amended, is perceived as inapplicable to Namport,

given its failure to address the unique needs of the company, and the lack of enforcement mechanisms. Similarly, the SOEGC was found to be dysfunctional and there was no linkage to Namport. The SOEGC did not have the capacity and power to enforce the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008, as the legal framework.

The King III Model and Code was found not to apply to specific needs of Namport or SOEs. The NamCode was perceived not to have been adopted officially by the government. Ubuntu is applied at Namport within limits, because it can be easily abused.

iv) The role of the board

- ***Board structure***

Namport has a unitary board constituting of five non-executive and independent directors, in line with the stipulations of the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008. The CEO is not a director of the board and attends only by invitation (Annual Report 2014).

- ***Appointments of directors***

Multiple and conflicting legal frameworks resulted from the application of the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, the Namport Authority Act, of 1994, and King III. As such, the board is appointed by the line Minister of Works and Transport.

- ***Boards composition (size and skills)***

Differences exist about the size of the board under the SOEG Act 2006 (Act nr.2 of 2006) as amended in 2008, and the Namport Act of 1994. Namport has a board constituting five

independent and non-executive directors, with no executive directors. This is an issue that is in line with the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, but is contrary to King III (Annual Report, 2014). A conflict seems to exist between the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008 which requires the head of the SOEGC to recommend the skills requirements for the directors to be appointed. While the Namport Establishment Act (1994) directs that the portfolio minister should ensure that the directors appointed have the required commercial skills relevant to Namport.

- ***Board independence***

Two respondents believed that the non-executive directors manage the company without interference from the government as the sole shareholder. The third participant shared an opposing view, raising the question about the independence of the non-executive directors, in light of the fact that government, while overseeing the board also appoints the board. This is an issue which compromises the independence of non-executive directors.

- ***Board leadership and the appointment of the Chairperson***

Two participants confirmed that the chairman is appointed by the portfolio minister as stipulated in the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008. This is an issue that was corroborated with evidence from the annual report (2014. P.19). The third participant, however, claimed that in terms of the law, the SOEGC must be consulted before any appointment is made, an issue which seemed to have been ignored. Moreover, the Namport Establishment Act (1994) prescribes that the chairperson must be chosen by the other directors.

v) The role of the CEO

Two participants confirmed that the CEO is appointed by the board. Both the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008 and the Namport Establishment Act (1994) are silent on the appointment of the CEO. This is an issue which needs to be revisited as a matter of urgency. Participants were in agreement that the CEO is accountable to the board and reports regularly to the chairperson. He gives quarterly feedback to the board in addition to executing the corporate strategy and directives from the board. All participants agreed that the trust relationship between the roles of the board chairperson and the CEO are very critical.

In conclusion through the recurring themes discussed, it is evident that the similarities and differences of responses within the case study of NamPower overshadow the differences.

5.2.2 Case 2: Air Namibia

5.2.2.1. Overview

Air Namibia (Pty) Limited is Namibia's flagship airline, established in 1994 and registered under the Company Act, Act no 61 of 1973, with the government of the Republic of Namibia as its sole shareholder. Air Namibia is an award winning airline, which won the best airline award in Johannesburg and Cape Town recently. Air Namibia operates international routes, flying passengers to Europe daily through Frankfurt. It distributes passengers to various regional destinations such as Luanda and Cape Town. The airline also operates domestic routes such as from Windhoek to and from Ondangwa (Boyo, 2015). "Air Namibia, therefore, connects Namibia to the outside world...as a carrier of our national flag, plays a pivotal role in

the promotion of our tourism industry as well as the promotion of investment opportunities” (CAN).

Despite its achievements mentioned above, Air Namibia has also been attracting headlines in the media for its corporate governance practices. Its corporate governance statement states that the board and management are responsible for ensuring that Air Namibia has an appropriate corporate governance structure that ensures the creation and protection of shareholder value. However, it has been claimed that the company has the highest turnover of boards and Managing Directors (Ihuhua, 2012).

Smit (2015) reports that since 2012 to date, the company has had two boards, one substantive MD and two acting MDs. Except for the current board and current acting MD who were appointed recently, the previous boards and MDs were dismissed. Some dismissals ended in costly litigations and settlements, amounting to millions of Namibian dollars of taxpayers’ money.

At the time of writing, TransNamib and Air Namibia workers marched to the Ministry of Works and Transport and handed over a petition to the Minister. These demonstrators demanded that the government intervene and sort out the alleged mismanagement and corruption at the two institutions (Tjitemisa, 2015). Air Namibia had overall estimated revenue of N\$2 billion for 2014, an issue which contradicts the statement of the Acting MD which stated that the airline is still operating at a loss. Unlike other Tier 3 SOEs, the submission of annual reports to the government has always been a “grey area”. Consequently there are no

annual reports to verify any claims regarding its profitability or loss. The airline employs 700 people (Brandt, 2015).

Chata (2010) found that although Air Namibia has a board of directors in place, the company does not comply with section 26, sub section (1) of the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008. This section requires the board of an SOE to submit an annual report on the operations of the enterprise as soon as possible and not later than six months in its year of operations. Similarly, the failure to submit annual reports to date by Air Namibia is in contrast to the integrating reporting principle as outlined in King III (IoDSA, 2009).

Recently, Air Namibia was in the spotlight, when a long-serving manager at the O.R. Tambo International Airport in Johannesburg, South Africa lost her job after a clash with a controversial Benin-born Ivorian businessman who is perceived to be well connected to the Namibian government, a decision seen as politically motivated. The claim was denied by both Air Namibia and the Namibian government (Shinovene & Shapwanale, 2016). Air Namibia's headquarters are in Windhoek and all participants were interviewed in Windhoek.

Table 8: Participants interviewed (Air Namibia)

Title	Code	Number	Qualification	Gender	Age	Home Language
Chairperson	CAN	1	MA (Public Policy)	Male	61	Otjiherero
Acting MD	MAN	1	LLB, LLM MBA	Female	39	English
Permanent Secretary SOEGCS	PSS	1	MA	Male	57	Oshiwambo

Total		3				
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5.2.2.2. Demographics

The Air Namibia chairman is male, 61 years of age representing the older age group, a graduate in public policy, and an Otjiherero speaking Namibian. Although he has been in the current position for two months, he was employed in the public sector for a long period. The acting MD is a female 39 years of age, English speaking Namibian representing the younger age group.

Although she has been in the position for one month, she has been exposed to corporate governance in the public sector as the chairperson for Epangelo Mining and the Government Institution Pension Fund. Her Master of Laws (LLM) is in international air and space, a qualification which seems to be relevant to the current position. The PSS is a 57 year old male with a master's degree in education, and an Oshiwambo speaking Namibian representing the middle age group. This is a well-balanced group of participants in terms of ethnic, age, and skills diversity. They responded as follows:

“A lady's age? Thirty-nine years old...female, English speaking and has a B Juris, LLB, LLM, MBA and currently pursuing a PhD....has been in the position for a month” (MAN).

“Gmf...(smiling), I am 61 years old male Otjiherero speaking, has a masters degree in public policy and administration, has been in the current position for

two months, but previously worked at the prime minister's office and currently employed at the office of the Speaker of the National Assembly. (CAN)

“Yeah...I am a 57 years-old...male and obtained a MA in Education Planning and Management...I am Oshiwambo speaking and have been in the position for over six years” (PSS).

5.2.2.3 Definition of corporate governance (DOCG)

One participant defined corporate governance from a multiple interest perspective. The participant described it as the relationship between external and internal stakeholders, and accountability perspective of being a corporate citizen. The other two participants viewed it from a perspective of laws and rules to be complied with. The three participants understood corporate governance as following:

It means to be a responsible citizen...taking the needs of both internal and external stakeholders seriously. It also means the need to come up with a corporate strategy that would respond to those needs as well as to the market demands in an effective and timeous manner. (CAN)

“The art of doing things as prescribed by the laws, standards, and regulations such as ethics, and mainly abiding by the rules” (PSS).

I think really good corporate governance is the rules of engagement...how a company wants to conduct itself from the highest level of the board

downwards...everybody has to buy in if the company wants to be successful.

However, most of the people take it for granted. (MAN)

5.2.2.4 The role of the government (ROG)

i) Ownership

The participants were aware that the government is the sole shareholder of Air Namibia. While they acknowledged that there are statutes and regulations governing the relationship between the government, board, and the MD, they argued it is imperative that the lines of responsibility are well understood and well-demarcated to avoid any role conflict. The two participants responded as follows:

Air Namibia is 100 percent owned by the government and the government needs to provide political leadership and financial support and to create a conducive environment for Air Namibia to operate...There is statutory and regulatory framework governing Air Namibia and defining the relationship between the company and the government as the only shareholder. (CAN)

The government as the owner provides subsidies and guarantees...and should play an active role through bilateral talks to increase tourists, given the country's low population. A country and Tier 3 SOE specific structure is needed to address the unique corporate governance problems. (MAN)

ii) Policymaking

The (CAN) was the only respondent to argue that the government as the owner must create a conducive environment for Air Namibia to be successful. The argument went on to state that government should outline a policy of interdependence between the key role players.

iii) Political objectives and interference

Two participants stated the importance of political objectives given that Air Namibia is state-owned and financed from state funds. They went on to state that as the owner, government should provide political leadership and has the right to intervene in the running of the airline. The third participant acknowledged the fact that government as the owner should play an active role in terms of attracting tourists through bilateral negotiations, also noted that political considerations should take cognisance of the economic realities. On the topic of political objectives and interference, the three participants responded as follows:

Yeah...political objectives are very important because Air Namibia is Namibia's national carrier...The government provides political leadership and financial support. Since the appointment as a new board in July 2015, we have not had any political interference from our line ministries. (CAN)

Depends how you define interference and intervention, the principal must have a say in the running of the SOEs, not in the day-to-day operations, but in terms of policy guidelines...imagine the board suspends a CEO and the shareholder is expected not to intervene (PSS).

The owner needs to be active in terms of attracting tourists through bilateral negotiations. With a low population as low as ours...our routes will not be profitable, there is a need for pragmatism and politics should take into consideration economic realities. The business, decisions such as terminating London and Accra routes were realistic, and acknowledged our limitations... So, political objectives are important but they need to be realistic. Political will needs to talk to economic realities. One cannot have a different school of thought from your owner. So, the issue of political interference is not an issue, because the owner has to intervene (MAN).

iv) Regulatory and legal framework

a) Regulatory framework

The Ministry of Works and Transport is the owner, policy maker, and regulator. The ministry regulates Air Namibia through the Directorate of Civil Aviation (DCA). The three participants responded as follows:

“Air Namibia is regulated by the Directorate of Civil Aviation (DCA) in the Ministry of Works and Transport” (CAN).

“Air Namibia is currently regulated by the DCA. However, there are plans to create an independent authority” (MAN).

“Many are regulated through their own establishment acts and also through the government policies and regulations” (PSS).

b) Legal framework

- SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008

Mixed responses were received. While two participants agreed that the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, was not applicable to Air Namibia, the third pleaded ignorance. The participants expressed their views as follows:

“SOEG Act...was a good guideline. While some of its guidelines were applicable, such as categorising SOEs in levels such as Tier 3 SOEs... many of its stipulations did not work” (MAN).

Yes, the SOEG Act... I have been advocating for amendments, because some of the provisions such as remuneration levels for boards and CEOs were not serving the purpose...and there is no compliance, because the SOEG Act is silent on the issue of enforcement (PSS).

“Did not have any input...because the amendments happened before our appointment as a board” (CAN).

- *The State Owned Enterprises Governance Council (SOEGC)*

Two participants responded. One claimed the SOEGC was dysfunctional, while the other confirmed that the SOEGC has been replaced by the new Ministry of Public Enterprises.

Their responses are as follows:

“To provide an oversight function...however, did not have any mechanism or power to enforce the legal frame work, the SOEG, Act” (PSS).

“From what I can tell, the State-Owned Enterprises Governance Council and its Secretariat have been replaced by the Ministry of Public Enterprises” (CAN).

- *King III Model and Code and NamCode.*

The two participants confirmed that the King III Model and Code are useful as general guidelines, but need to be modified to suit local conditions. NamCode seems to be a new introduction still to pass the test of public scrutiny. The third participant argued that King III is not applicable to SOEs.

“King III provides good rules for general application globally and is nice to have. Therefore, the need for our own NamCode...however it is early to say whether NamCode will apply or not” (MAN).

“I think King III is a very useful model, but it needs to be modified to suit our local conditions” (CAN).

“King III is not useful to SOEs, because in SOEs...you just have to comply with the standards and objectives set by the shareholder and not explain...there is no choice...whereas King III you have to apply and explain” (PSS).

- *The application of Ubuntu*

The participants who answered the question about Ubuntu gave the meaning of the phenomenon, but did not provide insight on its application in the context of Air Namibia. The following were their responses:

“Ubuntu means we are for each other...I am because you are” (CAN).

“In an African way, Ubuntu means standing together...it is fine as long as no country suffers, it must be a mutually beneficial engagement” (MAN).

5.2.2.5 The role of the board (ROB)

i) Board structure

Air Namibia has a unitary or one-tier board structure, constituted by five none executive directors in addition to one executive director, the (Acting) Managing Director, in line with the articles of association.

ii) Appointment of directors

One of the participants indicated that the directors are appointed by the line Ministry of Works and Transport, while the second participant voiced his concern that contrary to the stipulations of the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, Section 15(1), the SOEGC is not consulted when appointments are made. The two participants indicated the following:

“The chairperson and other board members are appointed by the line Minister of Works and Transport” (CAN).

In terms of the law, the SOEGC must be consulted before any appointment is made, a guideline which is ignored. The line ministry is responsible for the oversight function of the board and is also the appointing authority, which is contrary to good governance practices. (PSS)

iii) Board composition

- *Board size and skills*

The Air Namibia board appears to be in line with the stipulations of the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, in terms of size limit between five to seven directors. In terms of skills the following were indicated.

“SOEs have no capacity in terms of skills” (PSS)

“Lack of skills capacity for the company...need for training” (MAN).

The board seems to have a diversity of skills as the chairperson has a public administration qualification, the acting MD has legal, business, air, and space qualifications, and the remaining four directors have financial, legal, economic, and human resources skills respectively (I).

The King III Model and Code (IoDSA, 2009) recommends that two executive directors should serve on the board while only the MD is on the board.

iv) Board independence

All the non-executive directors on the Air Namibia board were appointed by the Minister of Works and Transport, an issue which arguably compromises their independence. Notwithstanding this, the participants responded as follows:

“Yeah...the chairman and other directors are appointed, disciplined and removed by the line Minister of Works and Transport...Since our appointment we have not had any political interference from our line ministries” (CAN).

“Very autonomous, but it should not be a total abdication by the owner...because the issue of political interference is not an issue...the owner has to intervene” (MAN).

Depends how you define interference from intervention. Principal must have a say in the running of the SOEs, not in the day-to-day operations, but in terms of policy guidance...Imagine the board suspends a CEO and the shareholder is expected not to intervene. (PSS)

v) *Board leadership*

- *Appointment of chairperson*

The two participants who responded replied differently stated:

“The chairperson and all other board members are appointed by the line Minister of Works and Transport” (CAN).

In terms of the law, the SOEGC must be consulted before any appointment is made, a guideline which is ignored. The line ministry is responsible for the oversight function of the board and is also the appointing authority, which is contrary to good corporate governance. (PSS)

vi) The leadership role of the chairperson

The chairperson of Air Namibia's board was the only participant who responded. Although new to the position, he viewed his role as follows:

The government provides political and financial support, while the board provides strategic leadership. Yeah...as the chairperson, I will give strategic direction to Air Namibia and do a lot of lobbying in terms of seeking support from relevant ministries. I will try to listen as much as possible, but at the same time I know that ultimately, the final responsibility in terms of strategic direction and leadership lies with me. Although ultimately the buck will end with the chairperson, I want to promote collective responsibility. In this regard I want to adhere to relevant statutes that govern Air Namibia. As a board we will listen to the advice and guidance from the political office bearers, but our decisions will be based on solid business principles.

However, for Air Namibia to succeed amidst challenges such as financial constraints, high staff turnover, low morale, bad publicity, and a highly competitive market, trust and collaboration and interdependence between the chairperson and other directors and between the chairperson and the MD is of cardinal importance (CAN).

5.2.2.6 The role of the CEO/MD (ROC)

i) Appointment

Two participants responded, but appeared to have divergent views on the recruitment process.

Their responses were as follows:

The position is usually advertised in the local print media in a transparent manner and any person can apply. The MD who sits on the board as opposed to a CEO who is not a board member in terms of the articles of association, is appointed, disciplined, and removed by the board. (CAN)

“Yes, I was approached, to do a national duty...and is accountable to the board as the appointing authority” (MAN).

ii) Functions of the MD/CEO

Two participants responded as indicated below:

“In terms of the articles of association the MD sits on the board and is accountable to the board in terms of day to day operations of Air Namibia. The MD must sign a performance agreement with the board with clear targets” (CAN).

“Accountability to the board is very critical, the board must always know about what is going on in the company. I have to execute board resolutions that are

signed after every board meeting giving me the freedom to give management an action list” (MAN).

iii) Leadership role of the MD

Two participants responded and seemed to be in agreement about trust relationships between the roles of the chairperson and the MD, however they suggested that the two roles need to be clearly defined. The views were as follows:

Interdependence is very crucial between the roles of the chairperson and the MD, because the two need each other and the MD is the main link between the board and management...but clear lines of responsibility must be respected (CAN).

I have to lead by example and to ensure that things are done right...even if I have to take some unpopular decisions. As a participatory leader, I believe in collaboration and interdependence, which means that I cannot work without them and they cannot work without me. This I believe allays fears (MAN).

5.2.2.7 Recommendations from participants

All three participants confirmed that Air Namibia and Namibia as a whole needs a corporate governance model which clarifies the roles of key participants such as the government as the sole owner, policy maker, and regulator, the board as the supervisor, and the MD as the executive function. The following suggestions were made:

I think it is very important that the lines of responsibility are well understood by all the players and all players should confine themselves to their areas of responsibility, while supporting and supplementing each other. I believe with commitment and dedication Air Namibia can be turned around (CAN).

SOEs mandates are not clear as to why they have been created...Boards and CEOs roles are not clear, lack of skills and guidance from the shareholder...More needs to be done to perfect our governance system...The permanent secretary is the accounting officer of the ministry who is the administrative centre dealing with issues such as reporting to various government committees on activities of SOEs. However in the SOEG Act, no provision is made for the role of the PS, an unfortunate omission. One wishes more interaction between policy makers, practitioners, and researchers continues intensively in the future to the benefit of political stability, peace, and economic development of our country, because if Tier 3 SOEs do not provide the essential services for which they have been created, people are going to revolt and the political stability and peace we enjoy today in our country may be disturbed. Furthermore, as a country we are a global player and must benchmark our corporate governance practices against the corporate governance practices of successful countries such as Singapore (PSS).

“Although Models such as King III are good guidelines for global application...we need our own, which must be pragmatic...Political will must

talk to economic realities and capacity of our people through training...its important” (MAN).

5.2.2.8 Summary

The data gathered and analysed produced similarities and differences as follows:

i) Demographics

All the respondents had postgraduate qualifications. However, they differed in terms of gender, age, ethnic origins, and length of service.

ii) Definition of corporate governance

All but one of the participants defined the concept in terms of rules and regulations. The different perspectives can be ascribed to the participants’ academic backgrounds, exposure to induction and training workshops, as well as professional and country contexts.

iii) The role of the government

• *Ownership and policymaking*

Whilst in agreement about the government’s sole ownership of Air, the participants highlighted the need for an ownership policy and for active participation of the government in leadership and guidance. Furthermore, one of the participants argued that as the owner of Air Namibia, government should create a conducive environment for Air Namibia to succeed and a policy of interdependence between the key role players in corporate governance should be outlined.

- ***Political objectives and interference***

All the respondents conceded to the importance of political objectives, given that Air Namibia is government owned and funded. They therefore surmised that government as the owner has the right to intervene in the running of the airline by providing political leadership and guidance. However, one participant suggested that politics should take cognisance of the importance of the economic realities.

- ***Regulatory and legal framework***

The participants regarded the regulatory function by the Directorate of Maritime Affairs (DMA) (located in the Ministry of Works and Transport), as creating a role conflict between the ownership and policy making roles of government and wished to see an independent body created. The SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, was found by two participants to be inapplicable to Air Namibia, whilst the third participant pleaded ignorance. The SOEGC was also perceived as dysfunctional and lacking the capacity to enforce the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008.

The King III Model and Code was viewed as inapplicable to Air Namibia, despite the adoption of the King III Model and Code as the guideline for SOEs corporate governance practices. As for the NamCode one participant commented that it is early to say whether it will be applicable to Air Namibia. Participants who responded on the question of Ubuntu gave the meaning of the concept, without providing any insight about the application of the concept to Air Namibia.

iv) The role of the board

- ***Board structure***

Air Namibia has a unitary board structure comprising five nonexecutive directors and one executive director, in line with the company's article of association.

- ***Appointments of directors***

In terms of board appointments one participant indicated that directors are appointed by the Minister of Works and Transport. In contrast to the previous view, the other participant pointed out that in terms of the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008, the SOEGC must be consulted before any appointment is made. The participant further argued that by simultaneously overseeing the board and being its appointing authority the government faced a conflict of roles.

- ***Board composition (size and skills)***

Air Namibia's board is comprised of five non-executive directors and one executive director. The MD appeared to be in line with the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008, although also in contrast with the King III Model and Code recommendations of having two executive directors on a board namely the CEO and the Chief Financial Officer (CFO) (IoDsa, 2009). In contrast to the views expressed by two of the participants regarding a lack of skilled directors, the evidence at Air Namibia appeared to refute the claim. The chairman has a postgraduate qualification in public administration, while the acting MD has legal, business, and air space qualifications.

- ***Board independence***

Most of the participants confirmed their autonomy and independence in governing and managing Air Namibia on a day-to-day basis, despite government being the appointing authority.

- ***Board leadership and the appointment of the chairperson***

There were different opinions regarding the appointment of the chairperson. While the one participant stated that the chairperson and the board members are appointed by the Minister of Works and Transport, the other participant argued that in terms of the SOEG Act, the SOEGC must be consulted before any appointment is made.

v) The role of the CEO/MD

Participants confirmed that the process usually follows a transparent process of advertisement, however, the current MD was head hunted. The data collected from the two participants on the question about the functions of the MD revealed that the incumbent sits on the board as defined by the airline's articles of association. Furthermore, regular interaction between the chairperson and MD was amplified in addition to the interdependent relationship. However, the roles need to be clearly defined.

In summary, consensus views were expressed and the respondents suggested that Air Namibia is in need of a corporate governance model which clarifies the roles of the key participants such as the government as the sole owner, policy maker, and regulator, the board as the supervisory function, and the MD performing the executive function.

5.2.3 Case 3: Telecom Namibia Limited (Telecom)

5.2.3.1 Overview

Telecom Namibia Limited (Telecom) was established in 1992 by the Posts and Telecommunications Companies Establishment Act, Act 17 of 1992, an act of Parliament (Government Gazette of the Republic of Namibia, 1992). Telecom Namibia (Telecom) is owned by the government of the Republic of Namibia through the Namibia Post and Telecommunications Holdings (NPTH). Telecom is an integrated information communication technology (ICT), and the leading broadband and backbone infrastructure service provider in the country. Telecom Namibia provides a diverse range of services including fixed mobile, data, internet, and digital solutions (Annual Report, 2013, 2014, p.6). The company's vision is to be Namibia's most preferred high performance information communication technology service provider of world class standard.

The company's mission is to anticipate and understand the telecommunications and information needs and wants through the development of solutions, sales and support of quality electronic voice, data, image, and text services at competitive rates. The vision and mission of the company have been driven by values such as integrity, care, commitment, accountability, empowerment, teamwork, and mutual respect (Annual Reports, 2013, 2014). Telecom Namibia has enjoyed stability and continuity in its boards and management structures despite the changes in political leadership since its inception.

Telecom is a subsidiary of Namibia Posts and Telecom Holdings (NPTH), a holding company that has been directed by the government to unbundle since 2014. The company has had complex dual reporting structures resembling a dual board structure in China, a situation which

has never appeared to work since inception. Despite all the positives stated, it is claimed that the company is facing some corporate governance challenges which may threaten its future sustainability (Masawi, 2012).

Notwithstanding the above claim, Fitch states that Telecom Namibia's rating is no longer negative after a government bailout of N\$400 million (Mongudhi, 2015). Delivering his budget speech for the 2016-2017 financial year (MICT, 2016), and notwithstanding the slight cash flow improvement of Telecom, the MICT Minister highlighted the following challenges facing Telecom (MICT, 2016):

- i) Poor service delivery.
- ii) Theft and vandalism of fibre optics and the consequent high cost of replacement.
- iii) An on-going weakening of the exchange rate.

The minister explains that during the 2016-2017 financial Telecom Namibia is expected to expand its fibre optic transmission routes in under serviced areas across the country. Furthermore, the national backbone capabilities will be upgraded to provide high speed data traffic across the country. However to date, the extended search for a substantive managing director, approximately two years after the retirement of the previous managing director, continues to be one of the critical drawbacks (Kaira, 2014). This is a corporate governance challenge highlighted by scholars such as Gumede (2012). Although the company is head-quartered in Windhoek, it has branches all over the country. The total revenue of Telecom Namibia is N\$1.3 billion, with a labour force of 1 300 employees (Annual Reports, 2013, 2014).

Table 9: Participants interviewed (Telecom)

Title	Code	Number	Qualification	Gender	Age	Home Language
Permanent Secretary	(PSMICT)	1	Certificate in Broadcasting Journalism	Male	52	Otjiherero
Acting MD	(MTN)	1	BSc Engineering MBA (General)	Male	56	Afrikaans
Permanent Secretary SOEGCS	PSS	1	MA	Male	57	Oshiwambo
Total		3				

Only three participants were available for interviews. The chairperson of the Telecom Board was not available for the interview, citing time constraints.

5.2.3.2 Demographics

Responses were from male participants, well skilled in their respective areas, different in terms of ethnic origin, and representing the middle age group. They responded as follows:

“Hmm... I have turned 56 years, and have a BSc engineering, and MBA... Afrikaans speaking male, and have been with the company for more than 30 years and have been in current position for nine months” (MTN).

“Yah... I am a 57 years old...male, and obtained a MA degree in education planning and management...I am Oshiwambo speaking and have been in the position for more than five years” (PSS).

“I am 52 years old....male, and has a certificate in broadcasting journalism, Otjiherero speaking and have been in the position for 17 years” (PSMICT).

5.2.3.3 Definition of corporate governance (DOCG)

However, there appeared to be mixed views as two of the participants seemed to highlight laws and rules, while the other participant introduced the issue of balancing economic and social goals. One participant succeeded to contextualise the definition. The responses were as follows:

“Yeah...my definition and understanding of good corporate governance...is the necessary climate of a controlled environment that business is conducted in an open, transparent, accountable, lawful, and right manner, holding a balance between social and economic goals” (MTN).

Yes...ah, Telecom Namibia is public company which is government owned... and being a public company it comes without questioning that the company should be accountable not only to the government, but through the government to the real shareholder, each and every citizen of this country. Corporate governance therefore, is about laying down rules and practices that will ensure a transparent levelled playing field. (PSMICT)

“The art of doing things as prescribed by laws, standards, and regulations such as ethics, and mainly abiding by rules” (PSS).

5.2.3.4 The role of the government (ROG)

i) Ownership

The ownership model, under which Telecom Namibia is owned by the government through the Namibia Post and Telecommunication Holdings (NPTH), appeared to bring confusion about good corporate governance practices. Despite a cabinet directive in 2014 for NPTH to unbundle, there appear to be legal technicalities delaying the process. The participants expressed their views as follows:

“Telecom is owned by the government...through NPTH...a super technocratic and supervisory body, which is not working...” (PSMICT).

“Mandates are not clear, no alignment...no guidance from the shareholder ...More needs to be done to perfect our governance system” (PSS).

The current ownership structure of Telecom is confusing with NPTH as a holding company...no group strategy, no group governance. This lead to a scenario where Telecom deals directly with the government as the shareholder when it comes to ICT development issues. (MTN)

ii) Policy making

Only one participant responded as follows:

“Government should harmonise its policy making, ownership, and regulatory to support broader developmental goals” (MTN).

iii) Political objectives and interference.

While two participants supported government intervention as the owner, the third participant mentioned that there was political interference. The responses were as follows:

The questions to be asked are...whose company is it...and on whose mandate and legitimacy is the government and the president? Telecom is a public company owned by the government on behalf of the citizens of this country, with the government and president elected into power by the electorate. The government is the political organ of the citizens...and therefore Telecom is working in a political environment which cannot be separated from its activities in total. The government and political leadership do not interfere in the day-to-day operations of the company which are aimed at achieving Telecom's mandate. However, the government as the owner of Telecom, has to intervene in terms of policy guidelines to ensure that Telecom contributes to the national socioeconomic developmental goals which constitute the mandate and legitimacy given to the government and the president by the electorate. (PSMICT)

“Political interference occurs, where Telecom is expected to forgo a commercial decision in favour of a political decision” (MTN).

Depends how you define interference and intervention. The principal must have a say in the running of the SOEs, not in the day-to-day operations, but in terms of policy guidance...imagine the board suspends a CEO and the shareholder is expected not to intervene. (PSS)

iv) Regulatory and legal framework

a) Regulatory framework

The Ministry of Information and Communication Technology is the owner, policy maker, and regulator through the Communications Regulatory Authority of Namibia (CRAN), which is 100 percent owned by government, creating a perception of conflicting roles. The three participants seemed to indicate there is a thin line between the roles of government as owner, policy maker, and regulator, despite the existence of CRAN. They responded as follows:

“Operationally, Telecom is regulated by CRAN...But at policy and strategic levels regulation is by the Ministry of Information, Communications and Technology and Cabinet” (PSMICT).

Telecom Namibia is regulated by CRAN, which is supposed to operate independently from the government, though answerable to the government. What happened...you see...CRAN and Telecom are part of one family, and when there are regulatory issues, it complicates the role of the government as the owner. (MTN)

“Many are regulated through their own establishment acts and also through the government policies and regulations” (PSS).

b) Legal framework

- The SOEG Act, 2006 (Act nr. 2 OF 2006) as amended in 2008

The consensus view was that the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008, was ineffective. All three participants responded as follows:

“The SOEG Act was not effective and was using ‘one size’ fits all approach such as on remuneration of CEOs or MDs” (MTN).

The SOEG Act has survived its time...from the beginning there were no clear lines in the categorisation of SOEs... Aah, the colleagues who started the implementation of the SOEG Act were patriots who learned as they run. So, the ineffectiveness of the SOEG Act cannot be ascribed so much to the incompetence of the people involved, but to the system we copied which did not speak to our particular conditions. A permanent secretary, as the accounting officer of a ministry, is supposed to be the critical link between the ministry and the SOE. However, nowhere in the SOEG Act is the role of a permanent secretary in terms of SOEs covered. (PSMICT)

“Yes, the SOEG Act...I have been advocating for amendments, because some of the amendments, such as the remuneration levels for boards and CEOs, were not serving the purpose...And there is no compliance, because the SOEG Act is silent on the issue of enforcement” (PSS).

- *The State Owned Enterprises Governance Council (SOEGC)*

The consensus view seemed to indicate that the SOEGC was deficient and somehow invisible, a view corroborated by the popular media. The participants commented as follows:

“I had no encounter with the SOEGC...but what I can say is that they are invisible...and no one wanted to take any decision, let alone responsibility or accountability” (MTN).

“To provide an oversight function...however, did not have any mechanism or power to enforce the legal framework, the SOEG, Act” (PSS).

“The SOEGC was not as effective as anticipated, but with the upgrade to full Ministry level, effective operation is foreseen” (PSMICT).

Prime Minister Geingob pointed out that the current dual governance model of SOEs had multiple layers of authority and communication which made it difficult for the council to efficiently and effectively perform oversight functions stipulated in the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008 (Kahiurika, 2014).

- *King III Model and Code and NamCode*

King III Model and Code is perceived as a general guideline which though, adopted by the government as the owner of Tier 3 SOEs, seemed to not address the unique conditions and governance needs of Telecom. NamCode is still unknown. Two

participants referred to the inapplicability of King III to Telecom. The third participant expressed unfamiliarity with the model and code. The participants responded as follows:

“King III is not useful to SOEs, because in SOEs...you just has to comply with the standards and objectives set by the shareholder and not explain...There is no choice. Whereas in King III, you have to apply and explain” (PSS).

“Corporate governance has move further than the rule-based principles advocated by King III. And as a company, we are also committed to value-based corporate governance, such as ethics in addition to transparency and accountability” (MTN).

“I was not exposed to King III Model and Code” (PSMICT).

- *The application of Ubuntu*

The two participants who responded appeared to have a relatively good understanding about Ubuntu, approaching the concept mainly from cultural and political perspectives and highlighting the issue of interdependence and common values. They expressed themselves as follows:

Ubuntu means ‘I am because of them’Despite the aforesaid, there is nothing wrong to acknowledge cultural diversity at work. However, diversity should be exercised within the frame work of the common values of the

organisation...make room for cultural diversity, but live the values of the organisation. (MTN)

Some of the values of Telecom, such as care, empowerment, team work, and mutual respect support the response of (MTN) (Annual Report, 2013, 2014).

“Namibia and Namibians...aah, are supposed to be fertile about Ubuntu given the history of the liberation struggle whereby they were exposed to the generosity of sharing by the international community. However, it appears that despite being exposed to sharing resources, Namibians are reluctant to share information, an issue which is prevalent in SOEs. The clarion call of President Geingob of inclusivity and sharing must be understood from a perspective that no one should be excluded even in terms of sharing vital information. “In terms of our White compatriots, I don’t think...aah...that God created anybody to be an exclusivist or individualistic. The people have been exposed to indoctrination of schools of thought which advocates individualism. However, since the Black Namibians who share in the values of Ubuntu are in the majority, we should persuade our fellow countrymen to see the goodness of Ubuntu. Surely everyone wants to enjoy good things which Ubuntu offers such as sharing, care, mutual respect, transparency, and accountability. (PSMICT)

5.2.3.5 The role of the board (ROB)

i) Board structure

Telecom Namibia is a subsidiary of Namibia Post and Telecommunication Holdings Ltd. The Post and Telecommunications Companies Establishment Act, Act 17 of 1992, Section 2 .1 (c) talks about the establishment of a holding company which shall hold the shares in the postal and the telecommunications companies. However, the roles of the subsidiary boards and the holding board are not clarified. Therefore, it has been perceived that the NPTH board plays a supervisory role over the subsidiary boards creating a two-tier board structure, which appeared not to have worked since inception (I). The participants commented on the board structure as follows:

“NPTH Board has become a value trap...which has to be done away with to allow direct communication between the board of Telecom and the government as the owner”(MTN).

“NPTH...is a super technocratic and supervisory body which is not working...”
(PSMICT).

ii) Appointment of directors

Independent non-executive directors are appointed by the Minister of Works and Transport in line with the articles of association of Telecom Namibia (Post and Telecommunications Establishment Act of 1992) and the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008. There are four independent non-executive directors and one executive director, who is the MD in line with the stipulations of the Establishment Act and the SOEG Act (Annual Report, 2013, 2014).

In contrast to the King III Model and Code, the chief financial officer is not a director on the board (I).

5.2.3.6 The role of the CEO

i) Appointment

The articles of association, section 10 (a) (iii) dictates that one of the directors shall be appointed as managing director, but does not specify the appointing authority (Post and Telecommunications Establishment Act of 1992). The one participant responded as follows, followed by an observation from the researcher.

The MD is appointed by the board in a transparent process where the board advertises the position, appoints an independent human resources consultant to conduct interviews with an interview panel usually consisting of independent non-executive directors. The line minister is usually consulted as well as cabinet before the actual appointment is made. (MTN)

With the current dual model where you have the Ministry of Finance as the shareholding ministry and the portfolio ministry as the oversight function, any disagreement between the stated ministries can unnecessarily prolong the appointment of a substantive MD, causing uncertainty in the management of an SOE. (I)

ii) Functions of the MD

One of the participants responded as follows:

“I am a full member of the board and contribute to all board discussions and decision making. As the head of operational management I have to keep the non-executive directors informed about operational matters. In addition to board meetings, I provide monthly operational reports and quarterly feedback reports to the board. To keep the chairperson of the board abreast of what is going in the business, I meet with her at least ones per month. In my role I serve as the link between the board and operational management and ensure that resolutions of the board are carried out in terms of an action list to the responsible managers. Furthermore, together with management I am responsible for strategy formulation, and ensure that it is approved by the board and executed by management. I am fully accountable for any material deviations for planned targets and any negative impact on the business is explained to the board. All the functions of the MD are outlined in a job description. (MTN)

iii) Leadership role of the MD/CEO

The trust relationship and interdependence between the key role players such as government as owner, the board as the supervisory agency, and the MD as the executive have been highlighted as a critical factor towards the success of Telecom. The only participant responded as follows:

The trust relationship between the government, the board, and the MD is critical for sound decision-making. This can only take place through open communication without any hidden agendas. This should start at operational level between the chairperson of the board and the MD. However, to achieve

effectiveness and sustainability, the roles of the government, the board, and the MD should be clarified and be based on common values. (MTN)

5.2.3.7 Recommendations by participants

All the participants are in agreement that the SOEG Act has been dysfunctional and needs to be reviewed. Two of the participants argued that the permanent secretary of any ministry is the accounting officer of that specific ministry and the centre of the administration. They added that provision should have been made for the role of the permanent secretary in the SOEG Act, an issue which needs to be revisited as a matter of urgency.

The roles of the government, the board, and the MD should be clarified and the issue of trust and interdependence need to be highlighted as critical to effective decision making. Furthermore, the NPTH structure has become a value trap rather than a structure that is adding value to Telecom and needs to be unbundled as a matter of urgency. (MTN)

“SOEs mandates are not clear as to why they have been created...Boards and CEO roles are not clear, lack of skills...no guidance from the shareholder...More needs to be done to perfect our governance system” (PSS).

“Government as the owner of Telecom should interfere in the day-to-day operations, but should intervene in terms of giving political guidance. And key role players should start to embrace the spirit of sharing mutual respect and inclusivity in line with the Ubuntu philosophy. (PSMICT)

“While King III is adopted by the government as the guiding framework for corporate governance, in order to be applicable to Telecom it needs to be modified to address the unique needs of the company, therefore, the need for Telecom and Tier 3 SOEs specific model and code. (MTN)

5.2.3.8 Summary

Similarities and differences were found as follows:

i) Demographics

All participants were male and representing the same age group. All but one has a postgraduate qualification. They differed by ethnic origins and length of service.

ii) Definition of corporate governance

Most of the participants defined corporate governance practices from the perspective of laws and rules. However, one participant emphasised the balancing of the economic and social goals which constitute the mandate of Telecom. The divergent definitions can be attributed to the academic, training and induction, and work experiences of the individuals as well the country contexts.

iii) The role of government

• *Ownership and policymaking*

Participants confirmed that Telecom Namibia is government owned. They highlighted that the current ownership structure by government through the Namibia Post and

Telecommunications Holdings Limited (NPTH) needs to be unbundled, in line with the Cabinet directive of 2014. An ownership policy was suggested.

- *Political objectives and interference*

Most of the respondents argued that the issue of government interference should be viewed from a perspective that government as owner does not interfere in day-to-day operational activities of Telecom. While Telecom's activities are aimed at achieving its mandate of providing telecommunications services, government needs to intervene by giving political leadership and guidance when it concerns national developmental goals. One respondent felt that sometimes, as the owner, government expects Telecom to forgo commercial decisions in favour of political ones.

- *Regulatory and legal framework*

All the participants agreed that despite the existence of CRAN, the G]government still regulates Telecom at policy and strategic levels through the Ministry of Information and Communications Technology. One participant clearly voiced his concern that ownership of the regulatory body such as CRAN and an operator such as Telecom by the government compromises the independence of the regulatory body and complicates the ownership role of the government when disputes arise between the regulatory body and the operator.

All the participants conceded that both the SOEG Act, 2006 (Act nr. 2 of 2006) as amended in 2008 and the SOEGC were dysfunctional and need to be revisited. Some of the participants pointed out an omission of the role of the permanent secretary as the accounting

officer in any ministry in the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008. This appeared to be the missing link in the governance structure of Telecom and other Tier 3 SOEs.

Participants found the King III Model and Code to be inapplicable to the unique context of Telecom. The NamCode was perceived by the participant still to be in its infancy. Ubuntu was found to be applicable to Telecom. One of the participants highlighted that given the past history of the liberation struggle in which they were exposed to the generosity of the international community, Namibians should embrace Ubuntu.

iv) The role of the board

- *Board structure*

All participants raised concern about the roles of the board of the holding company (NPTH) and Telecom's subsidiary board, and argued that the NPTH board created a dysfunctional supervisory structure which is.

- *Appointments of directors*

Participants confirmed that the non-executive directors are appointed by the Minister of Information Communications and Technology, in line with the articles of association of Telecom Namibia. This is contrary to the guidelines of the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008, which state the SOEGC must be consulted before any appointment of directors is made. Equally contrary to King III guidelines (IoDSA, 2009), only the MD is appointed to the board as an executive director.

v) The role of the CEO/MD

In regards to the articles of association, one participant confirmed that the MD should be a member of the board. Furthermore, the appointment of an MD at Telecom follows a transparent process, which involves public advertisement and the use of a human resources consultant appointed by the board. It was, however, observed that the dual model ownership sometimes prolonged the appointments of substantive MDs, causing uncertainty. Furthermore, the trust relationship and interdependence between the government, board, and the MD was highlighted as a critical success factor to the overall success of Telecom.

The overall views expressed by the participants revealed more similarities than differences.

5.2.4 Case 4: Namibia Power Corporation (Pty) Limited (NamPower)

5.2.4.1 Overview

The Namibian Power Corporation (Pty) Ltd (NamPower) was established in 1994, and registered under the Company Act, Act 61 of 1973, as the national electricity provider. The company is owned by the government of the Republic of Namibia (GRN). Its vision is to be a leading energy company in Africa, excelling in customer service, people development, and technological innovation. This vision will be achieved by supplying the energy needs of customers, fulfilling the aspirations of staff, and satisfying the expectations of stakeholders. The vision and mission are driven by values such as customer focus, teamwork, accountability, integrity, employee empowerment, safety, health, environment, and wellness (Annual Report, 2014).

Expanding on the foregoing, Shooka (2015) finds that through NamPower, its national power utility, Namibia has been highly successful in ensuring a constant and reliable power supply to the nation at affordable prices. While the constant and reliable electricity supply revealed by Shooka (2015) is supported by the Minister of Mines and Energy, the latter appears to be concerned about the increasing electricity prices by NamPower, which seem to increase the operational costs of mining companies (Ministry of Mines and Energy, 2016). The chairperson of the NamPower board of maintains that NamPower will remain a key contributor towards the achievement of national goals, as set out in the White Paper on Energy Policy, Vision 2030 and the National Development Plans. Furthermore, NamPower has long set the standard for corporate governance among state-owned enterprises in Namibia and will continue to do so with the same seriousness and commitment (Annual Report 2014).

In contrast, concerns have been raised on the future sustainability of the company and its ability to keep the lights on. To meet the increasing electricity demands and reduce import dependency, Christiansen (2012) and Kgabi (2016) argue there is a need to explore other choices of energy mix such as solar and wind. Another major concern regarding corporate governance follows the suspension of the substantive managing director for tender irregularities allegations. This has resulted in uncertainty and the acting MD role rapidly changing officers. The acting MD interviewed by the researcher has since resigned and a new acting MD has been appointed. Complicating the issue further is the fact that the vacancy for MD has been advertised before the commencement and finalisation of the disciplinary hearing of the previous MD (Mare, 2015).

After duly signing a confidential agreement unlike other selected Tier 3 SOEs, the board chairperson in no uncertain terms telephonically told the researcher that she does not like participating in scholarly research, and therefore cannot avail herself. This is an issue which appears to be contrary to the board's key performance area of stakeholder management and accountability (Annual Report, 2014, p.12). Notwithstanding the aforesaid, NamPower, at the time of writing had a revenue of N\$3.9 billion and employed 956 employees.

Although the company's headquarters are in Windhoek and the participant was interviewed in Windhoek, NamPower operates three main facilities across the country. These facilities are the Van Eck Thermal Plant in Windhoek, the Paratus Thermal Plant in Walvis Bay, and the Ruacana Hydro-Power Station on the Kunene River near the Angolan border (Von Oertzen, 2009).

The Ministry of Mines permanent secretary, to which NamPower reports, was not available for the interview. The data from the interview with the permanent secretary of the SOEGC are also incorporated.

Table 10: Participants interviewed (NamPower)

Title	Code	Number	Qualification	Gender	Age	Home Language
Acting MD	(MNP)	1	B. Compt (Hons), CA (SA)	Female	46	Afrikaans/English
Permanent Secretary SOEGC	PSS	1	MA	Male	57	Oshiwambo
Total		2				

5.2.4.2 Demographics

The participants are female and male from different ethnic origins. Both are well educated and skilled. They are in their late forties and late fifties, thereby representing the youth and the middle age groups. They responded as follows:

“I am 46 years old, having a B. Compt, and CA(SA) qualifications, Afrikaans and English speaking female Namibian, and have been in the company for one year and seven months” (MNP).

“Yah., I am 57 years old...male and obtained a MA degree in education planning and management...I am Oshiwambo speaking and have been in the position for more than five years” (PSS).

5.2.4.3 Definition of corporate governance (DOCG)

The two participants defined corporate governance from different perspectives, which may reflect their different fields of expertise. They defined the concept as follows:

“It is a process or structure established to ensure that NamPower achieves its strategic financial objectives. In order for corporate governance to be effective, boards and their committees need to have the necessary, skills, and experience and maintain integrity at all times” (MNP).

“The art of doing things as prescribed by the laws, standards, and regulations such as ethics and mainly abiding by the rules” (PSS).

5.2.4.4 The role of the government (ROG)

i) Ownership

The fact that NamPower is registered under the Company Act sometimes creates confusion in terms of the roles of the government as owner, policy maker, and regulator. This is a challenge which sometimes puts the board and MD and their line Ministry of Mines and Energy on a collision course. This is substantiated by the following:

“NamPower is 100% owned by the government of Namibia” (MNP).

Before he was suspended, Shilamba, the MD of NamPower, made a statement at a mining expo about load shedding which sent panic among consumer. It left Minister of Mines Kandjoze with no alternative than to reverse the statement with immediate effect (Staff Reporter, 2015). In 2013, NamPower’s chairman of the board resigned over differences with the Minister of Mines and Energy relating to the Kudu Project (Muraranganda, 2013), showing a conflict between ownership and control.

ii) Policy making

Data from document analysis appeared to validate the only respondent’s response as follows:

“The government through the Ministry of Mines and Energy still gives policy guidelines and approval on major projects such as Kudu, and through the Electricity Control Board (ECB) has to approve any tariff increases proposed by NamPower, despite the latter being a proprietary limited, which calls for clarification of roles and authority levels between the key role players, the

government as the owner, the board as the supervisory function and the MD as the executive function” (Shooka, 2015).

“The principal must have a say in the running of the SOEs not in the day to day operations but in terms of policy guidance...” (PSS).

iii) Political objectives and interference

The question is to be asked when does the government interfere or intervene. An issue which can be addressed by role clarification, the two respondents’ views were as follows:

“Yes, in my role I was not exposed to political interference, but one can feel some level of political interference around in the company. In terms of political objectives of the government, through diplomatic means the government can facilitate access to concessional funding” (MNP).

“Depends how you define interference and intervention. The principal must have a say in the running of the SOEs, not in the day to day operations, but in terms of policy guidance...Imagine the board suspends a CEO and the Shareholder is expected not to intervene” (PSS).

iv) Regulatory and legal framework

a) Regulatory framework

The Ministry of Mines and Energy appears to be the owner, policy maker and regulator, despite the existence of the Electricity Control Board (ECB). The participants responded as follows:

“Many are regulated through their own establishment acts and also through the government policies and regulations” (PSS).

“NamPower is regulated by the Electricity Control Board (ECB)” (MNP).

b) Legal framework

- The SOEG Act 2006 (Act nr. 2 of 2006) as amended in 2008.

One of the participants pointed at the deficiencies in the SOEG Act, 2006 (Act nr.2 of 2006) as amended in 2008, while the other pleaded ignorance. They responded as follows:

“I was not exposed to the SOEG, Act and I did not have any input” (MNP).

Yes, the SOEG Act...I have been advocating for amendments because some of the provisions such as remuneration levels for boards and CEOs were not serving the purpose...And there is no compliance because the SOEG Act is silent on the issue of enforcement. (PSS)

- *State Owned Enterprises Governance Council (SOEGC)*

The two participants were aware of the role of the SOEGC and responded as follows:

“We submit reports to the SOEGC as required. I was exposed to the SOEGC when dealing with the issue of directives around salaries packages” (MNP).

“To provide an oversight function...however, did not have any mechanism or power to enforce the legal framework” (PSS).

- *King III, Model and Code and NamCode*

These divergent views between the two participants present one participant confirming the application of King III Model and Code and the NamCode at NamPower. However, the other participant claimed the King III Model and Code was not applicable in SOEs. They responded as follows:

“Sustainable goals are important and King III Model and Code are modified and Namibianised in the form of NamCode” (MNP).

“King III is not useful to SOEs because in SOEs... You just have to comply with the standards and objectives set by the shareholder and not explain... There is no choice, whereas with King III you have to apply and explain” (PSS).

- *The application of Ubuntu*

The only participant approached Ubuntu from a religious perspective and responded as follows:

“As Christians, it is what we stand for... equity and fairness and the development of our employees” (MNP).

5.2.4.5 The role of the board (ROB)

i) Board structure

NamPower has a unitary or one-tier board comprising six non-executive directors and one executive director. The board has a gender balanced representation with three female and three male directors. The chairperson is a female (Annual report, 2014).

ii) Appointment of directors

The non-executive directors are appointed by the portfolio minister, the Minister of Mines and Energy, in contrast to the stipulation of the SOEG Act, 2006(Act nr.2 of 2006) as amended in 2008, where the SOEGC and in particular, the permanent secretary of the State Owned Governance;2nce Council Secretariat, has to be consulted. The two participants responded as follows:

“The directors are appointed by the minister, but given our small population, there is not enough skilled and experienced directors, an issue which has a negative influence on the operations of NamPower” (MNP).

In terms of the law, the SOEGC must be consulted before any appointment is made, a guideline which is ignored. The line minister is responsible for the oversight function over the board and is also the appointing authority, an issue which is contrary to good corporate governance practices. (PSS)

iii) Board composition

- *Size and skills*

NamPower’s board size of seven directors is in line with the SOEG Act, Act 2 (2006). All the directors appear to be well educated in their fields of expertise such, as law, finance, and engineering (Annual report, 2014). The participants expressed the following.

“Due to our small population, there is not enough skilled and experienced directors” (MPN).

“SOEs have no capacity in terms of skills” (PSS).

iv) Board independence

All the directors on the NamPower’s board are appointed by the Minister of Mines and Energy, a situation which seems to compromise their independence.

v) Board leadership

- *Appointment of Chairperson*

The chairperson of NamPower is appointed by the Minister of Mines and Energy (Annual report, 2014).

vi) The leadership role of the chairperson.

The relevant participant was not available.

5.2.4.6 The role of the MD/CEO (ROC)

i) Appointment of MD/ CEO

The response on the question as to who appoints the CEO was as follows:

“Appointment of an MD at NamPower is done by the board” (MNP).

ii) Functions of the MD/CEO

The only respondent reacted as follows:

“As the MD (Acting) I together with the board develop annual strategies. I am responsible for monitoring management and give constant feedback to the board about performance or deviations from set goals” (MNP).

iii) Leadership role of the MD

One of the participants answered as follows:

“I believe in ethical leadership of walking the talk. It is also imperative to create a positive and constructive working environment. However, I want to stress that trust relationship and interdependence between the CEO and the chairperson of the board is very critical” (MNP).

5.2.4.7 Recommendations from the participants

While taking note of the small population of our country, one wished to see the appointment of directors who have integrity and skills and experience and are independent, because incompetent directors may have a negative impact on operations. (MNP)

“SOEs’ mandates are not clear as to why they have been created...Boards and CEOs roles are not clear...lack of skills and guidance from the shareholder...More needs to be done to perfect our governance system...The permanent secretary is the accounting officer of the ministry who is the administrative centre dealing with issues such as reporting to various government committees on activities of SOEs. However, in the SOEG Act no

provision is made for the role of a PS, an unfortunate omission. One wishes that more interaction between policy makers, practitioners, and researchers continues intensively in the future to the benefit of political stability, peace, and economic development of our country, because if Tier 3 SOEs do not provide the essential services for which they have been created, people are going to revolt and the political stability and peace we enjoy today in our country may be disturbed. Furthermore, as a country we are a global player and must benchmark our corporate governance practices against corporate governance practices of successful countries such as Singapore. (PSS)

5.2.4.8 Summary

i) Demographics

The respondents both have postgraduate qualifications. However, they differed by gender, age grouping, ethnic origin, and length of service.

ii) Definition of corporate governance

The participants defined corporate governance from different perspectives. They defined corporate governance as a process to ensure financial objectives and to do things as prescribed by the laws, standards, regulations, and rules. The divergent perspectives can be attributed to the respondents' academic backgrounds, exposure to various training, different working environments, in addition to Namibia's unique characteristics.

iii) The role of the government

- Ownership and policymaking

One participant confirmed that Nampower is 100 percent owned by the government of the Republic of Namibia. However, Nampower's registration under the Company Act sometimes appears to cause confusion about levels of authority (Muraranganda, 2013; Staff Reporter, 2015).

- **Political objectives and interference**

In terms of political interference, one participant claimed not to have been exposed to any form of political interference, while the other supported government intervention in political leadership and guidance. The latter view is supported by Shooka (2015).

One of the participants was of the view that the SOEG Act was inapplicable to Tier 3 SOEs such as NamPower and that some of the provisions were not realistic. However, the other participant conceded not to have been exposed to the SOEG Act. Similarly, the SOEGC was also perceived to be dysfunctional. One participant found the sustainable goals of King III to be important and argued that King III has been Namibianised. The other participant believed King III Model and Code is not applicable to SOEs. One participant stressed that Ubuntu is what Christianity stands for in terms of equity, fairness, and development of employees.

iv) The role of the board

- Board structure

Although the board chairperson was not available for the interview, the annual report (2014) showed NamPower has a unitary board structure with a balanced gender representation.

- **Appointments of directors**

One participant confirmed that non-executive directors are appointed by the minister, while the other participant pointed out the non-compliance with the SOEG Act in appointing directors, where the SOEGC is not consulted.

- **Board independence**

It was observed that the fact that non-executive directors are appointed by the Minister of Mines and Energy compromises their independence.

- **Board leadership and the appointment of the chairperson**

(Data could not be gathered about the board leadership and the appointment of the chairperson, because the incumbent could not avail herself for interviews).

v) The role of the CEO/MD

The only participant responding to the question of the role of the MD highlighted that the MD at Nampower is appointed by the board. This MD is the only executive director who, together with the non-executive directors develop annual strategies for which the MD is responsible to execute and be accountable for to the board. Furthermore, the participant

stressed the need for ethical and pragmatic leadership of walking the talk in addition to a trust and interdependent relationship between the MD and chairperson of the board.

In sum, the responses of the participants interviewed showed more similarities than differences.

5.3 Cross case comparison

As reflected by *Table 10* below, participants interviewed across cases were eight and different codes were allocated to them, as follows:

Table 11: Cross case comparison between the Namport, Air Namibia, Telecom and Nampower

Namport	Air Namibia	Telecom	NamPower	Number
Chairperson (CBN)	Chairperson (CAN)	-	-	2
CEO (CNP)	Managing Director (MAN)	Managing Director (MTN)	Managing Director (MNP)	4
	Permanent Secretary Ministry of Information and Communication Technology (PSMICT)			
		Permanent Secretary SOEGC (PSS)		2
Total				8

Two chairpersons (CBN; CAN), who represented the supervisory role of the board, one chief executive officer (CNP), and three managing directors (MAN; MTN; MPN), who represented the executive function, and two permanent secretaries (PSMICT; PSS), who represented the ownership role of the government, were interviewed. The permanent secretary of the State Owned Enterprises Governance Council's (PSS) views were incorporated across all selected Tier 3 SOEs, given the overall oversight function over the institutions.

5.3.1 Similarities and differences

5.3.1.1 Demographics

With the exception of one, almost all participants had postgraduate qualifications. Their qualifications span different fields of expertise such as finance, law, human relations, and public administration. Some of the responses were as follows:

“Aah...I ...have a masters degree in development finance” (CBN).

“I have a B Juris, LLB, LLM...” (MAN).

“Gmf...have a masters in public policy and administration” (CAN).

Participants were from different age groups, representing an older age group which brings wisdom to the boards, a middle age group which carries the actual governance responsibility given the experience gained, and a younger age group, which brings energy and innovation to the boards. Furthermore, data across cases revealed that participants were different genders and

of various ethnic origins, representing Namibia's multi-racial diversity and inclusivity. The participants across cases responded as follows:

“Thirty-nine years old...female...from the Zambezi Region, English speaking...”(MAN).

I am 61 years old, male Otjiherero speaking” (CAN).

“Yeah...I am 57 years old...male, Oshiwambo speaking” (PSS).

I am 49 years old...male....Although Damara, I end up speaking mostly Afrikaans...(laughter)” (CNP).

“I am 46 years old...Afrikaans and English speaking Namibian” (MNP).

5.3.1.2 Definition of corporate governance

All participants responded to the question of defining corporate governance. This showed that despite it being a new concept in Namibia, they had a relative understanding of the concept. Most of the participants define the concept in terms of rules and regulations as follows:

“The art of doing things as prescribed by laws, standards and regulations...abiding by the rules” (PSS).

“Corporate governance...is about laying the rules and practices that will ensure a transparent levelled playing field” (PSMICT).

To do the right things, to remain within the provisions of the laws of this country...(CNP).

“Rules of engagements how a company wants to conduct itself from the highest level of the board downwards...” (MAN).

“I think...corporate governance for Namport is for the board to act as the custodian of good ethics and accountability and representing the interest of the shareholder” (CBN).

“Lawful and right manner holding a balance between social and economic goals” (MTN).

“It means to be a responsible citizen...taking the needs of both internal and external stakeholders seriously” (CAN).

5.3.1.3 The role of the government

i) Ownership

All participants were in agreement about the dysfunctional model which does not differentiate between the multiple roles of the government as owner, policy maker and regulator. They also agreed on the separation of the aforesaid roles of the government from the supervisory function of the board and the executive function of the CEO. The participants argued as follows:

“SOEs mandates are not clear as to why they have been created...Boards and CEO roles are not clear...no guidance from the shareholder...more needs to be done to perfect our governance system” (PSS).

“The current ownership structure of Telecom is confusing with NPTH as a holding company...no group strategy, no group governance” (MTN).

“A country and Tier 3 SOE’s specific structure is needed to address the unique corporate governance problems” (MAN).

“I think what is important is to define clearly the objectives of the entities and to define the roles of the key role players...the government as the shareholder, the board, and the CEO...When there is an overlap...somebody will be hurt” (CNP).

ii) Policy making

Most of the participants were satisfied with the policy making function of the government as the sole owner of the select Tier 3 SOEs. The few divergent views were related to the inconsistency of some policies. One participant suggested for a policy to be developed to ensure interdependence between key role players.

iii) Political objectives and interference

All participants were in agreement on the need for the government objectives to be intertwined with objectives of the board and CEO in the select Tier 3 SOEs. All but one participant confirmed that government, by virtue of its sole ownership role, has the right to give political leadership and guidance. The responses were as follows:

“The objectives of Namport and the government are interrelated...Namport is not a private company...but a conduit of the State” (CBN).

“Yeah...political objectives are very important because Air Namibia is Namibia’s national carrier...The government provides political leadership and financial support. Since the appointment as a new board in July 2015, we have not had any political interference from our line Ministries” (CAN).

“Political interference occurs where Telecom is expected to forgo a commercial decision in favour of a political decision” (MTN).

iv) Regulatory and legal framework

a) Regulatory framework

The consensus view by participants was that there was a need to separate the ownership function of the government from the regulatory function, as expressed below:

“Namport is regulated by the Director of Maritime Affairs (DMA), however the regulatory function is not clearly defined...Namport plays a dual role as port authority and operator...” (CNP).

“Many are regulated through their own establishment acts and also the government policies and regulations” (PSS).

“Air Namibia is currently regulated by the DCA. However, there are plans to create an independent authority” (MAN).

b) Legal framework

- SOEG Act, Act 2, 2006

The majority of the participants argued that the SOEG Act, Act 2 of 2006 was dysfunctional and needed to be revisited. Two participants claimed ignorance. The participants’ views were as follows:

“Yes, the SOEG Act...I have been advocating for amendments because some of the provisions...were not serving purpose...And there is no compliance because the SOEG Act is silent on the issue of enforcement” (PSS).

“The act is not an enabler for business, there was no consultation” (CBN).

“The SOEG Act was not effective and was using a ‘one size fit all’ approach such as on remunerations of CEOs/MDs” (MTN).

So the ineffectiveness of the SOEG Act cannot be ascribed so much to the incompetency of the people involved, but to a system we copied which did not speak to our particular conditions...A permanent secretary...is supposed to be a critical link between the ministry and the SOE. However, nowhere in the SOEG Act is the role of permanent secretary. (PSMICT)

“I was not exposed to the SOEG Act and I did not have any input” (MAN).

“Did not have any input...because the amendments happened before our appointments” (CAN).

- The State-Owned Enterprises Governance Council (SOEGC) participants held similar views that the SOEGC was ineffective. Their views were as follows:

“To provide an oversight function...however, did not have any mechanism or power to enforce the legal framework, the SOEG Act” (PSS).

“There is no relationship...the SOEGC never had capacity” (CBN).

“I had no encounter with the SOEGC...but what I can say is that they are invisible...and no one wanted to take any decision, let alone responsibility or accountability” (MTN).

“SOEGC was not as effective as anticipated...” (PSMICT).

- King III Model and Code and NamCode

The majority of the participants perceived the King III Model and Code to be inapplicable to the selected Tier 3 SOEs. Similarly, the NamCode was perceived by many as a new entrant. However, two participants held different views, while one participant was never exposed to King III. They argued as follows:

“King III is not useful to SOEs because in SOEs...you just has to comply with the standards and objectives set by the shareholder and not explain...there is no choice, whereas King III you have to apply and explain” (PSS).

“Corporate governance has moved further than the rule based principles advocated by King III, and as a Company we are also committed to value based

corporate governance, such as ethics in addition to transparency and accountability” (MTN).

“I was not exposed to King III Model and Code” (PSMICT).

“It is a good guide” (CBN).

“Sustainable goals are important and King III Model and Code are modified and Namibianised in the form of NamCode” (MNP).

“NamCode has not been officially adopted” (CNP).

- Ubuntu

Notwithstanding the increasing awareness about Ubuntu, participants had a relative understanding of Ubuntu. While most of them could explain the theoretical meaning of the concept, only three could relate it to their contexts as follows:

“Ubuntu applies to Namport within reasonable limits...we take care of our employees...and have recruited 30 people from the marginalised communities...but sometimes people abuse Ubuntu...we do it within limits (CNP).

“There is nothing wrong to acknowledge cultural diversity at work. However, diversity should be exercised within the framework of the common values of

the organisation...make room for cultural diversity, but live the values of the organisation” (MTN).

Namibia and Namibians...aah, are supposed to be fertile about Ubuntu given the history of the liberation struggle whereby they were exposed to the generosity of sharing by the international community. However, it appears despite being exposed to sharing resources. Namibians are reluctant to share information an issue which is prevalent in SOEs. The clarion call of President Geingob of inclusivity and sharing must be understood from a perspective that no one should be excluded even in terms of vital information. In terms of our white compatriots... since the black Namibians who shares in the values of Ubuntu are in the majority, we should persuade our fellow countrymen to see the goodness in Ubuntu. Surely everyone wants to enjoy the good things which Ubuntu offers such as sharing, care, mutual respect, transparency and accountability. (PSMICT)

5.3.1.4 The role of the board (ROB)

i) Board structure

Except for Telecom which has a type of two-tier board structure with the NPTH board as the holding board and Telecom board the subsidiary board, the other selected Tier 3 SOEs has a unitary or one-tier board structure.

ii) Appointment of directors

All but one participant confirmed the appointment of non-executive directors by the portfolio minister. They responded as follows:

“The line Minister of Works and Transport appoints the board” (CBN). “The chairperson and other board members are appointed by the line Minister of Works and Transport” (CAN).

The aforesaid is in contrast to the SOEG, 2006 (Act nr. 2 of 2006) as amended in 2008, which requires that the SOEGC must be consulted before any appointment is made. In terms of the law, the SOEGC must be consulted before any appointment is made; this is a guideline which appeared to be ignored. The line ministry is responsible for the oversight function of the board and is also the appointing authority, which is contrary to good corporate governance principles” (PSS).

iii) Board composition

- **Size and skills**

All the boards conformed to the size requirement of the SOEG Act, Act 2 2006 of between five to seven non-executive directors. Furthermore, all boards were not in compliance with the King III Model and Code guidelines of having two executive directors on a board. With the exception of Namport where the CEO is not a director on the board, all the other select Tier 3 SOEs headed by an MD had at least an MD as a director on the board. Some of the responses were as follows:

“No, I am not a director on the board. I am attending board meetings by invitation” (CNP).

“The MD who sits on the board as opposed to a CEO in terms of articles of association” (CAN).

“Aah...I am 44 years old male have a masters degree in developing finance” (CBN).

“The board believes that the current mix of knowledge, skill, and experience meets the requirements to lead the company effectively” (Annual Report, 2014, p.19).

Gmf... (smiling)....”I am 61 years old and have a masters degree in public policy and administration” (CAN).

iv) Board independence

Of the three participants interviewed, two claimed to be independent from government interference. The third raised the issue of conflicting roles of government overseeing the board and simultaneously being the appointing authority of the board. Their views were as follows:

“Fairly autonomous, very little interference never experienced it” (CBN).

“Since our appointment we have not had any political interference from our line ministries” (CAN).

“The line ministry is responsible for the oversight functions over the board and is also the appointing authority of the board which is contrary to good corporate governance” (PSS).

vi) The leadership role of the chairperson

The two participants interviewed confirmed the responsibility of the chairperson to provide strategic direction to the board and to take full accountability for the decisions of the board. The participants stressed the importance of trust, collaboration, and interdependence between the chairperson and the other directors, and most important between the chairperson and the CEO/MD. They responded as follows:

Yeah...as a chairperson I will give strategic direction to Air Namibia and do a lot of lobbying in terms of support from relevant ministries. I will try to listen as much as possible, but at the same time I know that ultimately the final responsibility in terms of strategic direction and leadership lies with me....for Air Namibia to succeed amidst challenges such as financial constraints, high staff turnover, low morale...trust. Collaboration and interdependence between the chairperson and other directors and between the chairperson and the MD is of cardinal importance. (CAN)

The chairperson is the moral compass...the role of the chairperson is to ensure that there is cohesion at the board level and ensure that principles such as transparency, accountability, responsibility and independence are enforced...create an enabling environment and to always strike a balance between guidelines and execution. The chairperson to ensure that there is a trust relationship with the CEO...because the moment when there is no trust relationship nothing works. The key role of the chairperson is the fiduciary duties. (CBN)

5.3.1.5 The role of the CEO (ROC)

i) Appointment

The SOEG Act, 2006 (Act nr.2 of 2008), is silent on the appointment of the CEO. Despite this, all participants confirmed that the CEO is appointed by the board. The participants' views are as follows:

“The board appoints the CEO...in consultation with the minister...” (CNP).

“The board does the final interview...the minister is consulted and cabinet as courtesy” (CBN).

“Appointment at Nampower is done by the board” (MNP).

“The MD is appointed by the board” (MTN).

The articles of association, section 10 (a) (iii) directs that one of the directors shall be appointed as managing director (Post and Telecommunications Establishment Act, 1992).

ii) The functions of the CEO/MD

All the CEOs/MDs interviewed agreed about their roles of executing the directives of the board. As directors on the boards, the MDs stressed the linkages between the board, management, and other stakeholders. The CEO works closely with the chairperson of the board to ensure the chairman is kept up to date about the business. The participants spelt out their functions as follows:

My goal is to ensure that we execute our mandate within the framework of good governance...that is transparency, no favours and within the constitution of this country. My role is to ensure that people who work for this company should look forward to come to work every day...creating a conducive environment and also serve as a link between the company and the shareholder and other stakeholders. (CNP)

“Accountability to the board is very critical, the board must always know about what is going on in the company. I have to execute board resolutions who are signed after every board meeting, giving me the freedom to give management an action list” (MAN).

I serve as a member of the board...To keep the chairperson abreast of what is going on in the business I meet with her at least once per month.” (MTN).

“As the MD (acting), I together with the board develop annual strategies. I am responsible for monitoring management and give constant feedback to the board about performance or deviations from the set goals. (MNP)

iii) Leadership role CEO/MD

All participants highlighted the need for a trust and an interdependent relationship between the chairperson and the CEO/MD. They equally stressed the need for a clear demarcation of roles between the role of the chairperson and the CEO. The participants responded as follows:

“Well, the relationship between the chairperson must be clearly defined...At no point must the chairperson play the role of the CEO and the CEO must respect the relationship between the chairperson and the shareholder (CNP).

“SOEs mandates are not clear. Boards and CEOs roles are not clear...” (PSS).

I have to lead by example and to ensure that things are done right...even if I have to take some unpopular decisions. As a participatory leader I believe in collaboration and interdependence, which means I cannot work without them and they cannot work without me. (MAN)

“Interdependence is very crucial between the roles of the chairperson and the MD because the two need each other and the MD is the main link between the board and management...but clear lines of responsibility must be respected” (CAN).

5.3.1.6 Summary

The similarities and differences featured across all four selected Tier 3 SOEs are summarised in Table 12 below.

Table 12: Summary of the similarities and differences across the case studies of NamPower, Telecom, Air Namibia, and Namport

Similarities				
Theme	NamPower	Telecom	Air Namibia	Namport
1. Demographics				
<i>1.1 Diversity</i>				
Ethnicity	Yes	Yes	Yes	Yes
2. Definition of corporate governance				
<i>2.1 Understanding of concept</i>	Yes	Yes	Yes	Yes
3. Role of the government				
<i>3.1 Ownership</i>				
Wholly owned	Yes	Yes	Yes	Yes

• Lack of ownership policy	Yes	Yes	Yes	Yes
• Lack of centralised ownership structure	Yes	Yes	Yes	Yes
<i>3.2 Regulatory & legal framework</i> Deficient • Regulatory framework Dysfunctional • SOEG Act • SOEGC Act	Yes	Yes	Yes	Yes
4. The role of the Board <i>4.1 Appointing authority</i> • Line minister • Lack of transparency <i>4.2 Board composition</i> • Size 5-7 (as per SOEG Act) <i>4.3 Leadership role of chairperson</i>	Yes	Yes	Yes	Yes

Appointing authority				
• Line minister	Yes	Yes	Yes	Yes
• Role clarity	Yes	Yes	Yes	Yes
• Interdependence and trust relationship between chairpersons and CEOs/MDs	Yes	Yes	Yes	Yes
5. Role of the CEO/MD				
<i>5.1 Appointing authority</i>				
• Board	Yes	Yes	Yes	Yes
<i>5.2 Leadership role</i>				
• Role clarity	Yes	Yes	Yes	Yes

Differences				
1. Demographics				
<i>1.1 Postgraduate qualification</i>	Yes	No	Yes	Yes
<i>1.2 Diversity</i>				

• Gender	Yes	No	No	No
• Age	Yes	No	Yes	Yes
3. Role of the government				
<i>3.1 Political interference</i>	No	Yes	No	No
<i>3.2 Regulatory and legal framework</i>				
• Inapplicability of King III	No	Yes	Yes	Yes
• Understanding of Ubuntu	Yes	No	No	No
4. Role of the Board				
<i>4.1 Board structure</i>				
• One-tier board structure	Yes	No	Yes	Yes
<i>4.2 Composition</i>				
• Lack of adequate skills	Yes	-	Yes	No
• Mixed of non-executive and executive director	Yes	-	Yes	No
<i>4.3 Board independence</i>	No	-	Yes	Yes

The following conclusions can be made from Table 12:

Similarities across the case studies of NamPower, Telecom, Air Namibia, and Namport

1. Demographics

1.1 Diversity

There was a diversity of ethnicities represented in the chairpersons and CEOs/MDs of NamPower, Telecom, Air Namibia and Namport,

2. Definition of corporate governance

Despite differences in educational backgrounds and the concept being fairly new in the Namibia, all participants showed an understanding of the concept of corporate governance.

3. Role of the government

3.1 Ownership

NamPower, Telecom, Air Namibia, and Namport are wholly owned by the government of the Republic of Namibia.

3.1.1. Lack of ownership Policy

All participants voiced concerns about the lack of an ownership policy to clarify the government's role as owner and how the role relates to the mandates and objectives of the select SOEs, their boards, and CEOs/MDs.

3.1.2 Lack of Centralised Ownership Structure

There was a consensus view about the existence of conflict between the ownership, policy making, and regulatory functions of the government. In their view this conflict negatively affected the supervisory role of the boards and the executive role of the CEOs/MDs. The creation of a centralised ownership structure was suggested.

3.1.3 Regulatory and legal framework

The regulatory role of government was found to be in conflict with the ownership and policy making roles. While certain select Tier 3 SOEs were regulated through government policies, others were regulated through their own establishment acts.

The SOEG Act (Act no. 2 of 2006) as amended in 2008 and the SOEGC were found to be dysfunctional and not addressing the needs of NamPower, Telecom, Air Namibia, and Namport. The need for a review of the existing regulatory and legal framework was recommended.

4. The role of the board

4.1 Appointment of directors

All the participants stated that the line ministers of the respective Tier 3 SOEs were the appointing authorities, through a recruitment and selection process perceived to be lacking transparency. Concerns were raised as to how the appointing authority could be simultaneously

expected to carry out the oversight role of the appointees, which was perceived as a conflict of roles.

4.2 Board composition

4.2.1 Size

All participants pointed out that the select Tier 3 SOEs adhered to the minimum of five directors and a maximum of seven directors as per SOEG Act (Act nr 2 of 2006), and as amended in 2008 guidelines.

4. 2.2 Leadership role of the chairperson

4.2.2.1 Appointing Authority

All participants confirmed that the respective line ministers of Nampower, Telecom, Air Namibia, and Namport were the appointing authorities of the respective chairpersons of the boards, casting doubt about their independence.

4.2.3.2 Role clarity

Chairpersons interviewed showed an understanding of their roles, and in particular the separation of the role of chairpersons and the CEOs/MDs. They also showed an understanding of the need for interdependence between the government as the owner, board as the supervisor, and the CEO/MD as the executive. The need for a trust relationship between the chairpersons and the CEOs/MDs was stressed as promoting effective leadership.

5. Role of the CEO/MD

5.1 Appointing authority

All the participants stated that the CEOs/MD were appointed by the respective boards.

Differences across the case studies of NamPower, Telecom, Air Namibia, and Namport

1. Demographics

1.1 Postgraduate qualifications

Many participants were found to have post graduate qualifications at a masters level, except one which had a diploma.

1.2 Diversity

The majority of the participants represented different age groups. However, many of the participants interviewed were male.

3. Role of the government

3.1 Political interference

Political interference by the government in day-to-day operations of the selected Tier 3 SOEs was found to be minimal, with only one participant claiming its existence and occurrence.

3.2 Regulatory and Legal Framework

3.2.1 Inapplicability of the King III Model and Code

Many, if not most of the participants, with the exception of one, were of the view that the King III was not addressing the specific needs of the selected Tier 3 SOEs and emerged to be a generalised model and code.

3. 2. 2 Understanding Ubuntu

While some participants understood the concept of Ubuntu, others did not, creating a concern for a lack of common culture or ideology in Namibia, which could unify the multicultural society toward a common national developmental goal.

4. The role of the board

4.1 Board structure

4.1.1 One-tier Board structure

NamPower, Air Namibia, and Namport were found to have one-tier board structures. In contrast, Telecom's subsidiary board and the board of the (NPTH), the holdings company, appeared to resemble a two-tier board structure.

4. 1.2 Board Composition

4. 1. 2.1 Lack of adequate skills

Despite certain opposing views, the majority of the participants felt there was a lack of adequate skills across the boards of the select Tier 3 SOEs.

4.1.2.2 Mixed of non-executive and executive directors

NamPower and Air Namibia were found to have their respective managing directors as members of the board. The CEO of Namport only attended board meetings by invitation.

4.1.3 Board independence

Although the concept of board independence in Namibia did not appear to be well-defined, with the exception of one, the majority of the participants confirmed the independence of their respective boards.

It can be reasonably concluded that the similarities in the case studies of NamPower, Telecom, Air Namibia, and Namport were predominant, revealing that the problem stated in Chapter 1 appears to exist in the select Tier 3 SOEs. Similarly, the predominant similarities across the select Tier 3 SOEs are indicative of how strong the government, as the owner, board as the supervisory agency, and the CEO as the executive appear to influence corporate governance practices in those institutions.

CHAPTER 6

DISCUSSION OF THE FINDINGS AND CONCLUSIONS

6.1 Introduction

This chapter discusses the data findings in Chapter 5, the responses to the semi-structured interview questions by participants, and the themes finally identified. It also discusses implications of the data findings and responses on corporate governance practices within the context of the existing body of knowledge. Limitations of the current study are discussed and recommendations for future research are made. As a contribution to the existing body of knowledge, a tentative Namibia Tier 3 SOE Holdings (Pty) Ltd (NTSH) model is developed and proposed.

6.2 Relevant literature reviewed

China and Singapore have demonstrated that SOEs in infrastructure which provide services such as electricity, air transport, port services and telecommunications can spearhead socioeconomic development (Sam, 2012; Lim, 2014; Chen, 2016). The two countries developed country specific ownership policies and centralised ownership models, which appear to have addressed the problem of conflicting roles of the government as owner, the board as the supervisor and the and the CEO as the executive (OECD, 2014; Max, 2015; Djajadikerta & Zhang, 2015; Leutert, 2016).

While China and Singapore may show some similarities, Singapore has done comparatively well in terms of the effective ownership policy and centralised ownership model structure. The Temasek Holdings (Pty) Limited is a well-designed ownership structure with separate roles between the government as an active owner, effective boards performing their supervisory roles

and competent CEOs exercising their executive roles (Chen, 2013; Lim, 2014; Stiglitz, 2016). Furthermore, Singapore has a relatively low corruption rate (Kirkpatrick, 2014; Ortman & Thomsen, 2016).

The visionary and pragmatic leadership of Lee Kuan Yew has elevated the citizens of Singapore to a prosperous developed economy. This leadership used the strategic location of the country and implemented an autocratic political regime with admirable economic results in efficient and effective service delivery (Sam, 2007; Bruno, 2014; Fallon, 2015). The same cannot be said about developing countries such as Namibia, the context of this study.

Namibia still experiences challenges such as poverty, unequal income distribution, unsustainable power supply, insufficient telecommunications connections, and poor air and ports transport networks (Kyter, 2007; Kefas, 2014; Shooka, 2015; Wylandt, 2016). The key success factors contributing to Singapore's miracle are such as a committed government and political leadership, effective boards and CEOs.

In contrast, passive governments which appear lack political will, incompetent boards and CEOs are claimed to be some of the main obstacles of other countries. (Edouin, 2015; Afolabi, 2015; Gyapong, 2016). Today, Singapore stands as a model for emerging and developing economies to learn from (Cummine, 2014; Tan, 2016).

6.3 Findings and implications

Tables (13, 14, 15 & 16) show a summary of similarities and differences across NamPower, Telecom, responses by participants and the themes finally identified.

6.3.1. Data findings

Table : 13. Theme: 1. Role of the government

SUMMARY OF THE SIMILARITIES AND DIFFERENCES ACROSS THE CASE STUDIES OF NAMPOWER, TELECOM, AIR NAMIBIA, AND NAMPORT				
Similarities				
Theme	Nampower	Telecom	Air Namibia	Namport
1 .Role of the government (ROG) • Lack of ownership policy	Yes	Yes	Yes	Yes
• Lack of centralised ownership structure	Yes	Yes	Yes	Yes

- *Lack of ownership policy*

All participants voiced concerns about the lack of an ownership policy to clarify the government's role as owner and how this role relates to the mandates and objectives of the select SOEs, their boards, and CEOs/MDs.

- *Lack of centralised ownership model structure*

There was a consensus view among the participants about the existence of conflict between the ownership, policy-making, and regulatory functions of the government. In their view, this conflict negatively affected the supervisory role of the boards and the executive role of the

CEOs/MDs. The creation of a centralised ownership model structure was suggested. The participants responded as follows:

“SOEs mandates are not clear as to why they have been created...Boards and CEO roles are not clear...no guidance from the shareholder...more needs to be done to perfect our governance system” (PSS).

“The current ownership structure of Telecom is confusing with NPTH as a holding company...no group strategy, no group governance” (MTN).

“A country and Tier 3 SOE’s specific structure is needed to address the unique corporate governance problems” (MAN).

“I think what is important is to define clearly the objectives of the entities and to define the roles of the key role players...the government as the shareholder, the board, and the CEO...When there is an overlap...somebody will be hurt” (CNP).

Table 14: Theme: 2. The role of the board

2.The role of the Board (ROG)					
2.1 Appointing Authority					
• Line Minister	Yes	Yes	Yes		
• Lack of transparency	Yes	Yes	Yes		
2.2 Leadership role of Chairperson					
Appointing Authority					
• Line minister	Yes	Yes	Yes	Yes	

- *Appointment of directors and chairpersons*

All the participants stated that the line ministers of the respective Tier 3 SOEs were the appointing authorities, through a recruitment and selection process perceived to be lacking transparency. Concerns were raised as to how the appointing authority could be simultaneously expected to carry out the oversight role of the appointees, which was perceived as a conflict of roles. Participants argued as follows:

“The line Minister of Works and Transport appoints the board” (CBN). “The chairperson and other board members are appointed by the line Minister of Works and Transport” (CAN).

The aforesaid is in contrast to the SOEG, 2006 (Act nr. 2 of 2006) as amended in 2008, which requires that the SOEGC must be consulted before any appointment is made. In terms of the law, the SOEGC must be consulted before any appointment is made. This is a guideline which

appeared to be ignored. The line ministry is responsible for the oversight function of the board and is also the appointing authority, which is contrary to good corporate governance principles (PSS).

Table: 15. Theme 3: The role of the CEO

3. Role of the CEO/ MD (ROC)	3.1 Appointing authority				
	• Board	Yes	Yes	Yes	Yes

All participants confirmed that the CEO is appointed by the board. Participants views were as follows:

“The board appoints the CEO...in consultation with the minister...” (CNP).

“The board does the final interview...the minister is consulted and cabinet as courtesy” (CBN).

“Appointment at NamPower is done by the board” (MNP).

“The MD is appointed by the board” (MTN).

Table 16: Differences

	Differences			
1. Role of the Government (ROG)				
<i>1.1 political interference</i>	No	Yes	No	No
2. Role of the Board				
• Lack of adequate skills	Yes	-	Yes	No

Theme 1: The role of the government

- ***Political interference***

Political interference at NamPower, Telecom, Air Namibia, and Namport was viewed by many participants as a necessary intervention at the policy making level. Only one participant raised his concern about political interference at operational level. The views were as follows:

“Political interference occurs where Telecom is expected to forgo a commercial decision in favour of a political decision” (MTN).

“We have not...experienced any political interference” (CAN).

...principal must have a say in the running of SOEs, not

in the day-to-day operations, but in terms of policy

guidance...” (PSS).

In contrast to the literature reviewed, political interference appeared to be viewed as a necessary political intervention at a policy making level.

Theme 2: The role of the board

- ***Lack of adequate skills***

Notwithstanding differing views, participants confirmed a lack of adequate skills on boards as follows:

“Lack of skills capacity, for the company, need for training” (MAN).

“Due to our small population, there is not enough skilled and experienced directors” (MPN).

“SOEs have no capacity in terms of skills” (PSS).

It appeared that a lack of skills was a common concern in most of the selected Tier 3 SOEs.

6. 3.2.Data Implications

The data findings in tables (13, 14, 15 and 16) show that the conflict between ownership and control as stated in Chapter 1 exists at the selected Tier 3 SOEs as claimed (Nellis, 2005; Rondinelli, 2005; Sultan Balbuena, 2014; Shooka, 2015). In view of the statement of the problem, a qualitative design and a multi case study method were adopted (Yin, 2014; Tran, 2015; Boney, 2015) to investigate corporate governance practices at Namport, Air Namibia,

Telecom, and NamPower. The roles of government as the sole shareholder, board as the supervisory body, and the CEO as the executive and how these influence corporate governance practices were also investigated. The researcher employed a multi-mechanisms approach, because the successful implementation of corporate governance cannot be achieved by a single mechanism such as the government's ownership role, whose effectiveness is influenced by the board and CEO roles. (Msangyi, & Acharia, 2014; Schiell, Ahmadjian & Filatotchev, 2014; Sookram, 2016).

Given that corporate governance is a multi-faceted concept that can only be defined and explained from different fields of expertise and orientation, a multi-theory approach was consequently adopted (Adegbite, et al, 2012; Mellahi, et al., 2016). By adopting a convenience sampling technique (Teddlie & Yu, 2007; Etikan, Musa & Alkassim, 2016), eight participants who were well placed to provide rich information about how they experienced corporate governance practices at Namport, Air Namibia, Telecom, and NamPower, were identified and interviewed. Seven questions (samples are attached, Annexure C) were presented to participants covering their perceptions and experiences, using mainly semi-structured interviews.

Responses to the semi-structured interview questions were verified by data from annual reports, media reports, field notes, observations by the researcher, and scholarly literature. This data converged to give an accurate reality about the status of corporate governance practices at the select Tier 3 SOEs (Creswell, 2009; Kefas, 2014; Pacho, 2016), thereby addressing the statement of the problem and the specific objectives as outlined in Chapter 1. Out of the data analysis in Chapter 5, the following three main themes were finally identified, given that they

addressed the statement of the problem, the overall objectives and the specific objectives as outlined in Chapter 1.

6.3.2.1 Theme 1: The role of the government

It is argued that in order to explain government's role one has to understand the reasons and purposes of why governments create SOEs (De Masi & Paci, 2014; Lishinga, 2015). De Masi and Paci (2014) point out that first, SOEs are tasked to provide essential services such as energy, telecommunications, and transport—without these services citizens cannot enjoy a quality life. Second, the provision of stated essential services, means that they should not only be accessible, but also affordable. Third, SOEs should be managed on a commercial basis in order to pay dividends to the government as their sole shareholder, an issue viewed by some as being in conflict with the social objective of providing accessible and affordable services (Heuva, 2007; e Cunha, et al., 2015).

To ensure that SOEs attain their mandates, the government as the owner has to developed policies and guidelines (De Masi & Paci, 2014). Furthermore, the government needs to devise regulatory measures to ensure that tariffs on essential services are affordable and that SOEs are still operating. This is an issue which sometimes requires costly bailouts (Sultan Balbuena, 2014). As such, the OECD (2010; 2015) guidelines recommend that governments develop ownership policies to explain why SOEs were created and what role the government as owner has to play in order to avoid being passive or excessively interfering into SOE operations. Government should explain how its role as the owner relates to the supervisory function of the board and the executive function of the CEO.

Singapore's Temasek Holdings Limited model provides an ideal example of an ownership policy that Namibia can learn from (Cummine, 2014; Tan, Puchniak & Varottil, 2015; Chen, 2016). The Temasek Holdings (Pty) Limited model gives a centralised ownership model structure as recommended by the OECD guidelines (2015). The elected president of Singapore plays the role of a steward and custodian of national assets in the interest of the citizens. The president also has to approve any funding to SOEs such as withdrawals from past reserves (Sam, 2012; Chen, 2016). The Singaporean constitution prevents the president, prime minister and other ministers from interfering with the operational matters of Temasek, thereby ensuring autonomy. This also allows Temasek to exercise the ownership function (Sim, Thomsen & Yeong, 2014; Tan, 2016).

In addition to Singapore's constitution, Ang and Ding (2006) and Wicaksono (2009) and Mills (2015) also argue that the ownership policy has succeeded in limiting government's political interference in the day-to-day activities of Temasek Holdings. Political interference is cited as one of the challenges facing SOEs in developing economies (Nellis, 2012; Markannen, 2015; Afolabi, 2015; Makhado, 2016). In contrast to the Temasek Holdings (Pty) Ltd Model, data presented and analysed across the case studies of NamPower, Telecom, Air Namibia, and Namport, summarised in Tables (13; 14; 15 & 16) revealed the following:

6.3.2.2. Ownership and lack of ownership policy

NamPower, Telecom, Air Namibia, and Namport are fully owned by the government of the Republic of Namibia, which cast a doubt on the autonomy of those institutions. It also raises concerns about the objectivity of the government as a regulator (OECD, 2005; 2015). Furthermore, all participants voiced concerns about the lack of the ownership policy to clarify

on the government's role as the owner. There were also concerns about what was expected from the select Tier 3 SOEs as it relates to mandates to be achieved and which mandates needed to be interpreted by the respective boards and executed by the respective CEOs/MDs. The absence of a clear ownership policy appeared to support the claim that the biggest challenge facing SOEs in infrastructure in Southern Africa is the lack of an ownership policy (Adegbite, Amaeshi & Amao, 2012; Sultan Balbuena, 2014; Bresser Perreira, 2016).

6.3.2.3. Lack of a centralised ownership structure model

There was a consensus view by the participants regarding a need to separate government's ownership role from the policy making and regulatory functions. This was indicative of the existence of a dual ownership structure (World Bank, 2014), as opposed to the centralised ownership structure, as recommended by OECD (2015) guidelines and effectively implemented by Temasek Holdings (Pty) Limited (Chen, 2016; Puchniak, 2016).

6.3.2.4 Political interference

In terms of political interference, many participants acknowledged that the selected Tier 3 SOEs are government-owned, and the political objectives of the government as the sole shareholder should be intertwined with the objectives of the board and CEO. Consequently, as the sole shareholder, the government should intervene in SOEs by giving leadership and guidance. This is an issue that appears to challenge the claim by Nellis (2012). It simultaneously supports the view that, as demonstrated in Singapore, for corporate governance to succeed in SOEs, government as the owner should provide effective leadership (Siddiqui, 2010; Chen 2016).

The above view also falls in line with political theory, which highlights the critical role of a country's government in determining the governance practices of private and public companies such as SOEs (Roe, 2011; Ximena, 2014). Consistent with the previous view, Szamosszegi and Kyle (2011) stated that the successful implementation of corporate governance practices is incumbent upon the political will of the government of the day. They added that any company which does not take the political influence seriously does it on its own peril.

6.3.3 Theme: 3. The role of the board

6.3.3.1 Board appointments and skills

The Chairpersons and non-executive directors are appointed by the portfolio ministers. This confirms the view that board directors in SOEs in many developing economies such as Namibia are political appointees (Mulili & Wong, 2011).

Participants voiced their concerns about the lack of skills on boards, which appears to confirm, claims by Nellis (2005) and Rondinelli (2005), that most of the boards in developing countries are incompetent due to the lack of skills.

6.3.4. Theme 4: The role of the CEO

6.3.4.1 Appointment

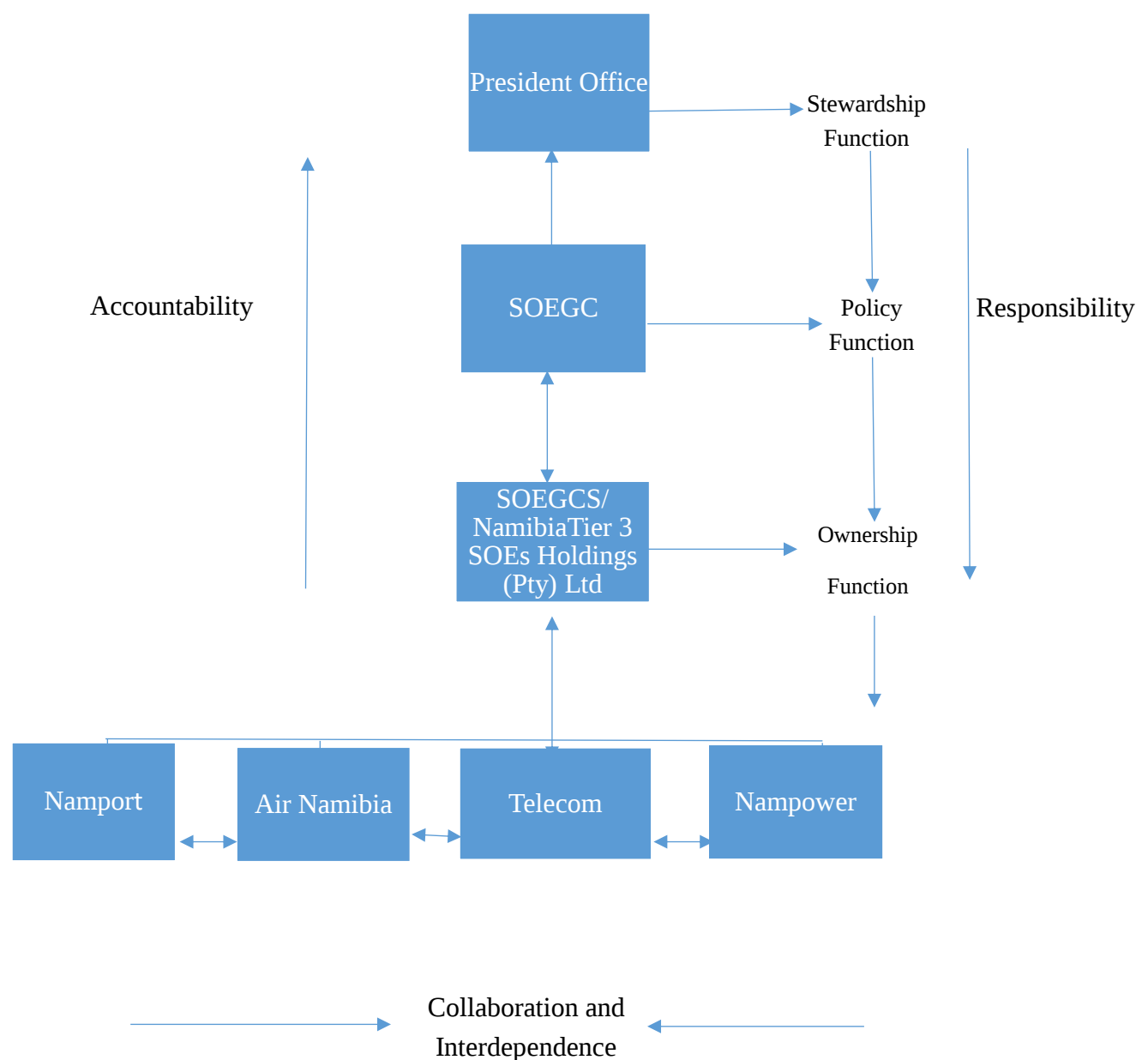
Many of the participants stated that the CEO is appointed by the board, through a transparent process which appears to refute assumptions that appointments of CEOs are subject to political patronage (Roe, 2011; Mbo & Adjasi, 2013).

In summary, the dominance of similarities over differences in the tables (13; 14; 15 & 16), showed that the problem of conflicting roles of the government as shareholder, policymaker and regulator, the board as supervisor, and the CEO as executive did exist at NamPower, Telecom, Air Namibia, and Namport. To this effect a tentative Namibian Tier 3 State Owned Enterprises Holdings (Pty) Ltd was developed and proposed to address the stated problems within the context of NamPower, Telecom, Air Namibia and Namport.

6.4 Recommendations

6.4.1 The tentative Namibian Tier 3 State Owned Enterprises Holdings (Pty) Ltd (NTSH) model.

Figure (viii) below, shows the tentative Namibia Tier 3 SOEs Holdings (Pty) Limited Model as developed and proposed in the current study.



Figure(viii). The tentative Namibia Tier 3 SOE Holdings Pty Ltd.

Figure (viii) indicates that the policy-making function is the responsibility of the State-owned Enterprises Governance Council (SOEGC). The council should recommend the development of an *ownership policy* that would clarify how the government as the sole share shareholder of NamPower, Telecom, Air Namibia, and Namport should act as a responsible owner. This clarification would come through government being an active shareholder by intervening at the

policy level only, and leaving operational activities to the respective boards and CEOs. The *ownership policy* should also clearly stipulate what is expected from the selected Tier 3 SOEs in terms of their political, socioeconomic, and environmental objectives (Sultan Balbuena, 2014; OECD, 2015).

In this tentative model it is proposed that the State-owned Governance Council Secretariat (SOEGCS) be transformed into the Namibia Tier 3 SOE Holdings (Pty) Ltd (NTSH) (Pty) Ltd, as the *centralised ownership model* entity, in line with the OECD guidelines (OECD, 2014). The stated entity would become responsible for exercising the ownership function on behalf of the government. The regulatory function should reside with the ministries of Works and Transport, Mines and Energy, and Information Communications and Technology, as respective line ministries for Air Namibia, Namport, NamPower and Telecom.

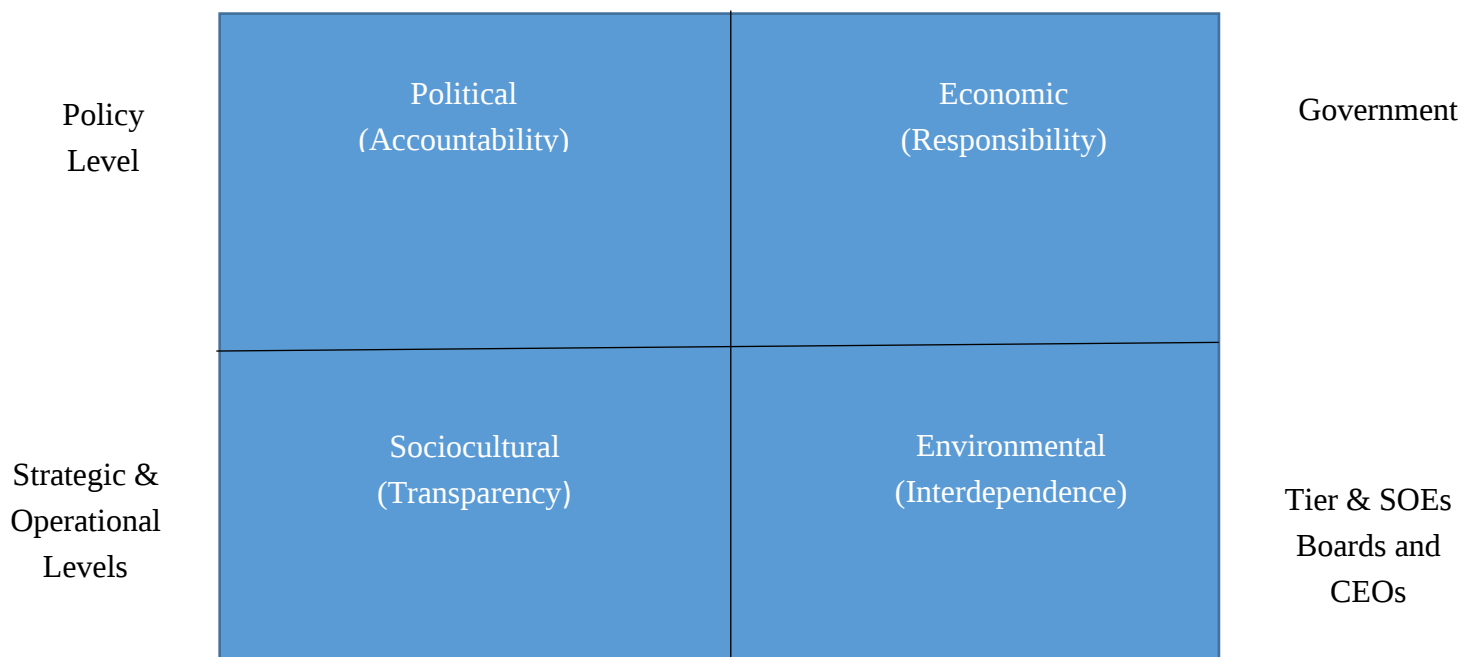
The *ownership policy* serves to clarify the role of the government as the sole shareholder toward the selected Tier 3 SOEs. The policy also clarifies what is expected from the select Tier 3 SOEs. However, as the *centralised ownership model* entity, the (NTSH) (Pty) Ltd separates the roles of the government as shareholder, policymaker, and regulator. Under the current dual system, these roles are assigned to the line ministries and the Ministry of Finance. The current dual system does not only result in multi-level reporting structures, and a lack of accountability. It also causes conflicts between individual permanent secretaries, boards, and CEOs (Sultan Balbuena, 2014; Shooka, 2015).

Furthermore, the NTSH (Pty) Limited should be run on a commercial basis and be responsible for the appointment and dismissals of boards and CEOs at NamPower, Telecom, Air Namibia, and Namport. The recruitment and selection of boards and CEOs should be done by

professional human resources consultants to avoid political interference and ensure transparency. The appointments or dismissals of boards and CEOs should be endorsed by the president as the steward of the nation. This will prevent unnecessary hiring and firing based on personal differences between the boards and CEOs which could be costly and hinder continuity.

In summary, the *ownership policy* and the *NTSH (Pty) Ltd model* do not only address the research problem and overall objective. They also address the specific objectives of how the ownership role of the government, supervisory role of the board, and the executive role of the CEO influence corporate governance practices at the selected Tier 3 SOEs.

The select Tier 3 SOEs should report regularly on their achievements in the “quartet bottom line.” The “quartet bottom line” is shown in *figure (ix)*, below:



6.5 Limitations

There has been limited research done on corporate governance in Namibia and particularly at doctoral level, to inform the current study. Furthermore, corporate governance is a new and sensitive concept and its implementation in Tier 3 SOEs have been criticised from various sectors of the society, particularly from the popular media. As such, accessibility to all 12 participants as originally intended was not possible as some participants were reluctant to avail themselves for interviews.

The current research study only covered four major Tier 3 SOEs out of a population of ten Tier 3 SOEs. Furthermore, at the time of writing a new Ministry of Public Enterprises was in the process of being established to replace the State-Owned Enterprises Governance Council and therefore, could not be covered. The hybrid model form of organisations, where mixed ownership one or two-tier board structures depends on the country's jurisdiction, is on the increase and hybrid SOEs are successful. Given their domestic, regional, and global operations, some of these hybrid SOEs have appointed foreign nationals on their boards. The absence of the stated mechanisms in Namibia presents policymakers, scholars, and practitioners the opportunity to explore hybrid SOEs and to see whether they could be applicable to Tier 3 SOEs and the country.

6.6 Further research

Futuremore, scholars need to investigate the applicability of the hybrid model and the two-tier board structure to Tier 3 SOEs, and to Namibia as a country. Further research should be done on the operations of the new Ministry of Public Enterprises, and in particular the complex classification of the commercial enterprises, and the Public Enterprises Governance

Amendment Act, Act no.8 of 2015, including a bigger sample of Tier 3 SOEs. The findings of the current study should be used as a foundation by future researchers to develop corporate governance theories. The corporate governance model suggested in the current study should serve as a basis for future scholars to explore.

6.7 Summary and conclusion

Chapter 6 is aimed at relating the data collected and analysed in Chapter 5 to the existing body of knowledge. In many cases, the data confirmed the literature assumptions in the literature reviewed. The problem statement of the current study states that similar to their counterparts world-wide, Tier 3 SOEs in Namibia are faced with corporate governance challenges. Examples of these challenges include the multiple conflicting government roles as the sole shareholder, the board as the supervisory agency, and the CEO as the executive.

Premised on the previous narrative, the objectives of the current study were to investigate government's role as the sole shareholder, the board performing the supervisory function, and the CEO performing the executive function, and how these influence corporate governance practices at NamPower, Air Namibia, Telecom, and Namport. The statement of the problem and the mentioned objectives were sufficiently addressed.

The researcher found that the problem of conflicting of roles of the government as owner, policy maker and regulator, the board as the supervisor, and the CEO as the executive, existed at NamPower, Telecom, Air Namibia, and Namport. It was also established that as key role

players the government, board and CEO influence good corporate governance practices at the selected SOEs.

In view of these findings, the researcher argues that good corporate governance practices in Tier 3 SOEs such as NamPower, Telecom, Air Namibia, and Namport are crucial as the stated entities continue to spearhead the socioeconomic development strategies of Namibia such as Vision 2030. Consequently, this study serves to provide insight into how to effectively promote good corporate governance practices that will serve the interest of stakeholders such as employees, customers, creditors, and the surrounding communities. Furthermore, the study may assist and guide policymakers and practitioners in line with the OECD guidelines and lessons mainly drawn from China and Singapore as follows (OECD, 2010, 2014):

6.7.1 The ownership role of the government

The government can be guided on how to best organise and manage its responsibility as the sole owner of the selected Tier 3 SOEs. Such an approach would include developing an ownership policy to clarify the government's role and the mandates of the respective Tier 3 SOEs. Individual performance could therefore be measured, addressing the agency problem between ownership and control.

Secondly, this study can assist government with replacing the current dysfunctional dual ownership structure with the recommended centralised ownership structure (OECD, 2015). This would enable a clear separation of the government's ownership, policy-making, and regulatory roles. Certain roles can be performed by other structures, allowing government to concentrate on its policymaking role. Furthermore, a centralised ownership model will also

ensure autonomy of the boards and CEOs through transparent appointment processes. This would result in well balanced and skilled boards as well as competent CEOs.

6.7.2 The supervisory role of the board

Past experiences have shown that poor corporate governance in SOEs is largely due to the failure of the board to supervise and control the CEO in the execution of mandates and objectives (Adèle, 2012). The current study may assist the boards of NamPower, Telecom, Air Namibia, and Namport on how to effectively supervise and control management as led by the CEOs. This approach would clearly separate the roles of the chairpersons of the boards from the roles of the CEOs. It would allow boards to concentrate on strategic issues, such as directing strategy formulation and implementation. It would also ensure the disclosure of strategic information such as annual financial statements. The chairpersons of the respective boards may learn how to provide effective leadership and how to develop a culture of interdependence among key role players such as government, boards, and CEOs.

6.7.3 The executive role of the CEO

CEOs of NamPower, Telecom, Air Namibia, and Namport may benefit from this study by emulating the approach set by the board. The CEO's mandates and functions should be executed timeously and without undermining the board's authority by ignoring the line of command of reporting. The board's directives should be carried out expediently. CEOs may be informed on how to ensure a sound stakeholder engagement at all times. And, as the face of the organisation, CEOs would act in the best interest of stakeholders such as employees, customers, and creditors.

6.7.4 Contribution to the body of knowledge

The current study serves to contribute to the body of knowledge by developing and proposing a tentative Namibian contextual Tier 3 SOE model, the Namibia Tier 3 SOEs Holdings (Pty) Limited. This model takes into consideration Namibia's political, economic, social, and environmental factors, which in the current study, are referred to as the 'quartet' bottom line. The model also takes into consideration the individual corporate governance practices challenges at NamPower, Telecom, Air Namibia and Namport. The current study will serve as basis for the development of theories by future scholars.

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APPENDIX A

CASE RESEARCH PROTOCOL TO BE FOLLOWED

- **CODE TO BE USED TO INDICATE PARTICIPANT AND DESIGNATION; (PSMICT)**
- **DURATION OF INTERVIEW: 1: 30 hours**

STAGE 1- ARRIVAL OF RESEARCHER

Introduction of researcher to the participant and re-confirmation of appointment

STAGE 2- INTRODUCTION OF THE STUDY

- Research topic
- Nature and purpose of the study
- Why **TELECOM** was selected and the respective participant
- Explaining the content of the Consent Form (**ANNEXURE B**)

STAGE 3 - COMMENCEMENT OF INTERVIEW

- Re- affirmation of the duration of the interview
- Request for permission to tape record interview in order to capture correct information including verbatim narrative.
- Interview to commence only after permission to tape record is granted or not

STAGE 4 - SUBSTANTIVE PART OF THE INTERVIEW

- The researcher to guide the expert through the interview questions sent to participants before the interview (**APPENDIX C**)

STAGE 5 - ENDING INTERVIEW

- Interview to end 10 (ten) minutes before the budgeted time
- Tape recorder to be switched off
- Expert allowed to question/add anything of essence
- Researcher to provide participant with a blank interview form to fill in after the interview, if he/she feels that they have not adequately respond to the questions

NB: The completed interview transcription to be mailed back to researcher at participant's convenience.

STAGE 6 - POST- INTERVIEW

- Researcher to thank participant and to re-affirm confidentiality and anonymity
- Researcher to inform the participant that a transcribed copy of the interview will be presented to him/her for verification of data.

APPENDIX B

WRITTEN CONSENT FORM FOR PARTICIPANTS

TOPIC: AN INVESTIGATION INTO CORPORATE GOVERNANCE PRACTICES AT TIER 3 SOEs IN NAMIBIA: A CASE STUDY OF TELECOM.

- i) I the undersigned have read the letter given to me for this study in which the details and nature have been explained to me.
- ii) I also understand that I am free to withdraw from participating at any time or to decline to answer any particular question during the interview.
- iii) I agree to provide information to the researcher on the understanding that it is completely confidential and my privacy is protected, unless my permission is given for the disclosure of my name.

Signed participant:

Position : **(PSMICT)**

Date :

APPENDIX C

SEMI- STRUCTURED INTERVIEW QUESTIONS - MD TELECOM (MTN) (Acting)

(NB: NO ANSWER IS WRONG OR RIGHT PARTICIPANT TO ANSWER TO THE BEST OF HER ABILITY)

Objective: To evaluate the executive role of the MD and how this influences corporate governance practices at Telecom.

1.Demographics

i) Age:

ii) Gender:

iii) Education Qualification:

iv) Home language

v) Length of Service in current position.

2.Definition and importance of good corporate governance

2.1 What is your understanding of good corporate governance in the context of Telecom?

2.2 Why do you think that good corporate governance practices are important to Telecom and Namibia?

2.3 How is good corporate governance practiced at Telecom is it a mere compliance to rules and regulations or a strategic commitment?

2.4 Have you attended any orientation/seminar/workshop on good corporate governance?

3. Drivers of corporate governance

In terms of NDP4 Tier 3 SOEs such as Telecom are expected to have achieved an acceptable level of good corporate governance practices by 2017.

3.1 Who are the key role players in driving corporate governance practices at Telecom?

3.2 What are the current challenges faced by Telecom in terms of corporate governance practices which may prevent Telecom to achieve an acceptable level of good corporate governance by 2017?

3.3 What strategies are in place to address these challenges?

4. The role of Telecom as a Tier 3 SOE (an enabler to the attainment of Vision 2030)

4.1 In your view as an MD (Acting) how does Telecom contribute to political stability, economic prosperity, social equity and environmental protection and conservation as key requirements in the attainment of NDP4 and eventually Vision 2030?

5. The executive role of the MD

Appointment

5.1.”It is claimed that some MDs are appointed by the Cabinet and some are appointed by the Board”. Can you shed some light on the process followed to appoint or re-appointment of an MD at Telecom?

5.2 Who appoints the Senior Management?

Accountability

5.3 To whom is the MD accountable and what does the accountability entails?

5.4 Briefly explain how the strategy is crafted and what are the main considerations?

5.5 Who discipline and removes the MD?

Leadership

5.6 Explain briefly your leadership role in terms of corporate governance?

5.7 How critical is trust and collaboration between an MD and his/her Senior management?

5.8 What is your views about the need for interdependence or alignment between your role as an MD(Acting) and your management team in the execution of the Boards directives?

5.9 How do you ensure as an MD(Acting) that the directives from the Board are understood and carried out by the employees?

6.The supervisory role of the Board

6.1 Are you a director of the Board or do you attend the Board meetings by invitation?

6.2 Who determines the MD's objectives and are they specified in terms of being written, and how are they measured?

6.3 How does the objectives of the MD as the executive function differ from the objectives of the Board as the supervisory function?

6.4 How important is the trust relationship between the Board and in particular the Chairperson of the Board with the MD. Can you recall any incident when the relationship was challenged and how you went about to resolve the matter?

6.5 Are you autonomous in exercising your executive function as an MD (Acting)?

6.6 What are your views about the issue of interdependence and alignment of the roles of the Chairperson and the MD to achieve good corporate governance practices?

6.7 As the MD(acting) how do you ensure that the trust relationship and alignment of roles between yourself and the Chairperson are maintained?

7. The role of the Government as the sole shareholder

Ownership

7.1 How is Telecom owned?

7.2 What is the role of the Government as an owner in the operations of Telecom in terms of political, economic, social and environmental objectives?

7.3 Are the above stated objectives specified in terms of being written?

7.4 How does the Government's objectives differ from the objectives of the MD at Telecom?

7.5 How important is the political objectives of the Government in the achievement of Telecom's mandate?

7.8 "It is claimed mostly in the popular media that one of the challenges facing MDs in SOEs is political interference". What are your view in the context of Telecom?

8. Legal and regulatory frameworks

8.1 What are your views on the State Owned Enterprises Governance Act, Act 2, 2006 as amended in 2008. Did you as a MD (Acting) of Telecom had an input and how is it applied at Telecom?

8.2 How does Telecom relate to the State Owned Governance Council and the State Owned Governance Council Secretariat?

8.3 Who is the regulator of Telecom?

8.4 What are your views on the effectiveness of King III as a model and Code and is it applicable to Telecom?

8.5 How do you view the principle of ‘‘Ubuntu’’ and how is it applied in the context Telecom, in particular towards the employees from the previously advantaged communities?

8.6 What are your recommendations if any to make the roles of the Government as the sole shareholder and the supervisory role of the Board and the executive role of the MD more effective in terms of good corporate governance practices at Telecom?

END OF THE INTERVIEW AND THANK YOU VERY MUCH FOR YOUR VALUABLE TIME!

ANNEXURE C

SEMI- STRUCTURED INTERVIEW QUESTIONS – CHAIRPERSON AIR NAMIBIA LTD. (CAN).

(NB: NO ANSWER IS WRONG OR RIGHT PARTICIPANT TO ANSWER TO THE BEST OF HIS ABILITY)

Objective: To evaluate the supervisory role of the Board and how this influences corporate governance practices at Air Namibia.

1.Demographics

- i) Age:
- ii) Gender:
- iii) Education Qualification:
- iv) Home language
- v) Length of Service in current position.

2.Definition and importance of good corporate governance

- 2.1 What is your understanding of good corporate governance in the context of Air Namibia?
- 2.2 Why do you think that good corporate governance practices are important to Air Namibia and Namibia?
- 2.3 How is good corporate governance practiced at Air Namibia, is it a mere compliance to rules and regulations or a strategic commitment?
- 2.4 Have you attended any orientation/seminar/workshop on good corporate governance?

3. Drivers of corporate governance

In terms of NDP4 Tier 3 SOEs such as Air Namibia are expected to have achieved an acceptable level of good corporate governance practices by 2017.

3.1 Who are the key role players in driving corporate governance practices at Air Namibia?

3.2 What are the current challenges faced by Air Namibia in terms of corporate governance practices which may prevent Air Namibia to achieve an acceptable level of good corporate governance by 2017?

3.3 What strategies are in place to address these challenges?

4. The role of Air Namibia as a Tier 3 SOE (an enabler to the attainment of Vision 2030)

4.1 In your view, how does Air Namibia contribute to political stability, economic prosperity, social equity and environmental protection and conservation as key requirements in the attainment of NDP4 and eventually Vision 2030?

5. The executive role of the MD

Appointment

5.1 Why is the position at Air Namibia referred to as MD instead of CEO?

5.2.”It is claimed that some MDs/CEOs are appointed by the Cabinet and some are appointed by the Board”.

5.1.1 Can you shed some light on the process followed to appoint or re-appointment of an MD at Telecom?

5.1.2 What about the Chairperson of the Board?

5.2 Who appoints the Directors and the Senior managers?

Accountability

5.3 To whom is the MD accountable and what does the accountability entails? What about the Chairperson of the Board?

5.4 Briefly explain how the strategy is crafted and what are the main considerations?

5.5 Who discipline and removes the MD?

5 5.1 and what about the Chairperson and the directors?

Leadership

5.6 “ It is claimed that a board is as good as its Chairperson’’. Briefly explain your role in terms of corporate governance?

5.6.1 What are your views about transparency, accountability, responsibility and

Independence and how do you apply them in your role as the Chairman?

5.6.2 How do you as the Chairman apply the concept of effective leadership in terms of fellow directors and the MD?

5.6.3 Why do you say the above. Can you relate any incident during your tenure as a Chairperson?

5.7 How critical is trust and collaboration between the Chairperson and the other directors?

5.7.1 How about the Chairperson and the MD?

5.8 What is your views about the need for interdependence or alignment between your role as Chairperson and the MD in the execution of the Boards directives?

5.9 How do you ensure that the directives from the Board are understood and carried out by the MD?

5.9.1 Do you have , a medical aid, study assistance and a housing scheme and how are they applied?

6. The supervisory role of the Board

6.1 How are the objectives of the Board determined are they specified in terms of being written and how are they measured?

6.2 Who determines the MD's objectives and are they specified in terms of being written, and how are they measured?

6.3 How does the objectives of the Board as a supervisory function differ from the objectives of the MD as an executive function?

6.4 What are your views about autonomy in exercising your supervisory role?

6.5 Can you recall any incident where your supervisory role was challenged either by fellow directors or MD and how did you go about resolving it amicably?

7. The role of the Government as the sole shareholder

Ownership

7.1 How is Air Namibia owned?

7.2 What is the role of the Government as an owner in the operations of Air Namibia in terms

of political, economic, social and environmental objectives?

7.3 Are the above stated objectives specified in terms of being written?

7.4 How does the Government's objectives differ from the objectives of the Chairperson at Air Namibia?

7.5 How important is the political objectives of the Government in the achievement of Air Namibia's mandate?

7.8 "It is claimed mostly in the popular media that one of the challenges facing Chairpersons and MD's in SOEs is political interference". What are your view in the context of Air Namibia?

8. Legal and regulatory frameworks

8.1 What are your views on the State Owned Enterprises Governance Act, Act 2, 2006 as amended in 2008. Did you as a Chairperson of Air Namibia had an input and how is it applied at Air Namibia?

8.2 How does Air Namibia relates to the State Owned Governance Council and the State Owned Governance Council Secretariat?

8.3 Who is the regulator of Air Namibia?

8.4 What are your views on the effectiveness of King III as a model and Code and is it applicable to Air Namibia?

8.4.1 What about the NamCode?

8.5 How do you view the principle of "Ubuntu" and how is it applied in the context of Air Namibia, in particular towards the employees from the previous advantaged communities?

8.6 What are your recommendations if any to make the roles of the Government as the sole shareholder and the supervisory role of the Board and the executive role of the MD more effective in terms of good corporate governance practises at Air Namibia?

END OF THE INTERVIEW AND THANK YOU VERY MUCH FOR YOUR VALUABLE TIME!

APPENDIX C

SEMI – STRUCTURED INTERVIEW QUESTIONS – PERMANENT SECRETARY OF THE MINISTRY OF INFORMATION & TECHNOLOGY (PSMICT).

Objective: To investigate the role of the Government as the sole shareholder and how ownership influences corporate governance practices at Telecom

1.Demographics

- i) Age:
- ii) Gender
- iii) Education qualification
- iv) Home language
- v) Length of service in current position

2. Definition of corporate governance

2.1 What is your understanding of good corporate governance in the context of Telecom?

2.2 Why do you think good corporate governance practices are important to Telecom and to Namibia as a country?

3 The role of Tier 3 SOEs

3.1 Explain the role of Telecom and its importance to the economy of Namibia?

3.2 How are the objectives of Telecom determined and how do

they differ from the Ministry's objectives?

3.3 How do you ensure as an accounting officer of the Ministry that the objectives of Telecom are achieved? Is there any guiding policy and what happens in cases of failure?

3.4 What type of information does your Ministry expect from Telecom

and is there any contractual agreement to enforce that?

3.5 What is your views about the State Owned Enterprises Governance Act, Act of 2006, and

how effective is it applied to Telecom?

3.6 How are boards appointed in the SOE(s) under your Ministry and what are the criteria used?

3.7 How important is the political objectives of the Government of the day in determining the objectives of your Ministry and the objectives of the SOE(s) under your Ministry?

4 Exercising of ownership right and separation of ownership, policymaking and regulatory

4.1 Many at times Ministries as owners of SOEs are accused of interfering in their operational

activities in terms of ownership, policymaking and regulations. Explain how your Ministry deals with this issue in terms of the Tier 3 SOE(s) under your Ministry? ie;

- i) How is Telecom owned? Is Telecom owned by a single Ministry? How effective is the ownership model?

- ii) How are the strategic and operational policies made and implemented?
- iii) How is Telecom regulated and what is the relationship between the regulator and the Government as the sole shareholder of Telecom?

5. General

5.1 What challenges do you think are faced by the Board and MD at Telecom?

5.2 Are you familiar with King III model and code? In your view is this model and Code applicable to Telecom?

5.3 How do you view “ ubuntu” Is this concept applicable to corporate governance practices at Telecom?

5.4 Do you regard the implementation of corporate governance practices at Telecom as a mere compliance to the King III model and code or a commitment towards long term – sustainability?

5.5 What are your views about the current dual ownership model of Tier 3 SOEs?

5.6 What are your recommendations if any to make the role of the Government as the sole shareholder, the Board as the supervisory function and executive role of the MD at Telecom more effective?

END OF INTERVIEW THANK YOU VERY MUCH FOR YOUR VALUABLE TIME!

Appendix D: List of Tier 3 SOEs (Government Gazette of the Republic of Namibia)