THE IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF AIR NAMIBIA

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ABSTRACT

Air Namibia is a State-Owned entity that frequently appeared in the news for the one reason of poor performance. Much of the poor performance of the national airline has been attributed to weaknesses in corporate governance practices in the airline. A preliminary literature search in the area of interest revealed that limited research has been conducted in the scope of interest for the current study. Motivated by the preliminary gap identified; a public outcry regarding poor performance of the airline and the subsequent bailout by the owner, the Government of the Republic of Namibia, the current research becomes indispensable to the airline. This further justified the need to carry out the research. The study aimed to determine the impact of corporate governance on the performance of Air Namibia and to establish the factors that influence corporate governance particularly at Air Namibia. Data was collected using a mixed research method. The researcher utilised both primary and secondary data. The survey design was employed in primary data collection through the use of both structured and non-structured questionnaires. The target population included those who were involved in managing the organisation. The paper used both interpretivism and ontological philosophy in understanding the problem of corporate governance in Air Namibia. Data was analysed using frequencies, mean, percentage and standard deviation and then presented using figures tables and conclusions were drawn from there. The study established that larger boards of directors are more adept in the provision of resources. However, the study observed that larger boards are prone to more conflict among board members who make it difficult to reach agreements. The study also established that Air Namibia's board is composed of both genders and all stakeholders are involved in the appointment of the board. The study further established that executive directors are better placed in handling the affairs of the organisation since they have a deeper understanding of the organisation's operations. This makes the board more independent when the proportion of outside directors increases. The study also established that there is an audit committee and this helps the independent committees to focus on improving Air Namibia's competitiveness and performance. Further, the study found that the board meetings are chaired by the board members with the relevant qualifications and all meetings are relevant to Air Namibia's mandate. The study concluded that there is a strong association that exists between corporate governance and Air Namibia’s performance. It further concluded that the corporate governance components account for 50.3% of Air Namibia’s performance. The study recommends that attention should be given to increase the total size of the board to improve Air Namibia’s performance and that the shareholders should promote board diversity to ensure that all the board members have relevant industry experience required to steward the organisation.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

ATA	-	Air Transportation Association
ACMF	-	African Capital Markets Forum
CACG	-	Commonwealth Association for Corporate Governance.
CEO	-	Chief Executive Officer
EXCO	-	Executive Management Committee of Air Namibia
GDP	-	GROSS Domestic Product
IATA	-	International Air Transportation Association
ICAO	-	International Civil Aviation Organisation
ICT	-	Information Communications Technology
IoDSA	-	Institute of Directors South Africa
King III	-	King Three Corporate Governance Report
King IV	-	King Four Corporate Governance Report
KLM	-	Koninklijke Luchtvaart Maatschappij
LARRI	-	Labour Resources and Research Institute
MD	-	Managing Director of Air Namibia
NAMCODE	-	Namibian Code of Corporate Governance
NCAA	-	Namibia Civil Aviation Authority
NBS	-	Namibia Business School

NMB	-	Namibia
OECD	-	Organisation of Economic Co-operation and Development
PEs	-	Public Enterprises
SOE(s)	-	State Owned Enterprise(s)
SPSS	-	Statistical Package for the Social Sciences.
SWAT	-	South West Air Transport
UNAM	-	University of Namibia
M	-	Mean
SD	-	Standard deviation
R	-	Regression

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To the memory of Ester Pingana Shikulo, Hileni Nambagu Kambabi and Soni Leopold, my dear great-grandmother, grandmother and aunt who received God’s calling much ahead of their time. Rest in peace my dear grandparents; your love shall always be cherished. To my mother Regina Ishekwa, niece Uma Regina Ishekwa and Selma Kasheeta, this study is the outcome of your strength and success of your patience, perseverance, which could not have realise without your support and sincere commitment. This work is dedicated to you all and the rest of the Ishekwa and Sheya-Shipetwako family for believing and always trusting my instinct and encouraging me in all spheres of life.

DECLARATIONS

I, Anna Tangi Ishekwa, declares that this study is my own study and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any institution.

I, Anna Tangi Ishekwa, grants the University of Namibia the right to reproduce this thesis in whole or in part, in any manner or format, which The University of Namibia may deem fit.

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CHAPTER 1

INTRODUCTION

1. Introduction

Corporate governance has become a popular discussion topic in developed and developing countries. The effect of corporate governance on organisational performance is a critical issue since the last finance distress over the world (Datta, 2018). Many accounting scandals and numerous cases of corporate governance malpractices brought about more attention to corporate governance along with business integrity issues. Thus, the issue of corporate governance is a serious factor regarding economic growth and financial market steadiness. A widely held view on corporate governance is the board term that describes the process, customs, policies, laws and institutions that directs the organisations and corporations in the way they act, administer and control their operations (Tricker, 2015). However, the way in which corporate governance is organised differs between countries, depending on the economic, political and social context. “In recent years, corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provision for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of the enterprise” (Rouse, M. 2008).

Magdi and Nadereh (2002) stressed that corporate governance is about ensuring that the business is running well and investors receive a fair return. Core corporate governance institutions respond to two distinct problems, one of vertical governance (between distant shareholders and managers) and another of horizontal governance (between a close, controlling shareholder and distant shareholders). The results drawn by different researchers on the impact of corporate governance on firm performance are positive and direct but some researchers also have drawn negative and indirect results, on the other hand there are also some results which differ from variable to variable.

Cremers and Nair (2005) stated that: “corporate governance is either external or internal, a d that it plays an important role in enhancing the performance and value of the firm”. Corporate governance is very well defined by Mathiesen (2002), “that it is a field in economics that investigates how to secure and motivate efficient management by the use of an incentive mechanism”.

Furthermore, Toudas (2007) stated that “corporate governance is as extensively important to the value of the firm as the policies are important for the firm to grow”. In the same article, it is also noted that the firms which are shareholder and manager friendly have attained negative abnormal returns. So, the writers recommended that the firms must practice corporate governance in order to get the better returns in future. Specifically, in the same paper, research was carried out on the returns of democratic and dictatorship firms and it noted that the average returns of the democracy firms were not adversely affected but on the other hand the returns of dictatorship firms were severely affected.

Clearly, corporate governance plays an important role in enhancing the market confidence of the firm and also leads the firm towards prosperity and stability (Bocean, 2008). Bocean (ibid) further stated that most of the countries were now trying to get the benefits by practicing good corporate governance. With reference to the same research, corporate governance is of great importance because shareholders' equity depends on it due to its policies and regulations".

Lawrence, (2004) claimed that the firms which practice good corporate governance were more profitable and prosperous. Not only did they earn better profit but also these firms paid more to their shareholders. He further stated that good governance is concerned with the executives and the directors. On the other hand, he also mentioned that the firms which followed the charter and laws were more associated with bad performance. The findings of that research indicated that there was no significant and positive relationship between firm performance and the below-mentioned provisions of the corporate governance i.e. option re-pricing did not occur for the last three years, option burn rate is not excessive, all directors attended at least 75% of the board meetings, board guidelines are in each proxy statement, directors are subject to stock ownership guidelines. In the same research, it was also noted that some provisions of corporate governance enhanced the value of the firms such as fairness and equity and those which are not related to firms' values might to be beneficial for other factors or purposes. It was also noted that some provisions of corporate governance, such as, fairness and equity and those which are not related to firm value, enhance the value of the firm and might be beneficial for other purposes. For comparison between developed and developing nations, Rashid (2008) came to know that corporate governance plays an equally balanced role in enhancing the performance of the firms in both developed and developing nations. However, there might a little difference between the relationship of corporate governance and the value of the firms in developed and developing financial markets. This difference may be due to differences in corporate governance structures because of different socio-economic and law and order situations in that particular country. As a result, it is important to explore the different corporate structures and how they affect the performance and value of the firm. Subsequently, the factors that influence corporate governance should be identified and then the impact determined thereafter.

In undertaking this study, the researcher focused on Air Namibia as a State-Owned entity that frequently appears in news for one reason of poor performance practices. Therefore, this research seeks to determine the impact of corporate governance practices in Air Namibia. Preliminary literature review in the area of interest revealed limited research that has been conducted in the scope of interest for the current study. Motivated by the preliminary gap identified and a public outcry on poor performance and the subsequent bailout by the owner, the Government of the Republic of Namibia. The current research remains indispensable to the airline and hence the need for research.

1.1. Background of the study

A problem with corporate governance was introduced by Berle and Means (1932). Corporate governance has always been associated with the agent or agency problem (Adam, 2005). Ideally the principal-agent relationship arises when the owner of the company is not the same person as its managers. According to Hendrikse and Hefer-Hendrikse (2012) this separation always results in the following: Business failures, takeovers, managers expropriating their rights by paying themselves enormous salaries, investors may only be concerned with short term objectives. However, in order to overcome problems of corporate governance, mechanisms can be applied. In accordance with Cadbury (ibid), corporate governance mechanisms refer to controls that investors put in place to control the behaviour of the management in an organisation. However, studies (Becht, Bolton and Roell, 2000) identified five alternative mechanisms to corporate governance the concentration and identity of owners, hostile takeovers and proxy voting, the delegation and concentration of control in the board of directors, the alignment of managerial interest with investors through executive compensation contracts and the clearly defined fiduciary duty of the Chief Executive Officer (CEO).

Furthermore, Hendrikse and Hefer-Hendrikse (ibid) indicated that in search of excellence, specifically in corporate governance, the best practices are not a destination but a process. This process takes cognisance of global developments in corporate legislation, regulations, corporate governance codes and corporate behaviour, and which is dramatically influenced at any point by global financial crises and new corporate scandals and failures.

The Namibian Government has a law which regulates the activities of public enterprises, namely the Public Enterprises Government Act (2006). Basically, an act which is not yet promulgated and does not only provide for efficient governance of public enterprises and the monitoring of the enterprises. With the above being highlighted, in order to strengthen this study, the study touches on various corporate governance codes in operation around the world, which are designed to address specific circumstances in Namibia.

Moreover, corporate governance remains a serious challenge in Namibia, particularly in public sectors. According to the Minister of Finance, Honourable Schlettwein, the public sectors in Namibia comprise of government entities including Air Namibia. They have a history of weak corporate governance and accounting disclosures, whereas the local accounting disclosure requirements have failed to keep pace with the increasing complex group structures and routes introduced by the airline and poor transparency. In order to gain a better understanding of the true picture of corporate governance practices at Air Namibia, one needed to evaluate ethical value practices in the context of corporate governance practices at Air Namibia. Thus, the outcome of the study will assist Air Namibia in adhering to the principles of corporate governance and accepted good practices.

Air Namibia is currently faced with stiff competition in domestic, regional and international routes due to the entrance in new players such as WestAir (Namibia) and other competitors including Emirates, Qatar Airways, KLM, Ethiopian Airways and South Africa Airways. After all, Air Namibia still continues working on its fleet modernisation programme as evidenced by the recent acquisition of new aircraft for its domestic routes.

1.2 Airline industry

An airline is designed in such a way that it provides air transport services for passengers and /or freight. After all, airlines lease or own the aircraft which they use to supply these services and may form partnership or alliances with other airlines for mutual benefit (NCAA, 2005). Generally, airline companies are recognised with an air operating certificate or licence issued by the governmental aviation body in this case in Namibia it is issued by the Namibia Civil Aviation Authority (NCAA). Airlines vary from a single aircraft carrying mail or cargo, through to full-service international airlines operating hundreds of aircrafts such as Emirates and Lufthansa.

Airline services can be categorised as being intercontinental, intra-continental, domestic, regional or international and may operate as scheduled services or charters.

Basically, airlines are distributed all over the world and depending on their network and region of operation, it's an international business with competition on domestic, regional and international markets. Often, international services are normally provided under bilateral agreements within the framework of the Chicago conference of 1944 (Oman, 2001). According to the NCAA airport capacity, routes structure: technology and the costs to lease or buy its physical aircraft are significant in the airline industry. Another large issue within the aviation industry is the weather, which is variable and unpredictable; heat, fog, extreme cold, and snow which may result in airports being shut down and flights being cancelled, which costs a lot of money to airlines. According to the Air Transportation Association (ATA), fuel cost is rated as the second largest expense. Fuel makes up a significant portion of an airline's total cost, although efficiency among different carriers can vary widely.

The ATA further indicated that labour is the airline's number one cost, as one needs to pay the staff (engineers, pilots, flight attendants, baggage handlers, dispatchers, customer service and others). Furthermore, ATA also pointed out that the main component of demand for aviation is the business travellers, cargo, and tourism. Flight schedules tend to be a crucial competitive issue for business travel while personal travellers are price sensitive. Freight and mail services are known to be 15% of the airline's overall revenue, while the airline services enable access to other goods (vacations business meetings foreign – sourced products) the demand for airline services is closely linked to the demand of other goods. In particular, many airlines have responded to these financial pressures in a variety of ways: liquidating, bail out from the government or seeking government subsidies, improving operational efficiency, privatisation and code-sharing with other airlines.

1.3 Air Namibia (Pty)

Air Namibia (Pty) Limited is a proprietary limited company incorporated in accordance with the Companies Act and is the national airline of the Republic of Namibia, with the Government of Namibia as its sole Shareholder which is represented by the Ministry of Works and Transport. The company's business operations primarily involve provision of air transport services for passengers and cargo and ground handling for passengers and aircraft at Windhoek - Hosea Kutako International Airport. Its headquarters is in Windhoek, it operates scheduled domestic, regional and international passenger and cargo services, and has its international hub located in Windhoek - Hosea Kutako international Airport (HKIA) and the domestic hub at a smaller Windhoek Eros airport. Its IATA designed code is SW and its ICAO code is NMB (source; Air Namibia intranet).

Air Namibia's origins – the origins of the airline can be traced back to November 1946, when South West Air Transport (SWAT) was established with a primary objective to be a safe, reliable and profitable airline by helping tourism to thrive and encouraging business investment in Namibia. Its motto is to bring the world to Namibia and Namibia to the world on the fast growing regional and intercontinental destinations of which its, route network comprised of 16 destinations and 17 airports in seven different countries in Africa, Europe and six being domestic ones.

With the Government of Namibia as its sole shareholder, the airline is governed by the board of trustees appointed in accordance with the corporate governance framework. The board of trustees provides an appropriate corporate governance structure that ensures the creation, protection and enhancement of shareholder value. Furthermore, the airline operates under the State-owned Enterprises Act, Act No. 02 of 2006 which was promulgated specifically amongst others to provide for efficient governance. It is against this background that this study sought to examine the practices of corporate governance in Air Namibia

1.4 Statement of the problem

The collapse of major corporates across the world i.e. Enron, Ansett Airlines, Scarf, Retailer Harris and WorldCom triggered a global consciousness to clear problems regarding issues of corporate governance. However, since the collapses in Australia, there has been an increased focus on disclosures and the independence of auditors and directors; and the need for the boards to act in the best interests of the stakeholders and not themselves. Furthermore, a study by Lockhart and Taitoko (2005) examined the causes surrounding the collapse of Ansett Holding (Ltd) and the largest corporate loss of Air New Zealand, which attributed to the failure of governance in the organisation (stakeholders) interest. Despite the fact, Bell (2009) established that southwest Airlines being the most unionised airline in the United States of America and proudly offering nothing to eat or drink on board, still enjoys outstanding customer services, a rating and loyalty as well as the best financial return in the airline industry. While a study conducted by the Centre of Corporate Governance found out that governance remains the biggest challenge to the success of many corporations in Kenya. The centre keeps blaming it for the near collapse of key sectors of the economy, including: coffee, tea and sugar sectors in Kenya (Wangome, 2003). A number of researches conducted in Nairobi, Kenya have shown a positive relationship between corporate governance and firms' performance (Juliana, 2006; Richard, 2006 and Muriithi, 2004).

In Namibia, corporate governance remains a serious challenge, particularly in the public sectors. An established exception is placed on all State-Owned Enterprises (SOEs) to administer their affairs in line with the accepted good principles of corporate governance and good practice governing SOEs as stipulated in section 39 of the SOEs Act (Government of the Republic of Namibia, 2006). With reference to the Organisation for Economic Co-operation and Development (OECD) guideline (2014), the management and directors remain the stewards of the company and are accountable for their own actions in the process of running the business. In the same process, they have the prerogative to ensure compliance with corporate mechanisms within their areas of operational jurisdiction.

According to the Deloitte audit report (2016), there has been numerous reports on poor performance of Air Namibia and constant calls by the airline for bailouts from the government (p.49). The reports have infuriated the stakeholder who continues to question the effectiveness and efficiency of the Airline. The question that remains unanswered is whether the poor performance of the company is attributed to the weaknesses in corporate governance practices in the airline or not. There might be maladies such as business failure, fraud and risk management that may be due to the attitude of management to corporate governance. Air Namibia is no exception to the established expectation to carry out its mandate in line with the established principles of corporate governance and good practices, albeit on a non-legislated basis.

Previous researchers have been only concentrating on evaluating the relationship between corporate governance and corporate performance. However, various researchers employed different methodologies to create the influence of corporate governance on financial performance of organisations. Kimosop (2011), used regression in his study and found that there was a remarkable link between the board size, non-executives' directorship, insider shareholders and board meeting frequency with both ROA and ROE, while Makokha (2014) reviewed a list of variables in his study namely: board size, board composition, leverage and risk committee - how they affect performance and he used content and regression analysis.

Given the background, the proposed study is, therefore necessary to determine whether the airline is operating efficiently and effectively. The study therefore seeks to determine the impact of corporate governance on the performance of Air Namibia.

1.5 Research question

The main question that this study is attempting to answer is as follows:

How does corporate governance practices affect Air Namibia' performance?

What are the factors that influence its performance as a State-Owned Enterprise in Namibia?

1.6 Objectives of the study

The primary objective of the study is to determine the impact of corporate governance on the performance of Air Namibia. The secondary objectives of the study are to:

i) Determine the effect of corporate governance practices on Air Namibia's performance

ii) Identify the factors that influence corporate governance practices in Air Namibia;

iii) Based on objectives (i) and (ii) above make recommendations to Air Namibia.

1.7 Significance of the study

This study was undertaken to understand the linkage between corporate governance and performance, which is paramount to the need of having a strong team of decision makers with a broad range of perspectives and abilities crucial to the financial success of the airline and in building trust of the stakeholders. The outcome of the study will be beneficial to Air Namibia as it would be helpful to the policy makers and will provide more understanding on the structure of corporate governance which results in the growth of the state-owned entity and it would contribute to the national economic growth and stability. This will also help Air Namibia to adhere to the principles of corporate governance and accept good practices.

The findings should create more understanding for Air Namibia on corporate governance theories and practices. The study should also contribute to the existing knowledge associated with the relationship between corporate governance and organisational performance of Air Namibia and it would fill the gaps on the relationship between those variables for future reference by other researchers. In addition, future researchers may also benefit from this research as it could help them to fill the gaps in research.

1.8 Limitations and delimitation of the study

This research only focused on Air Namibia as a state-owned entity which continuously experiencing liquidity problems hence having to be bailed out by the government on an annual basis. This study was restricted only to corporate governance practices and performance of Air Namibia.

The challenge of this study was that there was not enough literature and research on Air Namibia to inform an academic study and make intelligent observations on the performance of the airline as an SOE. The researcher was, therefore, not able to conduct a satisfactory and conclusive trend analysis of Air Namibia over a longer period of time.

1.9 Information sensitivity

Other limitations were access to information and finance. Access to information for this study was limited due to the high sensitivity and confidentiality of the subject matter. Research participants could not have provided the desired data. Vital information for this study was not availed or may have been partially given due to confidentiality rules. The lack of funds on the part of the researcher means that the research was only confined to Windhoek participants and the activities of Air Namibia. If funds were available, the study would have been enriched by the inputs of the participants from across the country where the researcher would have travelled to gather data on what is happening at the outstations as far as service delivery of the particular enterprise in question is concerned.

CHAPTER 2

LITERATURE REVIEW

2. Introduction

This chapter covers a review of literature related to the research problem. It first defines corporate governance, provides a historical overview of corporate governance, then provides an overview of previous studies, a theoretical review, then discusses the model of corporate governance, it then discuss the corporate governance theories based on the study. Next it provides a conceptual framework, then discusses the benefits of corporate governance, corporate governance in Namibia and shows how this research relates to the existing body of knowledge and identifies the gaps existing in the current body of knowledge.

2.1. Corporate governance defined

Zingales (1998) defined corporate governance as "the complex set of constraints that shapes the ex-post bargaining over the quasi-rents generated by a firm (p.4)". Today corporate governance is complex and mosaic, consisting of laws, regulations, politics, public intuitions, professional associations and a code of ethics. However, in the emerging markets of the developing countries such as Namibia many details of these structures are still missing. In many developing countries, developing a good corporate governance is difficult because such governance is complex and vague mainly due to confusing relationships between the state and financial sectors, judicial systems and weak legal, corrupt political systems, absents or undeveloped institutions and scarce human resource capabilities; Chowdary, 2003 stated that this may negatively affect the return on investment for many firms.

Definition of corporate governance may vary according to the context and the cultural situations (Armstrong, Sweeney, 2002) and the perspectives of different researchers. For some reason some scholars argued that a firm's responsibility is primarily towards maximizing the wealth of the shareholders (Friedman, 1970); whereas Sundaram and Inkpen (2004) argued that a firm has an obligation and not only the shareholders but to all stakeholders whose contributions is necessary for the success of the firm (Donaldson, 1983; Freeman,1984). Although the themes are similar, the difference emerges in the practical applications of corporate governance in each individual company.

According to Garvey and Swan (1994) assert that "corporate determines how the firm's stop decision markers (executives) actually administer such contracts (p.139)" they further observed that governance may only matter when such contracts are incomplete, and consequences is that executives "no longer resemble the Marshallino entrepreneur (p. 140)". The King Report (2002) further elaborated on the definition of corporate governance by describing the corporate governance as a system that is concerned with holding the balance between economic and social goals and between individual and communal goals , the aim of being the align as nearly as possible the interests of individuals , corporations and society, while the OECD (1999, 2004) provided a detailed definition: "corporate governance is the system by which business corporation are directed and controlled , the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, manager, shareholders, and spells out the rules and procedures for making decisions on corporate affairs". By doing this, it also provided a structure through which the company objectives are set, and the means of obtaining its objectives and monitoring performance defined.

As we go through (another) phase of major corporate collapses, where greed and overindulgences by management are seen as the cause, investors are calling for tighter controls over who manages their companies and the way these elected persons take care of the corporate assets. There is also the desire for improved disclosure about corporate practices aimed at safeguarding company resources. Shareholders confidence in the corporate world has received an enormous battering and governments and the accounting profession are currently in repair mode and in order to restore that confidence (Sim & Heazlewood, 2003, p.2).

2.2. Historical overview

The topic of corporate governance is a vast subject that enjoys a long and rich history which incorporates managerial accountability, board structure and shareholder rights. The issue of governance began with the beginning of corporations, dating back in the East India Company, the Hudson's Bay Company, the Levant Company and other major chartered companies during the 16^{th} and 17^{th} centuries (Price, 2018). Despite that the concept of corporate governance, has existed for centuries, the name didn't come into vogue until the 1970s. Then it was a term only used in the United States. According to Cheffins (2011), the balance of power and decision-making between board directors, executives and shareholders has been evolving for centuries. He further stated that, corporate governance first came into vogue in the 1970's in the United States of America.

Corporate governance has become an issue of global significance and a hot topic among academics, regulators, executives and investors. The improvement of the corporate governance practices is widely recognised as one of the essential elements in strengthening the foundation for the long-term economic performance of countries and corporations (Price, ibid). Following the financial crises in the latter part of the 1990s the issues of corporate governance has raised the head of the international agenda as an important component of the global financial architecture. On the other hand, Africa is substantially dominated by economies in transition with a smattering of emerging markets. This was presaged by economic reform, embarked upon by many African countries in the course of the 1980s, usually driven by the economic structural adjustment programmes (Cheffins, 2011). Therefore, for Africa the need to improve the state of corporate governance is critical for it to play an essential role in issues of internal financial and economic policy.

However, in Africa, corporate governance has been led by the King Report on corporate governance issued in South Africa in 1994. It has delved into social and transformation issues extremely relevant in the African context. More recently there has been a rise in corporate governance initiatives across the African continent, notably that initiated by the Commonwealth Association for corporate governance (“CACG”) in African countries affiliated to the commonwealth but also other agencies concerned with the promotion of corporate governance practices such as the African capital Markets forum (“ACMF”). The development of the principles for corporate governance in Kenya by the Private Sector Corporate Governance Trust (“PSCGT”), a privately-funded initiative, is a commendable example.

In Namibia, the Namibian Stock Exchange and the institute of Directors of South Africa drafted the NamCode, the corporate governance code for Namibia which was launched in July 2014. According to Staff reporter (2014), “a need arose to create a code on corporate governance for Namibia, as we were not able to apply King III as we had done previously with King II, as King III was based on the new companies Act of South Africa”. NamCode is based on the Namibian Companies Act and principles contained in King III and other international best practices (NSX, 2014).

Today, corporate governance issues have attracted considerable attention, debate and research worldwide. Almost invariably, such efforts have gained momentum in the wake of some major financial scam or corporate failure, as these tend to highlight the need for surveillance of corporate behaviour. Corporate governance has wide ramifications and extends beyond good corporate performance and financial propriety though these are no doubt essential. In India, corporate governance has been under scrutiny and is an issue that has gained widespread (Yusoff and Alhaji, 2012). Today no one can say exactly how corporate governance should be incorporated in a company’s strategy as different people have a different definition of corporate governance. The concept of corporate governance primarily hinds on complete transparency, integrity and accountability of the management, with an increasingly greater focus on investor’s protections and public interest and a key element of good governance is transparency projection through a code of code of good which incorporates a system of checks and balances between key players-board, management, auditors and shareholders (Cheffins, 2011).

2.3. Previous studies

2.3.1 The impact of corporate governance on firms performance:

Shahid (2018) study focused on the impact of corporate governance practices on a firm performance the main objectives of the study were to examine the impact of corporate governance on firms profitability in sugar sector of Pakistan. The study used a panel data approach to facilitate removal of the unobservable heterogeneity that may exit in the different firms and measure the effects that are not possible to observe in pure cross section or pure time series data. In addition, the purpose of the study was to evaluate the effect of corporate governance on firm's performance while examining the sugar industry of the Pakistan. The results show that corporate governance has a significant impact on firm performance. Hence, the researcher concluded that board size significantly impacts on firms' performance, board composition has an insignificant impact on return on assets and CEO / chairman duality have a significant impact on return on assets (ROA) and collectively all independent variables had a significant impact on corporate governance.

Mohan (2018) study revealed a concern over the corporate governance factors that needs to protect the interest of the stakeholders and that there is a need to undertake the monitoring process to lead to superior's firm performance. The researcher also found that if board size increased beyond a certain point these inefficiencies outweigh the initial advantages from having more directors to draw on, leading to lower level of corporate performance.

Getachew (2014) study focused on the impact of corporate governance on firms' performance in Ethiopia. The main objective of the study was to identify the corporate governance such as board size, board composition, firms' size, compositions of women in the board of directors and leverage of the firms' performance of the selected insurance companies in Ethiopia. The study used a correlation analysis which is a statistical tool used to determine the level of associations to variables. The researcher found that board gender diversity, leverage and firms size have a positive effect on ROE (return of equity) and significant whereas board size and board compositions have negative effect and positive effect respectively on ROE, but they have insignificant effect on ROE of selected insurance firms.

2.3.2 The effect of corporate governance on firms' performance:

Wanjiru (2013), the study founded that various aspects of board size affect the financial performance of companies to a great extent. From the regression analysis, board size was founded to negatively affect the financial performance of companies and the on the effects of board composition on the financial performance the study established that various aspects of compositions of the board affects the financial performance to a great extent. The researcher also founded that the composition of the board positively influences the financial performance of the companies to a great extent.

Xavier (2015) founded that there is a negative effect of board size and board composition on the financial performance of firms. A non-effect of financial performance of firms may partly be due to the fact that the shares are considered by board member as a wealth by which everybody is looking for.

Table 2.1: **The effects of corporate governance on firm's performance**

Author/s	**Year**	**Topic**	**Findings**
Wanjiru	2013	The effect of corporate governance on financial performance of a firm.	This study found that the board size has a negatively effects firm's performance and board composition positively influence the firm's performance.
Xavier	2015	Effect of corporate governance on the financial performance of banking industry in Rwanda: a study of commercial banks in Rwanda	This study found that there is a negative effect of board size and board composition on the financial performance of firms.

Source: Researcher 2018

2.3.3. The factors that influences corporate governance:

Vaz (2015) study result shows that the effect of CEO varies, significantly, in functions of the industrial operations. The concentrations of a sector are an important fact in the determination of the effect of the CEO, being lesser its effect in the industry with high concentration. Also, the available resources, this is, the level of indebtedness and Slack affect the impact of the CEO. The effect of the CEO is bigger in the sector of high growth and indebtedness

Petrosiute (2016) study found that there are many factors that influences corporate governance and that companies with long history, bigger in size, more profitable and liquid, is expected to disclose more corporate governance related information.

Table 2.2 Factors that influence corporate governance

Author	Year	Topic	Findings
Vaz	2015	The Factors that influences corporate governance practices	The study concluded that the effects of CEO vary, significantly from company to company.
Petrosiute	2016	An assessment of factors influencing the level of corporate governance discloses among Baltic and Scandinavian listed companies.	The study concluded that the growth and profitability of the firm are unrelated to the levels of corporate governance disclosures.

Source: Researcher 2018

2.4.Theoretical review

Since 1970s corporate governance became a widely authored subject within the African region and beyond. The concept is on reform agenda all over the world (Gordon & Roe, 2004). For this reason, corporate governance remains the focus of research due to its perceived role and contribution to the firm's performance.

According to Ng'eni (2002) principally, corporate governance background is aligned on the agency problem between shareholders (principle) and managers (agents), this leads to the agency problem to allow the manager to extract more private benefits and the firm untimely performs worse therefore firm's needs to improve corporate governance in order to survive for a long-term growth. According to Berle & Means (ibid) good corporate governance can only occur in an organisation should one put a balance between the ownership and control and among the interest of shareholders of the firm. It is thus, clearly noted that the main factors that led to the emerging of corporate governance is the conflict of interest between directors and owners of the business (shareholders).

Corporate governance importance arises in modern corporations due to the separation of management and ownership control in the organisation (Berle & Means, ibid). The interests of shareholders are conflicting with the interests of managers. Corporate governance roles, structure and impact of the board, studies by various scholars from a variety of theoretical perspectives, has resulted in a number of theories computing (Kiel and Nicholson, 2003), while Cadbury (ibid) defines corporate governance as an act of governance and control. Thus, the Cadbury (ibid), considered the mother of all governance systems in the world (Matipira, 2016). Themistocles (2009) stated that main drivers of corporate governance are firm size, leadership or power concentration and board characteristics. Tricker (2015) promulgated theories of corporate governance that included agency theory, stewardship theory, transaction cost theory, resource dependency theory, managerial and class hegemony theory. Tricker (ibid) provided philosophies that included psychological and organisational perspectives, the societal perspective and stakeholders, differing boundaries and level systems. The theories and philosophies remain indispensable for the research.

Agency theory provided discourse of principal and agent relationship, which is fundamental to corporate governance. The relationship is the root causes of agency dilemma (Matipira, 2014). Jensen and Meckling (1976) further, considered the conflict among company managers and company owners that raises the agency cost. Himmelberg, Hubbard and Pealia (1999), argued that principal agent problems are not the same in all firms, these issues vary from company to company and depends on different cultures. McColgan (2001) confirmed that governance mechanism should be designed according to the firm environment and not one size fits all.

Diplock (2010) acknowledged that solid corporate governance practices are vital to prevent dishonest, agenda driven or unsustainable practices corporate governance can never be an optional add-on it is essential individuals acting rationally in their own short-term and self-interest brought global markets to their knees. Steane (2008) concluded that governance in the public sectors is vital, particularly the need for key actors to be clear about the principles of governance and responsibilities and adhering to good governance principles. Thus, the subject of corporate governance covered in the MBA will inform literature review.

The King Report (2002) emphasised that in order for corporate governance to be successful in an organisation it is required to adopt an inclusive and not exclusive approach. It further, referred to the organisations needs to be open to institutional activism and there should be greater emphasis on the sustainability or no-financial aspects of its performance. It also suggested that the board to apply the test of fairness, accountability, responsibility and transparency to all acts or omissions be accountable to the firm but also responsive and responsible towards to the organisations identified stakeholders. The King Report (ibid) also stated that the correct balance between conformance with governance principles and performance in an entrepreneurial market economy must be found, however this is specific to each organisation.

According to Ward (2003), the board is the final firewall against corporate mischief; but this role is not as noble as it sounds. It means those internal controls, all management, and every attempt to salvage the situation (Ward, 2003), thus the duty of managing risk has become a very important integrated part if the corporate governance in the contemporary governance environment. Bocean and Barbu (2007) examined the relationship that exists between corporate governance the firm performance. This study concluded that there is a strong correlation between corporate governance and firm performance.

Chata (2010) evaluated the relationship between corporate governance and corporate performance of public enterprises in Namibia. This study concluded that that there is strong relationship between corporate governance and corporate performance in public enterprise in Namibia.

Mutia (2011) concluded that there's a need for the regulators of the airlines industry in developing economies to emphasis and have a blue print guideline on corporate governance for all players to benchmark and measure themselves against. This study further recommended further studies for a survey to be conducted the with airline industry to determine the effect of corporate governance practices in the industry and use the findings to rank the airline from the best to the least based on the generally accepted principles of corporate governance.

2.5 Model of corporate governance:

In a debate concerning the impact of corporate governance on performance, there are basically two different models of the corporation, the shareholder model and the stakeholder model. In its narrowest sense (shareholders model), corporation governance describes the formal systems of accountability of senior management to shareholder's. According to the model the objectives of the firm is to maximize shareholders wealth. The criterion by which performance is judged in this model is the market value (i.e. shareholder value) of the firm. Therefore, managers and directors have an implicit obligation to ensure that firms are run in the interest of shareholders.

In its widest sense (stakeholder model, corporate governance lays emphasis on contributions by stakeholders that can contribute to the long-term performance of the firms and shareholders value. According to the tradition stakeholder's model, the company is responsible to a wider consistency of stakeholder other than shareholders. Other stakeholders may include contractual partners such as employees, suppliers, customers, creditors and social constituent's such as members of the community in which the firm is located, environmental interest, local and national government, and society at large. This view holds that corporations should be "Socially responsible" institutions, managed in the public interest. According the model performance is judged by a wider constituency interested in employment, market share, and growth in trading relations with suppliers and purchasers, as well as financial performance. The problem with the traditional shareholders model of the firm is that it is difficult, if not impossible, to ensure that corporations fulfil these wider objectives.

2.6 Theories on corporate governance

2.6.1 Stewardship theory

Stewardship theory provides the basis of the board of directors as the stewards of the company and hence remains important in the study. The theory also illuminates the concept of information asymmetry that relates to the provision of passing company information to the owners of the company by the board of directors. Stewardship asserts that there won't be any major agency cost, since the managers are naturally trustworthy (Donaldson, 1990). According to the perspective of the stewardship theory the company executives and managers working for the organisation protects and makes profits for the shareholders and they are considered to be inherently trustworthy and faithful stewards of the corporate resource and are entrusted to them (Donaldson,1990 & Davis,1991).

Furthermore, Donaldson (1997) stated that stewards are there to protect and maximise the wealth via the organisation's performance because, by doing so the stewards utility functions are maximised because organisational success serves most requirements and the stewards will have a clear mission. Agyris (1973) argued that agency theory sees the employee or the staff as the economic being, which suppresses an individual's own aspiration while stewardship theory recognises the importance of structure that empower the steward and thus offers maximum anatomy built on trust (Donaldson, 1991). Therefore, stewardship theory is an argument set forth to the firm's performance that satisfies the requirement of the interest parties resulting in dynamic performance equilibrium for balanced governance. Stewardship theory is known to be a strong relationship between the managers and the firm's success, hence why the stewards would do what it takes to protect and maximise shareholders wealth through the firm's performance. A financially stable firm is one in which the executive members and managers adopt corporate strategies and polices that would facilitate the maintenance of an appropriate balanced between interest and the different stakeholders (Ogden and Watson, 1999). Schoolrman and Donaldson (1997) identified the series of factors that describes the management philosophy of stewardship which are: trust, open communication, long-term orientation, empowerment and performance enhancement.

Stewardship theory suggested that the roles of the (Chief Executive Officer) CEO and the chairperson be joined to reduce the agency cost and to have greater roles as a superintendent in the organisation, this will evident that there would be better safeguarding of the interest of the shareholders. It is empirically proven that the returns had improved by both theories combined rather that separated (Donaldson and Davis, 1991).

2.6.2 Agency theory

Among various theories of corporate governance agency theories provides a rational argument for the introduction of corporate governance mechanism. Agency theory is well-defined to be the relationship between the principal, such as shareholders and agents such as the company executives and managers (Clarks, 2004). Corporate governance focused on the separation of ownership and pedals, which led to principal-agent problems increasing from isolated ownership in the modern corporation Berle and Means (ibid). They regarded corporate governance as a mechanism where the board of directors are crucially monitoring the device to minimize the problems brought about by the principal-agent relationship. However, in this context, agents are regarded as the managers and the principals are the owners and the board of directors acts as the monitoring mechanism. Daily, Dalton and Cannella (2003) had identified two factors to agency theory which are: the first factor is that the corporations are those that reduced to two participants, managers and shareholders whose interest are assumed to be both clear and consistent. Secondly the issue is that humans are self-interested and disinclined to sacrifice their personal interests for the interests of the others (Daily, Dalton and Cannella (2003).

The agency role of the directors mainly refers to the governance function of the board of directors in serving the shareholders and by indorsing the decisions made by the managers and monitoring the implementation of decisions made then. Agency theory emphasizes on the principal and agent relationship led to uncertainty mainly due to various information asymmetries (Deegan, 2004). The argument is that the separation of ownership from management to lead managers of the firm to take action that may not maximise shareholders wealth, due to the specific level of knowledge and expertise which can benefit the managers and not the owners; hence the monitoring mechanism is designed to protect the shareholders interest (Jensen and Meckling, 1976). Furthermore, Keil and Nicholson (2003) affirm that agency theory should be comprised of majority of outside independent directors and so that there can be a separation of responsibilities between the CEO and the chairman which will lead to increase shareholders value. Moreover, the agency theory also advocates for setting up of governance rules and incentives to align the behaviour of executive management to the desires of the stakeholders (Hawley and Williams, 1996).

2.6.4 Stakeholder theory

This theory refers to the issues concerning the stakeholders in a firm; it however mainly sheds light on who has the opportunity to participate in decision-making processes. The stakeholder theory argues that the stakeholders which in this case is the government can be instrumental in the firm's performance should they be given their moral and legal rights to manage the firm (Freeman, 1984). He further explains the accountability of the board more than the shareholders which includes those who can affect and are affected by the achievement of the firms' objectives. However, should the firm be affected by achieving its objectives by the stakeholders, then the firm decisions and hence its performance, can be affected by the stakeholder's actions and on the other hand the firms may affect the well-being of its stakeholders (White, 2009). According to Ansoff (1965), an organisation's objectives can be achieved via balancing the conflicting interest of these of various stakeholders. Therefore, it is important to identify the stakeholders of an organisation and what they are responsible for. The stakeholder theory advocates for participatory governance, which the extent to which stakeholders take part in institutional decision making. The network of relationships with many groups can affect the decision-making processes as the stakeholders' theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firms and its stakeholders (Freeman 1984). Donaldson and Preston (1995), further argues that the stakeholder theory mainly focuses on managerial decisions making and the interest of all stakeholders with intrinsic values and no sets of interest is assumed to be dominate the others. Yusoff and Alhaji (2012) stated that that stakeholders' theory has become more prominent mainly because many researchers have recognised the activation of corporate entity impact on the external environment which requires accountability of the firm to wider audience than simply its shareholders.

Key (1999), identified four ways in which the stakeholders' theory can be criticised: a) inadequate explanations of process, b) incomplete lineage of internal and external variables, c) insufficient attention to the system within which the business operates and the levels of analysis within the system and d) inadequate environmental assessment. This however, provides an inadequate explanation of the firm's behaviour within its environment. Despite these criticisms, the stakeholder has not surprisingly been seized upon by the business and society scholar as a tangible way to organise, assess and research issues in the field. The other areas of management, especially the strategy which has also been found as a useful addition as a research tool. Thus, for scholar of business and society it represented as concrete alterative to the amorphous and seemingly indefinable concept of corporate social performance and corporate social responsibility. However, the stakeholder theory has provided scholars a clear tool for knowing and thus the fulfilled one requirement of theory (Kuhn, 1962).

Freeman (1984) suggested that the firm identify its direct and indirect stakeholders. He further proposed that the firms conduct a value analysis as part of this process and the firm to look for good congruency or fit between the firm and its stakeholders. While Jensen (2001) suggested that the performance of a firm should not be measured only by gains to its stakeholders. He further lighted on issues such as the flows of information from senior executives to the lower ranked staff are known be critical issues that should be a considered.

2.6.5 Institutional theory

Crouch (2006), considered institutional theory as most powerful theory for development of a conceptual framework. This theory is not only well established in the context of social science, it also offers a promising way for the integration of diverse perspectives. Institutional theory provides the abilities of analysing the behaviours of the throughout countries (Kostova and Roth, 2002). However, it is broadly stated that the behaviour of firms is governed by their institutional environment or fields, which includes the organisation's social context, the scope of its activities and its network of social responsibilities (Dash, 2000). There is a significant difference if there is a presence or absence of institutional factors that act as mediators of the behaviour of socially responsible businesses. According to Nieto (2008) the presence of external factors stimulates organisations to adopt to social responsibilities practices. He further stated that the roots of institutional theory run richly through the formative years of the social sciences, enlisting and incorporating the creative insights of scholars. Institutional theory focuses on a deeper and more resilient aspect of social structure. This is however considering the process by which structures which includes rules, norms, schemas and routines which was established as authoritative guidelines for social behaviour while in sociological institutionalist theory, organisational structures constitute the hypothesised infrastructures through which normative, cognitive, and dependence mechanisms exerts their influences (Franck, 1999). On the other hand, in some explanations, the penetration of the state by nongovernmental organisations causes state political stability.

Scott (2001) stated that institutional theory originates richly through the formative years of the social science, enlisting and incorporating the creative insights of scholars which ranged from Cooley & Mead, Marx & Weber to Veblen & Commons. As much of the work was carried out at the end of the nineteenth and beginning of the twentieth century which was submerged under the onslaught of neoclassical theory on economics, behaviourism in political science and positivism in sociology, but has experienced a remarkable renaissance in our own time. Some of the most interesting work of the past decades has helped to unpack the multiplicity of institutional arrangements, both between and within a given field, examining the intersection of structures and documenting the transpose-ability of schemas as actors and ideas flow across field boundaries. However, the empirical studies of these processes range from examining the effects of the fragmentation of the United States of America structures; to competition among alternative professional models; to conflicts between faltering and emergent regimes, for example, the rise of market models in socialist states (Campbell, Pedersen and Stark, 1996). This makes it clear that competing rules and schema opens up possibilities for choice and bargaining among subordinate actors, while recognising the actors that are instructionally constructed, it is important to affirm their varying potential for reconstructing the rules, norms and beliefs that guide.

Institutional bound frameworks and defined rational arguments and approaches which remain true. However, these broader frameworks, and other types of institutional provision may support the creation of structures that are more attuned to ensuring accountability, gaining legitimacy and securing social fitness than to directly improving the quality or quantity of products and services. In addition, to the relation between rational and institutional argument, a number of scholars are working to broaden the conception of rationality to supplement and amend narrow utilitarian arguments which they proposed to recognize the rationality that resides in following rules, procedural and normatively- oriented behaviour (Langolois, 1986).

In conclusion institutional arguments are not about aggregations of individuals but rather of higher-order factors above the individual's levels that influence political processes and outcomes which tends to produce regular patterns or stasis.

2.7 Conceptual framework

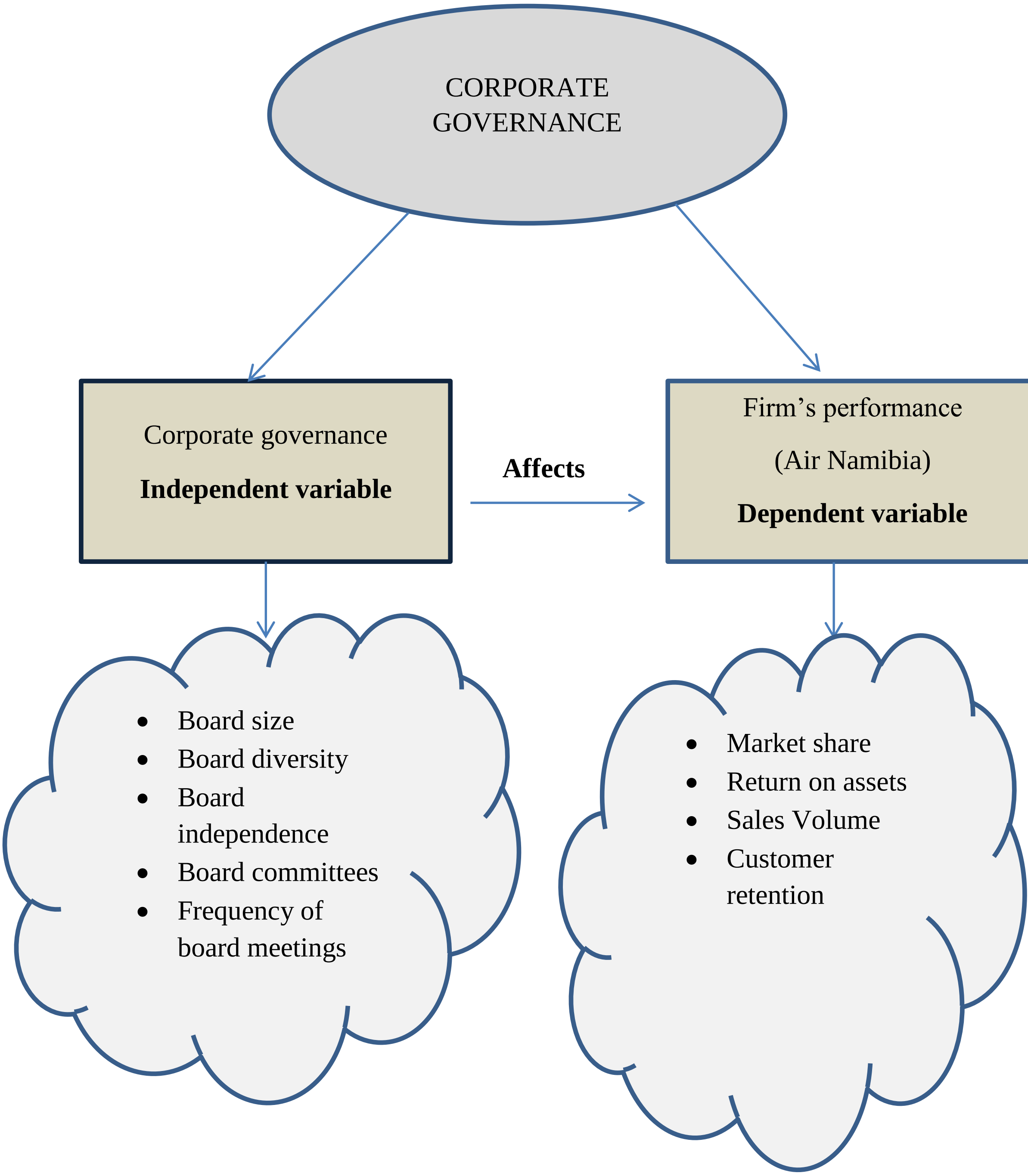


Figure 2.1: The relationship between corporate governance and firm performance

Source: Researcher's Construct 2018

In this study, corporate governance is an independent variable and firm's performance is the dependent variable. The independent variable has five measures.

Table 2.3 Independent variables measures

Independent variables	**Measures**
Board size	Determine the size factor of the boards used a (natural logarithm).
Board diversity	Board diversity was measured by the extent to which a board is constituted comprise a broad range of backgrounds and interest (i.e. values, people from different ethnic groups / cultures, experience and disability).
Board independence	Board independence calculated by the quotient of the non- executives' directors of the total number of the boards of directors.
Board committee	Natural logarithm of the number of meeting held annually.
Frequency of board meetings	Natural logarithm of the number of meeting held annually

Source: Researcher's Construct 2018

Air Namibia's' performance as responses variable was measured by the ROA (Return of Assets) which is the annual net income to aggregate total assets, markets share, sales value and customer's retentions ration.

2.8 Benefits of corporate governance

Good corporate governance is very important in order to: Firstly, attract investors both local and internationally, these assure them their investment will be secured and efficiently managed and aim a transparent and accountable process. Secondly, this will create a competitive and efficient companies and business enterprises. Thirdly it would enhance the accountability and performance of those entrusted to manage the firm. Fourthly, these would promote efficient and effective use of limited resources. Corporate governance enhances the performance of an organisation and ensures the conformance of organisation. Hendrickse and Hefer-Hendrikse (ibid) asserted that the principles of corporate governance stimulate the performance of organisations by creating and maintaining a business environment that motivates those managers and stakeholders to maximise the organisation's operational efficiency, return on investment and long-term productivity growth. That would ensure that the corporate conformance with those who investors and society's interest and expectations and by limiting the abuse of powers. The elements considered for good corporate governance includes: transparency, integrity and responsiveness to shareholders, constantly focusing on the core business and the administration that largely benefits small investors (Hendrickse and Hefer-Hendrikse, ibid).

Despite the recent financial scandal of Enron, Adelphia and WorldCom, a point that has been made frequently is that top management may possess too much power inside their companies and which leads to general lack of accountability and control of their activities is prevalent in companies with wide ownership diffusion. Although this kind of scandals is certainly not new, there has been a renewed interest on the mechanisms that may effectively curtail managerial discretion over sensitive company issues that can have an impact on the welfare of the remaining stakeholders. Numerous sets of recommendations on corporate governance issues have been published especially after some well publicized company failures in the 80's, 90's and millennium (2000's) to adopt in particular by many stock market regulators since the seminal Cadbury (ibid) report in the UK. Thus however, gave a considerable amount of research on the effectiveness of these recommendations in providing better corporate governance.

The King Committee on Corporate governance (2002) further identified seven characteristics and elements of good corporate governance that are the core determinants of corporate governance, with an intense influence on corporate performance. Outlined below:

- Accountability is known to be the individuals or groups in a company that makes decision and takes actions. Those are the individuals who responsible for the action and answers them. Mechanism must exist and be effective to allow accountability. These provide investors with the means to query and assess the actions of the board and committees.
- Responsibility refers to management, pertains to behaviour that caters for corrective actions and penalising mismanagement. Responsible management would then necessary, put what it takes to set the organisation in the right path. While the board is accountable for the company it urged that it acts responsively to and with responsibilities towards all stakeholders of the organisation.
- Transparency is when the outsiders of the organisation can make meaningful analysis of an organisation action, its economic fundamentals

and what the non-financial aspects relevant to the organisation are. This is a measure of how good management is at making necessary information available in a candid, accurate and timely manner - not only the audit data but also general reports and press releases. It would reflect the true picture of what is happening inside the company.

- Corporate discipline is described a commitment by the senior management to adhering to the behaviour that is universally recognised to be appropriate and correct. This encompasses a company's awareness of and commitment to, the underlying principles of good governance, particularly at senior management level.
- Fairness is explained as the system that exits within the organisation and how balanced they are when it comes to those that that have interest in the organisation at present and future especially the minority of the shareholder or stakeholders.
- Independence refers to the mechanism which is in place which helps to minimum or avoids potential conflicts of interest that may exist. These mechanisms range from the composition of the board, to appointment committees of the board and external parties such as the auditors.
- Social responsibility is when a well-managed organisation response to social issues, and places high priority on the ethical standards. It is known that a good company is likely to experience indirect economic benefit such as improved productivity and corporate reputation by those factors into consideration.
- Corporate governance has traditionally been associated with the principle's agency theory problem and public corporations' control.

Daily and Cannella, (2002) stated that those controls mainly addressed issues as to how suppliers of finances assure themselves of getting a return on their investments; how to determine the various uses of organisational resources and how to resolve conflicts among participants in the organisation. Whereas, Cadbury (ibid) emphasised on the importance of practice good corporate governance in order:

i.) Attract foreign and local investors and assure them that their investment will be secures and efficiently managed and in a transparent and accountable manner/process.

ii.) To create competitive and efficient companies and business enterprises.

iii.) To enhance accountability and performance of those entrusted to manage the corporations.

iv.) To promote efficient and effective use of limited resources, which will help corporate governance enhance the performance of corporations by creating and maintain a business environment that motives managers and entrepreneurs to maximise organisational operational efficiency, return on investment and long-term productivity growth.

2.9 Corporate governance components

2.9.1 Board size

Board size refers to the number of directors in the board. It is an important factor to determine the effectiveness of the board. Jensen and Meckling (ibid) argued that a bigger size board of directors may improve the company's board effectiveness and support the management in reducing the agency costs that result from poor management and consequently leads to better financial results. The chairman of the board should be allowed to provide commands to all the executives and non-executive directors. Hermalin and Weisbach (2003) argued the possibility that larger board can be less effective than small boards. When the board consists of too many members agency problems may increase, as some directors may tag along as free riders. They argued that the board becomes too big to manage and it often moves into a more symbolic role, rather than fulfilling its intended functions as part of the management. On the other hand, a very small board lack the advantage of having the spread of experts' advice and opinion around the table that is found in larger boards. In the relevant literature, even though there have been many studies that examine the relationship between board size and firm performance, the finding turned up to be inconclusive.

2.9.2 Board independence

Board independence relies on the firm which is considered as a primary incentive for board monitoring. A study by Boss and Philips (2016) stated that independence of the board of directors is an added value to a firm as it increases the responsibility, provides judgment of self-governance, increases business network connections between the board and executives, and moderating the power of the CEO and chairman of the board. Thus, when the non-executive or outside directors are independent from the management, there could be the possibility of providing superior benefits leading to the firm's financial performance. On the other hand, a study by Ramachandran (2015) found a negative effect of high board of directors' independence on firm financial performance. It also revealed that the firms that increase the proportion of outsiders are considered to be the poor performing firms compared to other firms. The board of directors' independence exhibits that board members do not depend on the CEO and management due to its composition issues. The external members are not involved in the daily firm operations, but they are more likely to cogitate more independently when it comes to the financial performance of the firm (Ramachandran, 2015). The agency theory stated that there is an essential conflict among the interests of the owners and the manager in firms. Few researches do not show the effect of non-executive directors on the board and firm's financial performance (Armstrong, 2015). However, there are also a number of researchers that do not show any improvement in the firm's financial performance due to outside directors of the board.

2.9.3 Board diversity

The board diversity according to Kang (2007) refers to two forms; these are observable diversity and less visible diversity. Observable diversity includes diversity I race/nationality, ethnic background, gender and age. On the other hand, less visible diversity includes diversity in industry experiences, education, functional and occupational background and organisational membership. Gender diversity is significantly increasing, there have been a significant progress in female representation in the board of directors (Daily, 1999). Board gender diversity is a significant t aspect of corporate governance; it is defined as the presence of female directors on the board of director's corporations (Beasley, 1996). There is plethora of literature with ambiguous results on gender diversity in the board. On the other hand, many researches show that firms performance have a positive and direct relations with gender diversity in the board of directors of the firm (Daily, 1999). While on the other side a negative correlation was found between gender and firms' performance. Though results are conflicting, it is evident that more research suggest that gender diversity increase in performance because of reason like, culture of questioning, lack of sufficient qualified directors (Burks, 2000).

2.9.4 Frequency of board meetings

Board meeting refers to an organised set up arranged to assemble directors on the board to discuss and address relevant issues relating to their prior experiences, current predicament and forward looking matters as its related to the company's survival (going concern) (Beasley, 1996). Every resolution passed during the exercise is legal and become operational in the company. Board meeting frequency can be ascertained by the number of meetings held during a year by top managers. There has been a consistent argument in literature as regards the essence of board meeting and performance of the board. Some believe that for board members to effectively fulfil their functions of strategy setting and management monitoring, there is a need for a frequent meeting from time to tie (Vafeas, 1999) On the other hand, some asserted that frequency meetings lead to waste in managerial time and an increase in financial burden in terms of traveling expenses and board sitting allowance given to each board member. They concluded by stating that high board meeting frequency does not improve performance but the quality of such meeting does (Ntim and Osei; 2011; Taghizadeh, 2013; Oyerinde, 2014).

2.9.5 Board committees

The board committees have become a more regulated and formal component of the board of directors in the world today. Most of the studies in corporate governance focus on the board of directors as the main of the study. There are few studies on board committees, which have predominantly examined the effect of the characteristics of a single committee on performance. Klein (2002 examined how audit committee's characteristics affects earnings management and finds that audit committee independence is negatively related to abnormal accruals. Kesner (1988) examined committee composition, and found that the composition of the directors that serves on committees differ from the composition of the directors that do not serve on committees in composition problem of large boards.

2.10 Corporate governance in Namibia

The recent dip in the mining sector, low performance of many Public Enterprises in Namibia was well as worldwide trend of enhancement of corporate governance have stimulated extensive interest in the importance of effective corporate governance in Namibia's public sector. According to Kisting (2016), Namibia is also known as a fast-developing country and it is a known fact that the national goals are depend on good governance. Therefore, it is necessary to stress the fact that good corporate governance has been recognised as one of the value drivers of the national development (Mongudhi, 2015). One the other hand, while the Namibian gross domestic product (GDP) enjoys an average growth rate of between two-to-four percentage annually, the performance of many Public Enterprises leaves much to be desires, of which good corporate governance of those entities is one of the performance components that needs much attention. With reference to Mongudhi as a result of a low level of corporate governance, the Namibian government as a sole shareholder in SOE's in many cases, it faced with a wide range of risks related to the operations of these SOE's of which are mainly financial, operational and political risks. This is one of the reasons that led to the government establishing regular frameworks of corporate governance in public entities.

Although most of the African countries are faced with challenges, Namibia is faced with the same challenges of corporate governance which are compound by inadequate administrative systems, weak human resource capacity, infrastructural and financial resources, which however requires careful targeting of efforts in capacity building in both the private and public sectors.

It was seminal study by Deloitte and Touche (2010), in a reported titled "Report on a Governance Policy Framework for PEs in Namibia" which set the stage for the development of Namibia's PESPE governance policy framework. This report was commissioned to the Namibian cabinet in 2001. The report uncovered perceptions and concerns regarding aspects such as inconsistencies in governance practices, political interferences and preferences, uncertainty about the futures if SOE's and underperformance of board members. The report highlighted that the status of governance in Namibia's SOE's is lagging that of the private sector and there is a need for coherent national's SOE's governance framework. However, the report further highlighted that Namibian Public enterprises were, in many cases, not keeping pace with the need for proactive communication with stakeholders such as the shareholder which is the government through its respective ministers, customers, regulators, suppliers and the public at large based on the OECD.

2.11 Gap analysis

Table 2.4: Gap analysis

Author/s	**Year**	**Topic**	**Gaps**
Shahid	2018	A study on the impact of corporate governance on firms' performance: Case study of Pakistan.	This study did not identify the factors that influences corporate governance practices.
Mohan	2018	The effects of corporate governance on firms' performance: An empirical study.	The study focused on various firms for the corporate governance impact on firm performance rather than one specific firm. The study should have focused on one specific firm
Getachew	2014	The impact of corporate governance on firm performance: A study on selected insurance companies in Ethiopia.	The study used data collection technique which focused mainly on document analysis on the annual reports of firms. The study should have used a mixed method research approach

Source: Researcher 2018

2.12 Summary

This literature review covered the different theories of corporate governance such as stewardship theory, agency theory, stakeholder theory and institutional theory. The different theories of corporate governance offered a better understanding of the dimensions of corporate governance which simplify the choice of the theory which is most suitable for conducting this research study. Corporate governance enhances the performance and ensures the conformance of corporations. The financial scandals and collapse of companies in developed economies triggered most of the reviewed literature in the aviation industry. Furthermore, that corporate governance practices used in developed countries are not directly applicable in developing economies due to political, economic, technological and cultural differences (Mensah, 2002); Rabelo & Vasconcelos, 2002). This means that there is no need to develop models of corporate governance that consider the conditions in developing countries and that are not directly borrowed from developed countries. This paper focuses on the impact of corporate governance Air Namibia’s performance overall. In conclusion, the issues identified in this paper can form a basis for research for the future researchers.

CHAPTER 3

RESEARCH METHODS

3. Introduction

This section provides information on the type of research design that was adopted in the study and gives the population and sample selected for the study. Furthermore, it discusses the data collection, analysis and presentation techniques that were used in the study.

3.1 Research design

The research design of the study outlines the basic approach that researchers use to answer their research questions (Polit and Beck 2010). To meet the aims and objectives of the study it is important that the researcher selects the most appropriate design for achieving the aims of the study (Parahoo, 2006). Carriager (2001) defined research design as the strategy, the plan and the structure of conducting a research project. Welman, Kruger and Mitchell (2005) stated that research design is the plan/method in which we obtain research participants (subject) and collect information from them. According to Wanyama and Olweny (2013), a research design aims at improving the ability of the research in conceptualising an operational plan in order to be able to embark on the various techniques available and required tasks for the completion of the study while at the same time ensuring that the procedures used are sufficient enough to acquire valid, objective and precise responses to the research questions.

According to Durrheim and Painter (2006), qualitative research is defined as a loosely defined category of research design, which elicits verbal or visual data, forms of descriptive like field notes, recordings and other written records and pictures or firms and it is also considered as interpretive naturalistic research, phenomenological research and descriptive research. It is qualitative in nature because the questionnaire contains non-structured questions. Durrheim and Painter (2006) further stated that qualitative research enables a researcher to attempt to obtain a holistic in-depth understanding of phenomenon under the study. The literature review was used to guide this study, and helped the researcher choose the appropriate research methods.

Quantitative research on the other hand, is referred to as a type of educational research in which the researcher decides what to study, ask specific, narrow questions; collects quantifiable data from participants; analyses these numbers using descriptive statistics; and conducts the inquiry in an unbiased, objective manner (Fischler, 2011). He further defined quantitative research to be an intervention and non-intervention research. Intervention research explains whether an intervention influences an outcome for one group as opposed to another group. It is more of experimental research base (between-subjects approach). On the other hand, non-intervention research is involved with associating or relating variables in a predictable pattern of one group or individuals and describing trends for the population of peoples which is more correctional and survey approach-based.

The quantitative approach arises from the belief that human phenomena and variables in human behaviour can be studied objectively (Parahoo, 2006). The researcher chose this approach as an appropriate research method for the study.

Quantitative research uses a fixed design that is organised in advance. As well as the research quest and a detailed method of data collection and analysis (Rebson, 2007).

This research applied a descriptive cross-sectional research design which helped to address the research problem. According to Cooper and Schindler (2003) a descriptive study aims at finding out the what, where, and how of a phenomenon. Descriptive cross-sectional design was used in gathering information, summarising, presentation and interpretation in order to obtain more clarification on the research problem. This allowed the researcher to utilise both qualitative and quantitative data in order to determine the impact of corporate governance on the performance of Air Namibia. Rebson (2007) stated that descriptive research can either be qualitative or quantitative. For this reason, the researcher chose a descriptive research design which was informed by the philosophical assumption of the research based on the world views subscribed to by the research toward the phenomenon understudy, as the researchers' interest was primarily on the current state of affairs in the field rather than manipulating the variables.

The objective of the analysis was for drawing important conclusions about the impact of corporate governance on the performance of Air Namibia. Based on the general concept, the statement of the purpose of Air Namibia's existence and their real practices; strengths and gaps could be identified and analyzed using a mixed method analysis.

3.2 Population

Parahoo (2006) referred to population as “the total number of units from which data can potentially be collected”. Welman and Kruger (2005) further defined population as a study object and consisting of individuals, groups, organisations, human products and events or the conditions to which they are exposed. In this study, the population of the study included the following: the five (5) members of the board of directors who are the drivers of the enterprise and the board of directors who are accountable to the owners for performance of the enterprise; the Managing Director, the person who responsible for the performance of the organisation, as dictated by the board’s overall strategy. Nine (9) Executive Management and six (6) Senior Management who were responsible for managing the company’s core business operations. Twenty-nine (29) Middle and lower management who were responsible for executing organisational plans which comply with company policies. Also, six (6) oversights (Audit and quality assurance and risk who provided independent assurance that an organisation’s risk management, governance and internal control processes were operating effectively. These were also responsible for quality assurance by ensuring that the products meet certain thresholds of acceptability. Finally, three (3) officials of Risk Management, Legal and compliance functions of Air Namibia. A total population of fifty-eight (58) was used for this research.

3.3 Sample

According to Polit and Hungler (1999), a sample is “a representative selection of the population if elements of the sample have been randomly selected from a ‘sampling frame’ listing everybody in the population”. The researcher conducted a random sampling method where only the targeted group was provided with a questionnaire (structured and semi-structured). Simple random sampling was adopted for this study, this appropriate, as it will give every respondent among the accessible population a chance of participating equally (Kothari, 2007).

Given that the population of the study was 58 respondents, it was imperative that there was no need of taking a sample, since the population was manageable (Kothari, 2007). However, in the event that a sample was to be calculated, the research could have used either probability or non-probability sampling techniques or both with varied choices. The sample was restricted due to the nature of the study, which was governance in this case.

3.4 Data collection procedure

The study used both secondary and primary data. Financial statements and other annual published reports for the past fifteen (15) year period -2003-2018 were used to extract secondary data. The available financial reports obtained from the website were explored and relevant sources of material, including books, journals, working papers, scholars' papers and conference papers were reviewed from archived documents in the library. Structured questionnaires were utilised to gather primary data using the Likert scale type questions. These were designed to collect data from the Board of Directors; the Managing Director; Executive Management; Middle and lower management; officials of Internal Audit; officials of Risk Management; Legal and compliance and Quality Assurance of Air Namibia. This is because they are involved in the organisation's management and have a broad understanding of the affairs of the organisation.

The questionnaire constituted of both close and open-ended questions and the closed-ended questions consisted of more structured responses which will be bring out more tangible recommendations. The ratings on various attributes were tested using the structured questions which will help in the reduction of responses that were related so as to obtain responses that were more varied.

The questionnaire was structured in such a way that the researcher used structured questions which consisted of 8 questions and were divided into sections A - E. Additional facts that could not be obtained using the structured questions were captured using the non-structured questions to aid in gaining a better understanding of the impact of corporate governance on the performance of Air Namibia. The research instrument was personally administered by the researcher to the respondents. The researcher kept a register of the questionnaire to ensure that all the questionnaires distributed to the respondents were accounted for.

3.5 Data analysis techniques

Quantitative data was collected, recorded and computed using the Statistical Program for the Social Sciences (SPSS) software for data analysis. The statistical procedures were applied as part of quantitative data analysis, which included descriptive statistics and inferential statistics in which frequencies. Qualitative primary data was analysed through content analysis and the software program ATLAS.ti. The analysis enabled the identification of themes and sub-themes that emerged from the qualitative primary data.

Regression analysis was used as the main tool in measuring the relation between the dependent variable and the independent variables. The multiple regression equation used is the one below:

$AP = \alpha+\beta1+X1+ \beta2+X2+\beta3+X3+ \beta4+X4 +\beta5+X5+e$

Where:

AP	=	Air Namibia's' performance measured by ROA
α	=	Constant term (total assets)
βi	=	Beta Coefficient of variable I which measures whether there is responsiveness of y to change i
$\beta1+ X1$	=	Board size
$\beta2+ X2$	=	Board diversity
$\beta3+ X3$	=	Board independence
$\beta4 + X4$	=	Board committees
$\beta5+ X$	=	frequency of meetings held
e	=	Error term

3.6 Research ethics

Ethical behaviour is an important element in research as in any field of human activity. Welman and Kruger (2005) explained that "the principles underlying research ethics are universal concerned with issues such as honesty and respect for individual rights". The researcher respected all respondents and assured anonymity. The researcher obtained permission to obtain information from the relevant authority before conducting the study. Individual consent as well as organisational consent was sought by the researcher. The collected data is being stored in a lockable safe for a period of 5 years and will be destroyed by shredding and burning when no longer required.

3.7 Summary

This chapter highlighted the design used in carrying out the study, which was a descriptive study. It also highlighted the methods of data collection used on secondary and primary data. A questionnaire was used for collecting primary data while annual reports, relevant sources of material, including books, journals, working paper, scholars' papers and conference papers were reviewed for secondary data collection. An analysis of the research methods used in the study was outlined in this chapter and reasons why particular data collection methods were used were given.

CHAPTER 4

RESULTS AND DISCUSSIONS

4. Introduction

This chapter dwells on the analysis, findings and discussion on the data collected in relation to the impact of corporate governance on the performance of Air Namibia, an SOE. The primary data was acquired from the Management, internal audit, quality assurance, risk management, legal and board of directors by using a semi structured questionnaire. The data was analysed using descriptive statistics such as frequencies, standard deviations, means and percentages and then presented using tables and figures. SPSS was used to run the regression analysis to ascertain the effect of corporate governance on Air Namibia's performance. The results of this study are presented and interpreted.

4.1 Response rate

Fifty-eight semi-structured questionnaires were administered to the Management, internal audit, quality assurance, risk management, legal and board of directors of Air Namibia. A total number of 58 filled the questionnaires were collected. A response rate of 100% was achieved. The high response rate was attributed to constant follow-ups made by the researcher after questionnaire administration. The cover letter accompanying the questionnaires assisted in explaining that the study was not only beneficial to the researcher's academic requirements but also to the organisation being researched.

Table 4.1: Response Rate

Response rate	Frequency	Percent
Filled	58	100.0
Not filled	0	0
Total	58	100

Source: Data survey (2018)

4.2 Reliability test

Table 4.2: Scale: all variables

Case Processing Summary

		N	%
Cases	Valid	58	100.0
	Excluded[a]	0	.0
	Total	58	100.0

a. Listwise deletion based on all variables in the procedure.

Source: Data survey

Table 4.3: Reliability Statistics

Cronbach's Alpha	N of Items
.713	28

Source: Data survey

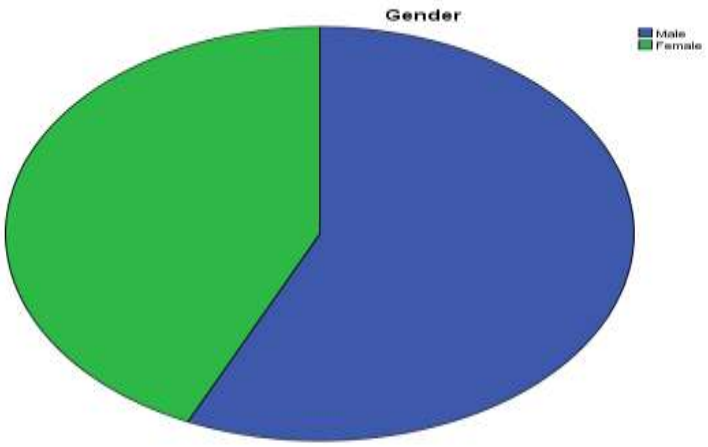
A reliability test was performed using Cronbach's Alpha at coefficient value of .70. The results showed that the research instrument was at coefficient value of .71 which means that it was good for purpose.

4.3 Demographic information

In this section, the researcher sought to analyse the respondent's general information covered in part A of the questionnaire. The parameters discussed including, gender, the position level and length of service. The finding are outlined in the following sub-sections

4.4 Gender respondents

The study intended to find out the extent to which different genders participates in the management of Air Namibia. The study findings are expressed in figure 4.1



Source: Survey data

Figure 4.1: Gender distribution

The results reflected in figure 4.1 above, show that 57% of the respondents were males. The results further reflect that the remaining 43% of the respondents were females. This is a clear indication that the distribution of questionnaire was not done in a biased manner. The findings also reveal that gender parity among top management position of Air Namibia.

4.5 Position levels

The respondent was further request to indicate that positions they held in their organisation. The findings of the study are tabulated in Table 4.4.

Table 4.4: Position level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Board of directors	5	8.6	8.6	8.6
	Executive Management	9	15.5	15.5	24.1
	Senior Management	6	10.3	10.3	34.5
	Low and Middle Management	29	50.0	50.0	84.5
	legal, Compliance and Governance	3	5.2	5.2	89.7
	oversight (Audit, Quality Assurance and Risk	6	10.3	10.3	100.0
	Total	58	100.0	100.0	

Source data: Survey data

The results reflected in table 4.4 above show that the board of directors contributed 9% of which 16% was on the Executive Management level. The results also reflect that the senior management contributed 10% while low and middle management contributed 50%, while 5% was from legal, compliance and governance and the remaining 10% was from the oversight (audit, quality and assurance and risk). This finding indicated that the respondents in executive management level that allows them to understand the impact of corporate governance practices on the performance of Air Namibia.

4.6 Length of service

The study further looked into the number of years the respondents had been working for Air Namibia. The finding is shown in the table 4.5 below.

Table 4.5 Duration of service **n = 58**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-12 months	1	1.7	1.7	1.7
	1-2 years	2	3.4	3.4	5.2
	2-5 years	16	27.6	27.6	32.8
	over 5 years	39	67.2	67.2	100.0
	Total	58	100.0	100.0	

Source: Survey data

The results in table 4.5 show that the 67% had been members of Air Namibia for over 5 years and 28 % of the member had been with Air Namibia for 2-5 years. The results further show that 3 % of the members had been part of the organisation for 1-

2 years while the other 2% had been with the organisation for 0-12 months. These finding show that the respondents had acquired enough working experience in their respective organisation to articulate how corporate governance affect Air Namibia's performance.

4.7 Overview of data collection

The study further investigated the extent to which various corporate governance practices that affects Air Namibia's performance. The respondents were required to show the degree to which they disagree or agree on various statements. The statements were rated on a Likert scale of 1-5. The mean scores recorded were interpreted using the following interpretation scale.

Table 4.6: Interpretations scale

Scale	Interpretation
1	Strongly disagree
2	Disagree
3	Neither agree nor disagree
4	Agree
5	Strongly agree

Source: Survey data

4.7.1 Board size

The researcher examined the influence of board size on Air Namibia's performance. The results are as indicated in Table 4.7

Table 4.7 Board Size

Statement	N	Mean	Std. Deviation
Smaller board enhances firm's performance	58	3.56	0.755
Larger size board are more adept in the provision of resources	58	4.16	0.834
Larger board of directors are prone to more conflicts among board member which makes it difficult to reach agreements	58	4.17	0.841
The benefits from larger boards since they provide effective oversight of management and increase availability in the organisation which leads to the improvement of organisation performance	58	2.64	0.693
A larger board bring more expertise and experience to the board.	58	2.62	0.644
Larger board improve the performance of the board through reduction of CEO domination of the board	58	3.00	1.351
Aggregate mean		**3.353**	**0.853**

Source: Survey data

An aggregate mean of (*M=3.353, SD = 0.853*) was recorded implying that the respondents strongly agreed that board size affects the performance of Air Namibia to a great extent. The respondents strongly agreed that "larger size board are more adept in the provision of resources (*M=4.16, SD = 0.834*)" and "a larger board of directors are prone to more conflicts among board member which makes it difficult to reach agreements (*M=4.17, SD = 0.841*)". The respondents were undecided on the statement the “a larger board brings more expertise and experience on the board (*M=2.62, SD = 0.693*)”.

4.7.2 Board diversity

The study examined the effects of board diversity on Air Namibia’s performance. The results are as shown in Table 4.8

Table 4.8 Board diversity

Statement	N	Mean	Std. Deviation
Appointment of board members has always considered a mix of skills required in the stewardship of the organisation	58	2.40	.699
The organisation board appointment process has been political	58	3.84	1.187
A member’s academic qualifications has been considered before for appointment to the organisations board	58	3.34	1.331
All stakeholders have been involved in the appointment of the board	58	4.47	.537
The board has been composed of both genders	58	4.57	.534
All board members have relevant industry experience required to steward the organisation	58	1.57	.596
Aggregate Mean		**3.37**	**0.814**

Source: Survey data

The aggregate mean of *(M= 2.79, SD=0.808)* indicated that the respondents agreed that board diversity affects the performance of Air Namibia as a state-owned entity.

The respondents strongly agreed that “the board has been composed of both gender (*M= 4.47, SD=0.534)”* and that “all stakeholders have been involved in the appointment of board *(M= 4.47, SD=0.537)”*. The respondents further agreed that “the organisation board appointment process has been political *(M= 3.34, SD=1.187)* and that “a board member’s academic qualifications have been considered for appointment to the organisation’s board *(M= 3.34, SD=1.331)”*. Lastly the respondents were undecided that *“*Appointment of board members has always considered a mix of skills required in the stewardship of the organisation *(M= 2.40, SD=.699)”* and strongly disagreed that “all board members have relevant industry experience required to steward the organisation *(M= 1.57, SD=.596)*. The results indicated a minimal difference in the option of the respondents as shown by the low standard deviations.

4.7.3 Board independence

The study further established the impact of board independence that affects Air Namibia’s performance. The results are as shown in Table 4.9

Table 4.9 Board independence

Statement	N	Mean	Std. Deviation
The number of executive directors is more than that of Non-Executive directors	58	1.79	.695
The board is more independent when the proportion of outside directors increases	58	4.10	1.071
Executives directors are better placed of handling the affairs of the organisation since they have a deeper understanding of the organisation's operations	58	4.19	.805
Non-executive directors add value to firms by enabling them to broaden the perspective of the executive	58	3.14	1.444
The higher the number of non-executive directors compared to that of the executive directors	58	3.98	5.536
Aggregate Mean		**3.44**	**1.910**

Source: Survey data

The results indicated above shows that the respondents agree that board independence has an influence on Air Namibia's performance as demonstrated by the aggregate mean *(M= 3.44, SD= 1.910).* The respondents strongly agreed that "executives directors are better placed of handling the affairs of the organisation since they have a broader understanding of the organisations operations with an aggregate mean of *(M= 4.19 , SD= .805)"* and *"*the board is more independent when the proportion of outside directors increases with a representation of a mean of *(M= 4.10 , SD= 1.071)".* The results further indicated that the respondents agreed that *"*the higher number of non-executive directors compared to that of the executive directors with a mean of (*M= 3.98, SD= 5.536)"* and *"*non-executives directors add values to firms by enabling them to broaden the perspective of the executive *(M= 3.14, SD= 1.444)".* The result indicated a difference in the opinion of the respondents as reflected above which is a low standard deviation.

4.7.4 Board committee

The study examined the impact of the board committees on Air Namibia's performance. The results are indicated in Table 4.10 below:

Table 4.10 board committees

Statement	N	Mean	Std. Deviation
There is an audit committee established on the board	58	4.38	5.457
Independent committees would focus on improving the company competitiveness and performance	58	4.28	.720
Audit committee are not effective against risk they are just overloaded	58	3.09	1.113
The existence of the independent committees enhances financial performance of the organisation	58	3.72	1.121
The audit committee is independent, financial literate, competent, properly compensated and adequately resourced	58	3.72	1.234
Aggregate Mean		**3.84**	**1.929**

Source: Survey data

The respondents agreed that the number of board committees affects Air Namibia's' performance as indicated in the results above by the aggregate mean of *(M=3.84, SD= 1.929).* As indicated in the results above respondents strongly agree that "independent committees would focus on improving the company competitiveness and performance by a mean of *(M=4.28, SD= .720)"* followed by *"*there is an audit committee established by the board with a mean of *(M=4.38, SD= 5.457)"* The results further indicated that the respondents agrees that "the audit committee is independent , financial literate, competent, properly compensated and adequately resourced with a mean of *(M=3.72, SD= 1.234)"* and "the existence of the independent committees enhances financial performance of the organisation of a mean of *(M=3.72, SD= 1.121)"* followed by the statement that "audit committee are not effective against risk they are just overloaded *(M=3.09, SD= 1.121)".* Lastly, the respondents disagreed that "independent committees would focus on improving the company competitiveness and performance *(M =4.28, SD = .720)"*.

4.7.5 Frequency of meetings held

The study sought to determine the impact of meetings held per annum on Air Namibia's performance. The findings are indicated in table 4.11 below:

Table 4.11 frequency of meetings

Statement	N	Mean	Std. Deviation
There is poor attendance in the board meetings	58	2.57	.596
All the board meeting has been relevant to the organisations mandate	58	4.19	.963
The board meetings have been chaired by the board members with the relevant qualifications	58	4.33	.758
There have been other members attending board meetings even when they are not gazetted as its members	58	2.48	.778
The number of board meeting have an influence on the performance	58	3.69	1.366
Aggregate Mean		**3.45**	**0.892**

Source: Survey data

The respondents agreed that the number of board meetings has an impact on Air Namibia's performance as indicated in the mean (M=3.45, SD=0.892). The results reflect that respondents strongly agrees that "board meetings have been chaired by the board members with the relevant qualifications with a mean of (M= 4.33, SD= .758)" and that "all board meetings have been relevant to the organisations mandate with a mean of (M=4.19, SD= .963)". In addition to that the respondents agreed that "a number of board meetings have an influence on the performance of the organisation with a mean of (M= 3.69, SD=1.366)". Lastly the respondents disagreed that "there is poor attendance in board meetings with a (M= 2.48, SD= .778)" and that "there have been other members attending board meetings even when they are not gazetted as its members with a mean of (M= 2.57, SD=.596)". It is observed that "there's is a minimal difference in the opinion of the respondents as indicated in table 1.15 above.

4.8 Multiple regression analysis

The research sought to find out the effect of corporate governance practices on Air Namibia's performance. The mechanisms of corporate governance that were considered were: Board size, board independence, board diversity, number of board committees and the frequency of board meetings. To perform the regression analysis SPSS version 22.0 was used. The regression analysis findings were as indicated below:

4.8.1 Model summary

The study used table 4.12 to establish whether financial performance has a linear dependence on the independent variables (corporate governance). The study established a correlation value of R 0.703 between corporate governance and Air Namibia's financial performance. This depicts a good linear dependence between the two variables. The R-square value of 0.503 was established and an adjusted to 0.455.

Table 4.12: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703[a]	.503	.455	0.29381

a. Predictors: (Constant), Board size, Board diversity, Board independence, Board committees, Frequency of board meetings.

Source: Data Survey

4.8.2 Analysis of variance (ANOVA)

An analysis of variance was used to determine whether there are any statistically significant differences between the means of the independent variables. ANOVA test produced an f-value of 4.533 which was the significant at p=.000. This depicts that the regression model is significant at 95% confidence level and therefore it is reliable in establishing the associations between corporate governance and Air Namibia's financial performance. The results are indicated below in table 4.13

Table 4.13: Analysis of variance (ANOVA)

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.234	4	.431	4.533	.000[b]
	Residual	3.056	54	.079		
	Total	5.710	58			

a. Dependent Variable: Air Namibia's' performance

b. Predictors: (Constant), Board size, Board diversity, Board independence, Board committees, frequency of board meetings

Source: Data survey

4.8.3 Regression coefficients

From the table 4.14 below it is clear that a confidence of level of 95% is obtained on corporate governance which is represented by the following components of corporate governance , the board size = (t=3.129 , p=.000); board diversity = (t= 3.014 , p=.000); board independence = (t= 2.855 , p=.000); board committees = (t=2.578 , p= .000) and frequency of board meetings = (t= 3.496 , p= .000). The statistically significant was higher than that of t-value of $p < 0.05$. This clearly shows that corporate governance has a strong and positive impact on Air Namibia's' performance. The regression model expressed that:

AP = 0.043+ 0.086 X1+ 0.244 X2+0.187 X3+ 0.284 X4 +0.409 +X5

Where:

AP	=	Air Namibia's' performance measured by ROA
α	=	Constant term (total assets)
βi	=	Beta Coefficient of variable I which measures whether there is responsiveness of y to change i
β1+ X1	=	Board size
β2+ X2	=	Board diversity
β3+ X3	=	Board independence
β4 + X4	=	Board committees
β5+ X	=	frequency of meetings held

Table 4.14: Coefficients

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.043	.000		5.230	.000
	Board size	.086	.013	.066	3.192	.000
	Board diversity	.244	.067	.122	3.014	.000
	Board independence	.187	.052	.143	2.855	.000
	Board committees	.284	.097	.225	2.578	.000
	Frequency of meeting held	.409	.102	.270	3.496	.000

a. Dependent Variable: Air Namibia's performance

Source: Data survey

The above table 4.14 depicts that constant = 0.043 which shows that if all there was no corporate governance, Air Namibia's performance would be 0.043 which is a depressing performance. This also shows that a unit of increase of board size, board diversity and board independence would lead to an improvement in Air Namibia's performance by 0.086, 0.244 and 0.284 respectively. It further indicates that an increase in a number of board committees and the number of meetings would lead to an improvement in performance of Air Namibia by 0.284 and 0.409 respectively. Therefore, the researcher was of the opinion that the purpose of the estimating regression equation but the estimated stochastic error term of the model was zero.

4.9 Summary

On the issue of various corporate governance practices having an impact on Air Namibia's performance; from the findings all the factors were found to have an effect on the organisation's output. The results indicated a mean of 3.35 and standard deviation of 0.853 of the board sizes, implying that the respondents strongly agreed that board size affects the organisations performance to a great extent. The respondents further strongly agreed that larger board sizes are more adept in the provision of resources demonstrated by the mean of 4.17 and standard deviation of 0.841. It was also noted that the respondents were undecided on the statement that a larger board brings more expertise and experience on the board with a mean of 2.62 and standard deviation of 0.693.

On other hand, respondents also agreed that the board diversity had an impact on the performance of Air Namibia as a state-owned entity which can be construed from the findings that board diversity greatly affects the organisation's performance as represented by the mean 3.37 and standard deviation of 0.814. The majority of the respondents strongly agreed that the board consists of both genders as shown by a mean of 4.57 and a standard deviation of 0.534 and that all stakeholders have been involved in the appointment of board which is represented by a mean of 4.47 and a standard deviation of 0.537. According to Larcker and Tayan (2016) board diversity has a potential benefit and cost to the organisation because it improves decision-making by ensuring that the board has a full array of knowledge, it's important for social values, consistent with equality and can decrease effectiveness: less information sharing, cohesiveness, cooperation and this can harm performance if quotas are valued more highly than experience.

The respondents further agreed that the organisation board appointment process is political as shown by a mean of 3.34 and standard deviation of 1.187. Respondents also agreed that a board member's academic qualification has been considered before for appointment to the organisation's board as it is shown by the mean of 3.34 and a standard deviation of 1.331.

Lastly the respondents were undecided about the appointment of board members that are considered as a mix of skills required in the stewardship of the organisation as evidenced by the mean of 2.40 and a standard deviation of 0.699. The board members possessed relevant industry experience which is required to steward the organisation as shown by a mean of 1.57 and standard deviation of 0.596. This concludes that all stakeholders were fully involved in the appointment of the board and they ensured that the board was composed of both genders.

The findings further show that board independence has a potential effect on Air Namibia's performance as demonstrated by the aggregated mean of 3.44 and standard deviation of 1.910. The respondents strongly agreed that executive directors are better placed on handling the affairs of the organisation since they have a broader understanding of the organisation's operations.

According to the results, the number of board committees affects Air Namibia's performance to a great extent as indicated by the aggregated mean of 3.84 and a standard deviation of 1.929. This shows that there is an audit committee and they focus on improving the company's competitiveness and performance. It is also noted that the existence of independent committees enhances the financial performance of the organisation and the audit committee is independent, financially literate, competent, properly compensated and adequately resourced. It was also noted that all meetings were chaired by a board member with relevant qualifications and that all board meetings were considered to be relevant to the organisation's mandate. In conclusion, board meetings were well attended.

On the other hand, from the ANOVA statics, the significance level of the regression model has a p –value of .000 which indicated that the data was appropriate for the deductions regarding the population parameters as the p-value was $p< 0.05$. This shows that board size, board diversity, board independence, board committees and the frequency of board meetings had an impact on Air Namibia's performance as a state-owned entity. As to the model of goodness of fit which established whether financial performance has a linear dependence on the independent variable, it shows a strong relationship with a correlation value of R0.703 between corporate governance and Air Namibia's financial performance. The findings further showed an R-square value of 0.503 of which 0.455 indicates a 45.5% of the variance in the financial performance of Air Namibia, this can be explained by corporate governance while the remaining percentage is explained by other factors which were not captured in this study.

CHAPTER 5

CONCLUSIONS & RECOMMENDATIONS

5. Introduction

This chapter presents the major conclusions derived from the findings of this study and the previous studies that were discussed in the literature review. It also gives recommendations based on the findings of this study. In this chapter the researcher suggests areas for further study. Finally, the limitations of the study are also revisited.

5.1 Limitations

The researcher noted that the company information is confidential and proprietary. Most of the respondents did not want to give out information fearing that it might be used to create a negative perception about Air Namibia. For this reason, the researcher had to give assurance to them that the information would be handled with confidentiality and only be utilised for academic purposes. The accuracy of the results of the study was largely based on the respondents' opinion regarding the impact of corporate governance on the performance of Air Namibia. The researcher also sought for clarification from the respondents on any abnormal responses obtained during the study. Lastly the study faced the challenges of resources and time thus limiting the scope of the study.

5.2 Summary of findings

The study aimed at determining the impact of corporate governance on the performance of Air Namibia and to establish the factors that influence corporate governance at Air Namibia. In order to determine the impact of corporate governance on the performance of Air Namibia, a regression analysis was performed using the SPSS software version 22.0. The researcher considered the components of corporate governance which were: board size, board diversity, board independence, board committees and the frequency of board meetings.

It was found that larger boards of directors are more adept in the provision of resources. Although larger boards are prone to more conflict among board members who make it difficult to reach agreements. The study also established that Air Namibia's board is composed of both genders and all stakeholders are involved in the appointment of the board. The study revealed that executive directors are better placed to handle the affairs of the organisation since they have a broader understanding of the organisation's operations which makes the board more independent when the proportion of outside directors increases. The study further established that there is an audit committee and this helps the independent committees to focus on improving Air Namibia's competitiveness and performance. The results of the study also revealed that the board meetings were chaired by the board members with the relevant qualifications and all meetings were relevant to Air Namibia's mandate.

The regression findings revealed that a strong association ($R = 0.703$) exists between the dependent variable and independent variable with corporate governance accounting for 50.3% of the total variance in Air Namibia's performance and an adjusted R-square value of the study of 45.5% of the variance in the financial performance of Air Namibia. This can be explained by corporate governance while the remaining percentage is explained by other factors which were not captured in this study.

5.3 Conclusions

Based on the findings of the study, the following conclusions were made on the impact of corporate governance on the performance of Air Namibia. It is concluded that there is a strong association that exist between corporate governance and Air Namibia's performance. Corporate governance accounts for 50.3% of Air Namibia's performance. Therefore, it is concluded that the corporate governance components have a positive and strong impact on Air Namibia's performance.

5.4 Recommendations

In conclusions of this study, which discussed the impact of corporate governance on the performance of Air Namibia as a state-owned entity, based on the central argument of the study, the researcher makes the following recommendations:

- This study revealed that board size is related to an increase in the performance of Air Namibia. Thus, the researcher recommends that attention should be given to increasing the total size of the board to improve Air Namibia's performance.
- Lastly, the study also revealed that board diversity has an impact on Air Namibia's performance, therefore the study recommends for shareholders to

promote board diversity to ensure that all board members have relevant industry experience required to steward the organisation.

3.1 Recommendations for further research

It would be useful to extend the timeline of the study. So, a longitudinal study with similar scope will be very useful. The recommendation from this study is to further research on Air Namibia's performance.

- An investigation into transparency in ownership structure and investor relationship and financial transparency and information disclosure and board and management structure and processes.
- To investigate the integrated effect of internal and external corporate governance factors on Air Namibia's performance to clarify the potential causes of enhanced performance to attract more capital. Furthermore, the effect of the ownership structure on board structure and performance should be considered in future research.

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APPENDICES

ANNEXURE 1

COVER LETTER (UNAM)

NBS
NAMIBIA BUSINESS SCHOOL
UNIVERSITY OF NAMIBIA

4th October 2018

TO WHOM IT MAY CONCERN

Re: MBA STUDENT – ANNA TANGI ISHEKWA – STUDENT NO: 201615122

As part of our Master of Business Administration Programme, students are expected to submit a research paper after completion of their course-work. They need to explore in detail, some concepts and issues pertaining to Management Strategy. To do that effectively, they need to conduct interviews and obtain practical examples.

Ms. Ishekwa has chosen your organisation to approach for information. It is against this background that I wish to kindly request you to assist Ms. Ishekwa with the information she requires. Accept our assurances that the data will be used for academic purposes <u>only</u>. A copy of the completed document will be available at the Namibia Business School for perusal. Her research synopsis indicates that her topic touches on "**A STUDY ON THE IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF AIR NAMIBIA**".

Your kind assistance is highly appreciated.

Yours sincerely

Dr. Greenfield Mwakipesile
Head of Research
Namibia Business School
University of Namibia
Tel: +246 61 413 500
Fax: +246 61 413 512
Email: mwakipg@nbs.edu.na ; mwakipg@unam.na

340 Mandume Ndemufayo Ave. – Private Bag 16004 – Pionierspark – Windhoek – Website: www.nbs.edu.na
Tel: +264 (61) 413500 – Fax +264 (61) 413512 – E-mail: info@edu.na – Trust reg. no T263/05

ANNEXURE 2

PERMISSION LETTER: AIR NAMIBIA

Air Namibia
Carrying the spirit of Namibia

P O Box 731- Windhoek • Tel: +264-61-2996111 Fax: +264 61 2996101 • E-mail: Jerhome.Tjizo@airnamibia.aero

Ms. Anna Tangi Ishekwa
University of Namibia

12 October 2018

Mam

RE: MBA STUDENT – MS. ANNA TANGI ISHEKWA – STUDENT NUMBER: 201615122

With reference to your request that Air Namibia management and board participate in the questionnaire of: A study on the impact of corporate governance on the performance of Air Namibia: a case study. We hereby grant you permission in conducting a research on Air Namibia.

Kind regards

Senior Manager : Legal Services

ANNEXURE 3

QUESTIONNAIRE

EVALUATING CORPORATE GOVERNANCE IN AIR NAMIBIA

RESEARCH QUESTIONNAIRE

INTRODUCTION:

I, Anna Tangi Ishekwa, Student number 201615122, a student at the Namibia Business School of the University of Namibia studying towards the MBA in Management Strategy with concentration in corporate governance.

TO THE RESPONDENT:

Thank you in advance for taking your time to join this survey. This survey is being conducted as a partial fulfilment of the requirement for my Master's thesis with a view on the impact of corporate governance on the performance of Air Namibia. The results will be used only for research purposes and be presented only in aggregate without being revealed by outside firms. The result of this survey will be disseminated to Air Namibia. The questionnaire consists of five (A-E) sections only and a total of 8 questions. Your accurate and frank response is important to the success of this survey

Thank you for participating.

Supervisor: Dr. Lovemore Matipira, NUST.

SECTION A

PERSONAL DATA

Instructions

Please tick the appropriate response.

1. **GENDER**

   Male ☐ Female ☐

2. **MY ROLE/ POSITION LEVEL IN AIR NAMIBIA?**

   Board of directors ☐ Executive Management ☐

   Senior Management ☐ Low and Middle Management ☐

   Legal, Compliance and Governance ☐

   Oversight (Audit and Quality Assurance & Risk) ☐

3. **LENGTH OF SERVICE IN AIR NAMIBIA?**

   0-12 Months ☐ 1-2 years ☐

   2-5 years ☐ over 5 years ☐

PART B

CORPORATE GOVERNANCE AND FIRM PERFORMANCE

Instructions

To what degree do you agree with the following statement on the corporate governance practices as observed in Air Namibia? Please indicate so by making an X in the column that's appropriately fits Air Namibia.

SECTION A

4. BOARD SIZE

No. of directors_________________ **(Please indicate)**

	1	*2*	*3*	*4*	*5*
Smaller board enhances firm performance					
Larger size board are more adept in the provision of resources					
Large board of directors are prone to more conflicts amongst board members which makes it difficult to reach agreements					
The firm benefits from larger boards since they provide effective oversight of management and increase resources availability in the organisations which leads to the improvement of organisation performance					
A larger board bring more expertise and experience to the board					
Large board improves the performance of the					

board through reduction of CEO domination of the board					

SECTION B:

5. **BOARD DIVERSITY**

	1	*2*	*3*	*4*	*5*
Appointment of board members has always considered a mix of skills required in the stewardship of the organisation					
The organisation board appointment process has been political					
A member's academic qualifications has been considered before for appointment to the organisations board					
All stakeholders have been involved in the appointment of the board					
The board has been composed of both genders					
All board member s has ha relevant industry experience required to steward the organisation					

SECTION C:

6. BOARD INDEPENDENCE

	1	*2*	*3*	*4*	*5*
The number of executive's directors is more than that of Non-Executives directors					
Non-executive directors add values to firms by enabling them to broaden the perspective of the executive					
The higher number of non-executive directors compared to that of the executive directors					
The board is more independent when the proportion of outside directors increases					
Executives directors are better placed of handling the affairs of the organisation since they have a deeper understanding of the organisation's operations					

7. SECTION D: BOARD COMMITTEE

Number of committees established by the board_____ (Please indicate)

	1	*2*	*3*	*4*	*5*
There is an audit committee established on the board					

Independent committees would focus on improving the company competitiveness and performance					
Audit committee are not effective against risk they are just overloaded					
The existence of the independent committees enhances financial performance of the organisation					
The audit committee is independent, financial literate, competent, properly compensated and adequately resourced					

SECTION E

8. FREQUENCY OF MEETINGS

	1	*2*	*3*	*4*	*5*
There is poor attendance in the board meetings					
All the board meetings have been relevant to the organisations mandate					
The board meetings have been chaired by the board members with the relevant qualifications					
There have been other members attending board meetings even when they are not gazetted as its members					

The number of board meeting have an influence on the performance					

THANK YOU FOR YOUR PARTICIPATION

ANNEXURE 6

EDITORS LETTER

Dr.GM

The Rev. Dr. Greenfield Mwakipesile

ThD, MBA, HBS | mwakipg@outlook.com

CONTACT

PO Box 40529,
Ausspannplatz,
Windhoek,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

3rd January 2019

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF ANNA TANGI ISHEKWA's THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

This certificate serves to confirm that I copyedited and proofread **ANNA TANGI ISHEKWA's** Thesis for the **MASTER OF BUSINESS ADMINISTRATION DEGREE** entitled: **A STUDY ON THE IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF AIR NAMIBIA**

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

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

Please feel free to contact me should the need arise.

Yours Sincerely,

The Rev. Dr. Greenfield Mwakipesile