

POLYTECHNIC OF NAMIBIA

HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

**An Evaluation of Corporate Governance Practices on Board Member Selection and
Recruitment in Namibian State Owned Enterprises**

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**Research project submitted in partial fulfilment of the requirements for the degree of
Masters in Leadership and Change Management in the Harold Pupkewitz Graduate
School of Business at the Polytechnic of Namibia**

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March 2014

DECLARATION

I, Naomi Natangwe Kefas declare that this thesis is a presentation of my own work.
Wherever contributions of others are involved every effort is made to acknowledge
them appropriately.

Signature:

Naomi Natangwe Kefas

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ACKNOWLEDGEMENT

I wish to thank God Almighty, for the successful completion of my studies. I would never have been able to finish my studies without the support and help from: My family, Husband Arthur, Aunt Mercy, Dauti Family; My friends Vincent, Namwandi and Sharon; My Employees, Louise, Tostao and Blessings. I register my profound and heartfelt gratitude to them for their willingness to help. I acknowledge with respect and gratitude the guidance and encouragement I received from my supervisor Prof. Grafton Whyte. His constant encouragement has helped me sail through the lows and highs of the thesis process with considerable ease. My sincere thanks to the respondents, who have dedicated their time willingly to answer my questionnaire, your comments are central to the value of this research.

May God bless you!

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LIST OF ABBREVIATIONS

CACG:	Commonwealth Association for Corporate Governance
CCMAU:	Crown Company Monitoring Advisory Unit
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CSR:	Corporate Social Responsibility
GDP:	Gross Domestic Product

OECD: Organisation for Economic Co-operation and Development

PCAOB: The Public Company Accounting Oversight Board

ROR: Rate of Return

SCA: State Corporation Act

SOE: State Owned Enterprise

SOEA: State Owned Enterprises Act

SOEGC: State Owned Enterprise Governance Council

US: United States

UK: United Kingdom

ABSTRACT

This study highlights the importance of corporate governance in the selection and recruitment of board members in Namibian SOEs. Furthermore, the study intended to investigate the criteria and methods used in the selection of board members and also to examine the corporate governance practice in nomination of board members.

Critical analysis and empirical studies were conducted to answer the objectives of the study. The poor performance of the state-owned enterprises is attributed to political interference in the activities of the organisations which include the selection and recruitment of the board of directors.

The study followed the positivist approach and a quantitative research design to gather the relevant data from the state-owned enterprises. Self-administered questionnaires were designed, and a sample of 40 senior managers and directors was selected to complete the questionnaires. Thirty-five (35) of the questionnaires were returned which constituted adequate respondents for the research. According to this study it was found, although the board nomination is well qualified with adequate experience, corporate governance guidelines are not being fully adhered to. This study found out that there is a relationship between SOEs overall corporate governance performance and board nomination guidelines. Overall the study found that there is a strong relationship between board nomination and corporate governance performance of state owned enterprises in Namibia.

Based on the findings of the study, recommendations were highlighted in order to improve selection and recruitment of board members at the state-owned enterprises. One of the main recommendations is that, there should be proper guidelines to ensure good corporate governance in the selection of board members, and an effective

Nomination Committee should be in place. Furthermore, political interference should be minimised or otherwise avoided altogether.

CHAPTER 1

1. INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

Poor corporate governance lies at the heart of the poor performance of State Owned Enterprises (SOEs) throughout the world, including Namibia (Boamah, 2007; Deloitte & Touche 2012; Hastings, 2012). Namibia gained independence in 1990, and while the country has made significant progress in most areas, less attention has, however, been paid to governance at State Owned Enterprises. Ultimately SOEs are fundamentally essential to the Namibian economy. They provide crucial services to industry and the public such as rail, air, sea transport, telecommunications, water, electricity and other services. When their performance is good, they can provide a solid base for economic and social development, contribute significantly to state budgets, and be an essential tool to implement government policies. When performance is poor, they can become a crushing financial and political burden.

Over the past 10 years, State Owned Enterprises in Namibia have been involved in numerous high profile scandals mainly caused by bad corporate practices on board appointments, ministers appointing unqualified cronies to the board of directors, who then over-step their authority and try to run the day-to-day affairs of the SOEs. This has resulted in misappropriation of funds and over millions of dollars lost through fraudulent investments (Boamah, 2007; Frederiks, 2012).

In addition, there are numerous instances of conflicts of interest and corruption involving SOE board members. Previous SOEs reform efforts failed to deliver sustained

improvements in performance because they did not fully address the core governance deficiencies of public enterprises. The main alleged reason for the failure of these SOEs is the lack of efficient corporate governance on selection of board members. Even though regulations are in place to monitor and guide the whole process, it seems that there are hidden agendas in this regard. There is a need for public scrutiny in the matter concerning the appointment of a board of directors (Mwaura, 2007).

1.2 BACKGROUND

State Owned Enterprises make decisions that significantly impact Namibia's economic, social and cultural well-being on a daily basis. They manage billions of dollars in public assets and liabilities and oversee the delivery of critical services such as health care, education and public utilities. In recent years, there has been a renewed focus on the need to recruit effective directors. Although the structure and process are necessary elements of effective governance, most experts agree that the key to improving corporate governance is selecting the right people to serve on the board of directors who have the competencies and personal attributes to effectively drive corporate performance and ensure integrity and accountability (Watson, 2004).

The common complaint is that patronage appointments do not provide public-sector organizations with appropriate leadership. The classic definition of a patronage appointment in this context and the definition used in this article is one that applies to an individual who is not qualified for the job, but who is nevertheless appointed based on political and other considerations rather than the knowledge, skills and experience required. Patronage appointments are not a new concept. They originated in the arts community in Renaissance Italy, where a patron exhibited power and control by being able to

make an appointment, and the appointee received prestige and public recognition through association with that patron. In 1881, U.S. President James Garfield was assassinated, allegedly because he failed to give his assassin a patronage appointment (Watson, 2004).

The appointment of unqualified directors (through patronage or not) is no longer acceptable. As is occurring in the private sector around the world, public sector jurisdictions must reform their appointment practices to ensure that directors are selected for their competencies and commitment to effective governance (Watson, 2004).

In case of most, State Owned Enterprises, the recruitment and selection processes are questionable or corrupt, and they are unlikely to be able to recruit or retain people who will improve the ethical climate of the organisation. Favouritism, nepotism, and other conflicts of interest have influenced recruitment and selection processes of board members in the State Owned Enterprises (Chukwuemeka, 2010; Mwaura, 2007). Namibia's State Owned Enterprise sector is faced with challenges in following practices in the selection of board members as this paper seeks to identify some or all of the following corruption risks:

- An official (council/panel member/line minister) manipulating the selection procedure to secure the appointment of a close friend or family member.
- A selection panel member failing to declare a conflict of interest and acting to advance the interests of an applicant who is a close friend, a relative or political/business affiliate.
- The line minister of a selection committee appointing members to the selection panel whom they can influence in order to ensure their favoured candidate will be selected.

- An applicant falsifying qualification or employment history to enhance his or her prospects of securing a position and the selection Committee failing to identify the anomaly.

The principle that positions are filled on the basis of merit is fundamental to the recruitment and selection of employees in the State Owned Enterprises. To ensure that the best person is selected, public sector agencies need accurate information about the skills, training and qualifications of applicants. While media coverage of corporate governance is quite recent, academics and policy-makers have pointed out for a long time the lack of diversity on boards, suggesting that greater diversity of board members is likely to lead to better performing boards and corporations and in particular to increase corporate social responsibility (Campbell and Minguéz-Vera, 2008).

It is recognised that recruitment and selection processes are of crucial importance to the promotion of equal opportunities and subsequently these processes must be carried out according to objectives and job related criteria which do not give rise to discriminatory practices and which result in appointments based on merit, qualifications and experience that will ensure the State Owned Enterprise's ability to perform its duties. Corporate governance refers to the way that the state sets high level strategic goals, and how it implements them through corporate structures such as boards. In practice, this means defining desired outcomes, nominating the most skilled and talented people to guide the SOE and monitor management and operations, incentivising hard work and good performance, and ensuring accountability for results (Commonwealth Association for Corporate Governance, 1999).

Good governance requires having effective corporate structures. The principal tool of sound governance is a professional board of directors. It is crucial to note at the outset that there are different forms of oversight structures and boards in Namibia. The board of directors in this report refers to the body that provides oversight over executives. It does not refer to management boards or executive boards that are composed 100% of executives. For example, management boards cannot reasonably be expected to provide proper oversight over themselves (Commonwealth Association for Corporate governance, 1999).

Good governance also relies fundamentally on systems of reporting, audit and controls that minimise risks, the potential for corruption, and conflicts of interest. Seen from the opposite perspective, politicised and uneconomic decision making, nepotism, corruption, lack of controls and accountability are all antithetical to good governance (Baltic Institute of Corporate Governance, 2012).

Boards are at the heart of corporate governance in both private sector companies and SOEs. Most corporate scandals are due to a breakdown of the governance relation between shareholders, the board, and the senior executives (Cadbury report, 2000). Since the global financial crisis in 2008 to 2010 there have been renewed efforts to strengthen governance aspects in the form of new regulations and corporate governance codes (Cadbury, report 2000). Furthermore, there has been a renewed focus across the globe on increasing the performance of boards to increase the performances of SOEs; and to boost the accountability of management boards and shareholders. A strong board participates effectively in company strategy and provides proper incentives for management, maximising value, while taking into consideration the policy objectives of the enterprise (Frederick, 2011).

The demands on the SOE boards have become increasingly complex beyond just the traditional focus on examining the annual financial statements and budget. These days, boards must consider increasingly difficult technical issues, including risk and risk management, financial instruments, financial reporting, systems of control and corporate responsibility and be able to anticipate future events, uncertainties and risks. That is why selection and recruitment of directors to fulfil the organisational needs is vital in any State Owned Enterprises.

1.3 STATEMENT OF RESEARCH PROBLEM

The main purpose of this research is to evaluate corporate governance practices on board members' selection, and recruitment in the State Owned Enterprises. This study wants to establish whether the current process being used is leading to the appointment of the right people as members of the Board of Directors.

A report compiled by Deloitte in 2012, shows that SOEs do not have enough representation of qualified board members while public institutions are dominated by political appointments, a situation that is compromising efficiency. The worst institutions in terms of adopting sound and well-crafted corporate governance policies in Namibia are the State-Owned Enterprises (SOEs). The report further notes that SOEs lack a clear demarcation between the duties of the appointing officer, the management and the Board (Deloitte & Touché, 2012).

In Namibia, the line minister appoints directors, with approval from the State Owned Governance Council (SOEA Act 2006). The effectiveness of any company, whether it is an SOE or private entity, is determined by the quality of its leadership. The boards of directors are the controlling minds of the company and are critical to its suc-

cess. The appointment and nomination of suitable people to the board is, therefore, a critical success factor for any SOE in any country. SOEs, board members' appointments are viewed with suspicion when they are made in the absence of an appropriate process (Khoza & Adam, 2005). Finally, it is understood that the lack of appropriate selection and recruitment process affects the credibility of the board and hampers its ability to lead the state-owned enterprise effectively. The study, therefore, wants to establish the status of corporate governance in Namibia with regards to appointments of the Board of Directors.

1.4 RESEARCH QUESTIONS

What role does corporate governance play in the process of board member selection and recruitment in State Owned Enterprises?

1.4.1. RESEARCH SUB-QUESTIONS

- What constitutes proper Corporate Governance guidelines in State Owned Enterprises?
- What methods (criteria) are available in respect of selection and recruitment of board members?
- How useful are corporate governance practices in the selection and recruitment of board members?
- Who are the personnel involved in the selection of board members?

1.5 RESEARCH OBJECTIVES

The goal of the research is to identify corporate governance practices during the selection and recruitment process of board members of State-Owned Enterprises in Namibia.

The objectives of the study are:

- To investigate the criteria and methods used in the selection of board members.
- To examine the corporate governance practice in nomination of board members.

1.6 HYPOTHESIS TESTING

The hypothesis stated below would be tested.

H0: Important aspects of good corporate governance are not adhered to

H1: Important aspects of good corporate governance are adhered to

1.7 MOTIVATION FOR STUDY

State Owned Enterprises (SOEs) in Namibia have an enormous economic and social impact for the region. In this regard, the States, at national, must aim to ensure the sustainability and maximize the generation of both economic and social value of these enterprises. The government of the Republic of Namibia in the past decade has pumped a lot of millions in SOEs. The return on investment through dividends has not been evident, and this has triggered a lot of questions on the corporate governance and nomination processes of these entities. Although the corporate governance of SOEs has been well documented all over the world, there is a lack of research in the corporate governance of SOEs in Namibia, with regard to the selection of board members. There is minimal research done with regard to the board member selection and recruitment in private and public companies, in Namibia.

This paper makes use of the basic theories of human resource management, analysing the existing problem and reason in the process of recruitment and selection in the state-owned enterprises at the present stage, carrying on studying more completely to set up the effective recruitment and selection system in state-owned enterprises.

Through analysing the existent problems which the state-owned enterprises carry on in the process of recruitment and selection at the present stage, the paper will put forward the corporate governance best practices according to the organization's developing strategy; detailed post-research, standard recruitment and selection system of the board.

1.8 DELINEATION OF RESEARCH

This study has focused on the State Owned Enterprises in Namibia. This SOE earns its revenue from the sales of goods and services. The study had only concentrated on 52 SOE's with the main focus looking at the degree of corporate governance in the selection and appointment of board members.

1.9 THESIS OUTLINE

Chapter 1: Introduction

Chapter 1 gives an overview of the background of the study whereby the research problem is discussed, which consequently leads to the research question and sub-questions. It also looks at the research design and limitations and delimitations of the study. Lastly, the motivation and calculated of the study are given.

Chapter 2: The Literature review

Chapter 2 provides a comprehensive literature review that revisits theory and other secondary research findings, journal articles and books that can directly or indirectly lead to important areas of the researcher's topic about facilitating change. This is collected from secondary data based on corporate governance and selection and recruitment.

Chapter 3: Research design and methodology

Chapter 3 presents the methodology used in the present study. This chapter focuses on the research approach, objectives and questions. This chapter is based on the research strategy, instrument for the data collection and analytical approach. In this chapter, we have done the results of the pilot study, as well.

Chapter 4: Presentation and Findings

Chapter 4 presents the findings of the study. Report on the findings from the application forms, the research instruments, validity and reliability of the results is given. This chapter discusses the meaning of the results and how they contribute to the wider body of knowledge.

Chapter 5: Analysis and discussion of research findings

Chapter 5 analyses and discuss research findings. Research questions of the study are linked to the findings of the study and related literature in this chapter. The chapter leads the reader to the next chapter.

Chapter 6: Conclusions and Recommendations

Chapter 6 concludes and gives recommendations that are suggested to State Owned Enterprises based on the findings in Chapter 4. It also includes the review of the research objectives, questions and suggestions for possible topics or areas for further research.

CHAPTER 2

2. LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is a review of literature related to corporate governance practices on board members' selection and recruitment in State Owned Enterprises. There is a great deal of literature encompassing theory, empirical studies from different journals and countries. State Owned Enterprise inefficiency imposes substantial costs to the companies in question. The goals of SOEs are hard to specify due to the challenges of multiple objectives and plural principals (Vernon, & Ramamurti, 1991). But with board members who possess the required knowledge to oversee the activities of these entities, there will be no problem. In this chapter, corporate governance and selection of board members in the SOEs will be explored. Achieving optimal board composition and succession planning require an articulated and clear communication at any enterprise strategy. The ideal mix of director skills and experience depends on a number of the enterprise specific factors.

2.2 DEFINITION OF CORPORATE GOVERNANCE

Corporate governance has been defined in different ways by different authors; corporate governance is defined as the system of regulating and overseeing corporate conduct and of balancing the interest of all internal stakeholders and other parties (external stakeholders, governments and local communities, who can be affected by the corporation's conduct, in order to ensure responsible behaviour by corporations and to achieve

the maximum level of efficiency and profitability for a corporation (Du Plessis et al., 2011).

The importance of good corporate governance is about effective and responsible leadership. This means, there should be ethical values in place, this includes responsibility, accountability, fairness and transparency (King III Report, 2001).

Corporate governance is a system by which companies are directed and controlled. Due to the interests of a firm's shareholders, the issue of corporate governance has received increasing global attention during the decade. The concern of corporate governance has been with both accountability of the board of directors and board effectiveness (Cadbury, 2002). To ensure the board effectiveness, there should be an inclusion of a sufficient number of the non-executive directors who would bring objectivity in the board's judgment thus; non-executive directors should be in the majority, independent directors (Cadbury, 2002).

A Report on a Governance Policy Framework for State-Owned Enterprises in Namibia highlighted the key characteristics of good corporate governance:

- **Discipline:** the senior management in the companies should be aware and committed to the principles of good governance.
- **Transparency:** the ability of a company to make the necessary information available in an accurate and timely way, this includes annual reports and press releases.
- **Independence:** The board must consist of majority independent members this mechanism has been put in place to avoid conflict of interest and avoid domi-

nance of individual or public interest. The composition of the board must have more non-executive directors for independence.

- **Accountability:** The corporation must establish an effective system to hold the board and executive accountability. This can be achieved through subcommittees such as Finance, Auditing and Remuneration.
- **Responsibility:** refers to issues such as boards' responsibility towards all stakeholders of the company and also the publication of financial statements and provision of other information to shareholders and stakeholders.
- **Fairness:** the rights of the groups that have interests in the organisation should be acknowledged and respected all the time.
- **Social responsibility:** deals with non-discriminatory, non-exploitative behaviour of the company and responsibility with regard to environmental and human rights issues.

The state owned enterprise is an economic organisation, regardless of who owns it, with equity capital and thus owned by its shareholders, but that the efficiency of its management may well be determined by incentives, which were independent of and frequently in conflict with those of its owners (Kakabadse et al., 2010).

One of the biggest challenges to global corporate governance is a convergence of corporate best practices as well as convergence of global corporate legal systems. He points out that a mere compilation of governance reports and recommendations to keep in tune with the developments across the globe would not ensure good governance practices (Bhassa, M. 2004).

The development of corporate governance standards has evolved with listed companies, but corporate governance is vitally important for all types of companies including the State Owned Enterprises (Wilcox et al., 2012).

The key participants as defined in corporate governance in a corporation are:

- a) The owners and investors who provide capital to fund the business;
- b) The executives, managers and employees who run the business on a day-to-day basis and implement the policies and strategies set by the board; and
- c) The board of directors.

The board has four main roles:

- a) To represent the interests of the owners;
- b) To oversee and give strategic advice to executive management;
- c) To establish policies that support the corporate purpose; and
- d) To fulfil their legal duty and act in the best interest of the company.

The complex interactions among these three (3) participants are represented by the Corporate Governance Triangle in figure 1:



Figure 2.1
The Corporate Governance Triangle
Source: Kleine, & Von Hauff (2009)

The structure of the triangle represents the governance model in which good Corporate Governance represents a balance and equilibrium within the three groups; these three provide optimal conditions for the corporation to excel and fulfil its strategic goals and objectives, and to achieve sustainable long-term performance. At the beginning, the Corporate Governance Triangle was originally designed to illustrate the dynamics of corporate governance for listed companies only but currently this model is essential for other companies and State Owned Enterprises (Wilcox, 2009).

The key differences in an SOE are:

- The State is the exclusive or the dominant owner;
- The State regulates and has an influential role on the board of directors;
- The State controls the corporation according to the public interest, and most of the time has to balance a political agenda in managing the SOEs.

Regardless of these differences, an SOE's primary goal remains the same as other private companies:

- To provide goods and services.
- To ensure a profit and achieve sustainable growth.
- The achievement of this commercial goal requires equilibrium in the dynamics of the Corporate Governance Triangle.

Therefore, good corporate governance is necessary to achieve management excellence, and increase performance and ultimately achieve the corporation's objective that will benefit its stakeholders and the public.

2.3 THEORETICAL FRAMEWORK

2.3.1 THE AGENCY THEORY

Separation of control from ownership firm implies that executive managers manage a corporation on behalf of the corporation owners (Kiel & Nicholson, 2003). Conflicts or problems arise when, in the perception of a firm's owner, the professional managers do not manage the firm in the best interests of the owners (Davis, Schoorman & Donaldson, 1997).

The agency theory holds that most businesses operate under conditions of incomplete information and uncertainty. Such conditions expose businesses to two agency problems, namely adverse selection and moral hazard. Adverse selection occurs when a principal cannot ascertain whether an agent accurately represents his or her ability to do the work for which he or she is paid (Eisenhardt, 1989). Similarly, the board members should possess 'integrity, competence, reliability, good judgment, independence of mind, and dedication to the cause' (Bowen 2008).

2.3.2 STEWARDSHIP

Unlike the agency theory, the stewardship theory is rooted in psychology and sociology; it is based on the premise that company executives and managers, acting as stewards of shareholders, are to protect and make profits for the shareholders (Davis, et al., 1997). These theoretical considerations argue a view of managerial motivation alternative to agency theory and which may be termed stewardship theory (Donaldson, 1990; Barney, 1990). The executive manager, under this theory, far from being opportunistic, essentially wants to do a good job, to be an excellent steward of the corporate assets. Stewardship theory holds that there is no inherent, general problem of executive motiva-

tion. Therefore, stewardship theory holds that performance variations arise from whether the structural situation in which the executive is located facilitates effective action by the executive. The issue becomes whether or not the organisation structure helps the executive to formulate and implement plans for high corporate performance (Donaldson, 1985). Therefore, the stewardship theory argues that, compared to shareholders, a firm's top manager's care more about the firm's long-term success (Mallin, 2010).

2.3.3 STAKEHOLDER THEORY

The stakeholder theory adopts a different approach. It starts from the premise that organisations serve a broader social purpose than merely maximising the wealth of shareholders, although the purpose of organisations is to create wealth for their stakeholders (Clarkson, 1995). The stakeholder theory states that companies are social entities as they affect the welfare of many stakeholders, stakeholders can consist of groups or individuals that interact with a firm that is affected by the achievement of the firm's objectives (Donaldson & Preston, 1995; Freeman, 2010; Reed, 2002). Successful organisations are judged by their ability to add value for all their stakeholders. Some scholars consider the natural environment as a key stakeholder (Starik and Rands, 1995). Further, the capability to interrelate successfully with the external environment, in line with the resource dependency theory, can be a source of competitive advantage for a firm (Okpara, 2011).

2.3.4 THE CONVERGENCE THEORY

The convergence theory of corporate governance simple assumes that with increasing globalisation and the stupendous growth of multi-national corporations over the last few decades, international boundaries and borders are becoming irrelevant as investment capital seek out new markets and profit centres.

The convergence theory also postulates that there is convergence towards a model of corporate governance that is universally accepted. There is widespread acknowledgment that the agency theory with its emphasis on shareholder value is not only necessary, but practical for how else can the interests of shareholders who are scattered all over the world be protected as global corporations invest in the economies of the developing world (Clarke, 2004).



Figure 2.2: Corporate Governance Frameworks

Source: Deloitte and Touché (2013)

Figure 2.2 above shows that the elements of corporate governance, underlying the framework of the corporate governance infrastructure. The aggregation of governance operating framework consists of the governance infrastructure, namely the technological processes, people and other structure that directors and executive management have to

put in place to govern the corporation activities. This is symbolized by the blue ring that encircles the entire framework.

As depicted in the bottom half of the framework, these elements show the board rules that could be one of the active monitor, with the operating models of directors should be in place.

The top half of the framework shows the governance system where the board responsibility is highlighted. The board's activities and objectives of each element of governance are described as follows:

- **Governance:** The board establishes structures and guideline to fulfil the board activities that is vital to the prospective investors, shareholders, regulators, etc. The Nomination Committee appoints its candidates via an inclusive, independent, and thoughtful process, aligned with the SOE's strategy.
- **Strategy:** The board must put in place guidelines to advise the executive management in the development of strategies and plans that are in align with the mission of the corporation. The state shareholder's best interests must also be taken into consideration when making decisions and planning short and long term. To ensure that the management execute approved strategic plans and ensure the adequacy of internal and external communication, the board must put monitoring systems in place.
- **Performance:** Company strategies must be reviewed and approved by the board and they have to ensure that annual operating and financial plans are in place. The board has to ensure that established budgets are well aligned with the strategic objectives of the corporation.

- **Integrity:** The board must set an example and be principled and ethical in all their doings, and actively participate in programs to promote regulatory compliance. Though they have to ensure that corporate values and ethics are adhered to.
- **Talent:** The Nomination Committee with the board must value the talents and search for a talent that is to the benefit of the corporation and ensure that talent programmes are in place.
- **Risk governance:** The board must be well informed to understand and monitor the corporation, operations, financial, strategies and risk compliance exposure and work in hand with management to alleviate any risk within the corporation.

2.4 CORPORATE GOVERNANCE FRAMEWORK

2.4.1 KING REPORT THREE (III)

In South Africa, under King 3, corporations are required to provide a statement to show if they comply or not with the governance principles and if they do not comply they have to explain their practices. It is relevant, and to that King 3 states that, each principle is of equal importance, consequently 'substantial' application of this Code and Report does not achieve compliance. Regarding board composition, King 3 requires boards to be comprised of a majority of the board that should consist of non-executive directors of which the majority must be independent. Every year the directors who are classified as independent should have their independence assessed by the board, particularly those that have been on the board for longer than nine years. The results should be reported (KPMG, 2013).

According to King 3 guidelines of Board Nomination:

- Appointment, development and performance assessment of directors. A formal procedure should be established for the engagement and development managers
- A nominations committee should help with the identification and recommendation of potential directors to the board
- Background and references should be checked before nomination
- Letters of appointment should be provided to non-executive directors
- Full disclosure of directors should be made to shareholders (King 3 has details of disclosure for example, education, experience, age, other directorships)
- Directors should receive induction and on-going training (including changes to laws, rules, standards and codes)
- The performance of the board, its committees and individual directors should be evaluated every year by the chairman or an independent provider. Results should assist training and be disclosed in the integrated report.

Structure and composition of the board should comprise a balance of power with:

- A majority of non-executive directors, of whom the majority should be independent
- Knowledge, skills, resources, size, diversity and demographics of the board to be considered
- A minimum of two executive directors (CEO and Finance Director)
- The CEO and chairman positions should be separate
- One third of non-executives should rotate annually

- Non-executive directors on the board for longer than nine years must be assessed annually for independence.

2.4.2 SARBANES-OXLEY ACT OF 2002

The Sarbanes-Oxley Act of 2002 was established with the development of high profile corporate financial scandals. This scandal was a wakeup call to establish a tighter governance regulation and guidelines that have had a vital effect on the United State Corporation and many countries have followed suite. The Sarbanes-Oxley Act, Section (404) states:

- The Audit Profession was self-regulatory with the new Act; The Public Company Accounting Oversight Board (PCAOB) has been put in place to regulate them. Reviewing of financial statements of the corporation and issuing an opinion is done by the Auditors thus has to be regulated by (PCAOB) guidelines.
- The financial statements must be attested by The Chief Executive Officer (CEO) and Chief Financial Officer (CFO).
- The audit committees must consist of members that are independent and disclose whether or not, at least one is a financial expert, or reasons why no such expert is on the audit committee.

Principles of corporate governance

The development and interest on corporate governance principles is raised in three documents that were released since 1990. These are:

- The Sarbanes-Oxley Act of 2002 (US, 2002),
- The Cadbury Report (UK, 1992),

- The Principles of Corporate Governance (OECD, 2004)

The Cadbury and OECD report states a general principle around which a corporation is supposed to operate to assure proper governance. The Sarbanes-Oxley Act, familiarly referred to as Sarbox or Sox, is an attempt by the federal government in the United States to legislate a number of the principles recommended in the Cadbury and OECD reports.

Principles of Governance of OECD:

- **Rights and equitable treatment of shareholders:** Shareholders' rights should be respected and assist shareholders to exercise those rights by timeously communicating accurate information and encouraging shareholders to participate in general meetings of the corporation.
- **The interests of other stakeholders:** Shareholders must know that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers in the organisation.
- **The role and responsibilities of the board:** In order to successfully monitor and ensure management responsibilities are met, the board needs sufficient expertise and skills to understand and challenge management performance. The board must also consist of diverse background with adequate board size and levels of independence and commitment.
- **Integrity and ethical behaviour:** When appointing a board member, one of the fundamental requirements to be considered is honesty, integrity and ethics. A

code of conduct must be developed for executive and directors to promote ethics and honesty for responsible decision making in any organisation.

- **Disclosure and transparency:** Board appointments must be done in a transparent manner and their credentials must be published. The board roles and responsibilities must be clear to provide stakeholders with a level of accountability.

2.4.3 UNITED STATES, UNITED KINGDOM

The Anglo-American framework of corporate governance stresses the interests of the public interest and shareholders. The framework on a single-tiered Board of Directors consists of a majority of non-executive directors appointed by the shareholders. This framework/model is known as the Unitary System. With this framework, non-executive directors should be more than the executive directors and should hold key posts that deal with auditing and compensation committees. The major difference between the United Kingdom (UK) and United States (US) is that in the UK, the CEO does not serve as a Chairman of the Board whereas in US the CEO can sit as Chairman on the Board (Tricker, 2011).

2.5 IMPORTANCE OF BOARD APPOINTMENT IN GOVERNANCE

The board is tremendously vital as it is in place to lead, guide conduct and monitors and functions of the corporation and control all business activities. There is a low degree of risk when appointing a board of directors of a wider community. Risk can be reduced, and performance, increased when candidates are briefed on their responsibilities on set during the selection and appointment process. State Owned Enterprises have a more crucial role and significant impact on the economy, cultural and social life (Kihumba, 2012).

Some argue that good governance is even more important in the public sector than the private sector. The good governance principle is more important in State Owned Enterprises as in the private sector as mostly State Owned Enterprises do not compete in the traditional way and are funded by the public funds and most cases these funds are mis-managed. Governance must be in place to protect public resources and ensure transparency and financial accountability in the SOEs (Watson, 2004).

The Global Corporate Governance Forum indicates that, corporate governance has become a vital issue of international importance. Corporate Governance has become pivotal in promoting economic and social development, it is a framework for increasingly providing employment, efficient public services of good and infrastructure; it is an engine of growth worldwide. Running a corporation efficiently and responsibly is now a matter of both private and public interest, and governance has, thereby, come to the head of the international agenda.

2.6 GOVERNANCE CHALLENGES IN SOES

With regard to the political and colonial history in developing economies, like Namibia, the composition of the board of directors, mainly consists of political appointees and is based on political interest than professionalism. The selection and appointment of board members in State Owned Enterprises is most questionable as nominations to the board predominantly depend on political affiliations rather than professional abilities. The board of directors must ensure that the public interest is secured, so it is against this background that board credentials must be published and be subject to public scrutiny. In SOEs, there are multiple and conflicting objectives (Wong, 2000). For example, in the United Kingdom (UK), Royal Mail is expected to make a profit at the same time keep

post offices in rural areas open. Having these multiple roles and goals makes it tough for the board members and management to know the extent of SOEs achievements. One of the causes of multiple objectives is that they are mandated by legislation of the country, or the ministries are the ones influencing the SOEs.

Wong findings stated that politicians are the overseers of the SOEs performance, but they are not interested in improving the performance of SOEs. Instead, they are merely promoting their own interests.

In Liberia, this concept has generally not been well understood. The concept of corporate governance-monitoring of the board of directors in Liberia State Owned Enterprise is ineffective as public interest is not protected as being a member of the board is viewed as a place where people get paid without working, sitting on the board is viewed as a retirement job (Chieyoye, 2012). An appointment of a board member is done based on political affiliation as the appointment is done by the president or the minister. This has become a serious crisis and has posed an economic burden and financial hazard to the state (Chieyoye, 2012).

There are some problems with the South African SOEs governance that might be applicable to Namibian State Owned Enterprises:

- Poor leadership, this is evident in the conflict between the board members chairperson and CEO, senior leadership vacancies and lack of succession planning, instability in executive leadership, delays in senior appointments and political appointments and cronyism.
- Inappropriate rewards including excessive pay and benefits to executive managers and board members despite State Owned Enterprises underperformance.

- Mismanagement of resources evident in poor long-term strategy development, poor financial accountability and fruitless or wasteful expenditure.
- Board irregularities demonstrated in apathy or ignorance of company affairs, irregular attendance at meetings and excessive concurrent board appointments, lack of adherence to fiduciary duties, tender-rigging and lack of regular board appraisals (Thomas. A, 2012).

As stated above, more needs to be done in terms of governing the SOEs in developing countries. There are interesting dynamics that stimulate corporate governance; some of the dynamics are well known financial scandals of Worldcom (USA), Parmalat (Europe) and Enron (USA). The Subject of Corporate Governance has taken front role when discussing strategic issues relative to development and economic advancement globally. Most countries have created awareness to combat poor corporate governance practices to safeguard the interest of the stakeholders and the general public by ensuring that corporate governance guidelines are adhered to, this has become a global initiative (Chieyeyo 2012).

A word of caution to Africa and other developing countries to place their house in order as currently in Africa there is an economic meltdown, and this will increase as the capacity in developing economies to fight serious economic crisis is grossly inadequate or ignored (Chieyeyo, 2012),.

2.7 STATE OWNED ENTERPRISES

State Owned Enterprises (SOE's) refers to government, corporations, enterprises as a public enterprise, government linked corporation, public sector enterprises or parastatals. This government corporation is diverse mixed from small to medium enterprises,

wholly owned corporation, large scale public service provider, partly public service and internationally competitive listed corporation. From this definition, one can notice that these are entities that take up a large portion of the economy (The World Bank, 2006).

2.7.1 CAUSE OF POOR PERFORMANCE IN SOES

This is merely to give an overview of some of the causes of poor performance and that the outcome of corporate administration and board members might contribute. There is unclear and conflicting objectives and political interference in issues and decisions that should come from an efficiency standpoint by the SOEs board of directors or management. High turnover of directors, this is done with a view that good directors are in high demand and short supply because of the lack of incentives and also because incompetent managers are rarely fired but frequently transferred. Finally, the negative effects of SOEs efficiency are due to lack of competition (Grosh & Mukandala, 1994).

There is an opportunity cost for not selecting competent candidates on the boards as most boards of political appointees for the purpose of political appeasement. The political appointed members may lack technical and professional know how to perform their responsibilities, even if they may be willing to work, hereby rendering them non-productive members. These incompetent board members are at an expense of having competent candidates that could make intelligent and meaningful contributions within the parameters of corporate governance (Chieyeyo, 2012).

The Nomination Committee should not appoint board members on the basis of their party affiliation, but based on their competencies. The appointment of board members should be made in accordance with a skills matrix developed by the board,

which knows what its specific needs are and is thus in a position to counsel the government, which appoints members to the board (Bernier, 2012).

2.7.2 ROLES OF STATE-OWNED ENTERPRISES IN THE NAMIBIAN ECONOMY

Some lessons learnt from the Report on a Governance Policy Framework for State-Owned Enterprises in Namibia shows that Namibia is one of the countries that can be classified as a mixed economy. The contribution of SOEs to GDP has been questionable in many cases, with government investment in the SOEs being at an increasing rate. Many SOEs experience high levels of debt as well as decreasing levels of capital productivity. This is with reference to Air Namibia, Namibia Airports Company, TransNamib just to mention a few. SOEs seem to be key players in the national economy in terms of boosting Gross Domestic Product (GDP), development and poverty eradication (Governance Policy Framework for State-Owned Enterprises in Namibia, June 2001).

SOEs in Namibia provide essential services for the economy, such as water (NamWater), electricity (NamPower), transport (TransNamib), and post and telecommunications (Post & Telecom Holdings). With this lesson, it is clear that competent board members are needed to serve on the board of SOEs. In a report Schlettwein presented at Namibia Economy Society Forum, he gave a review on the revenue performance of SOEs: over the period 2000/2001 to 2009/10, less than 1 percent of government revenue came from SOE dividends.

The Board of any Public Corporation (private and state owned) is the cradle of corporate governance. Good corporate governance helps ensure that a company honours its legal obligations. The Acts creating State Owned Enterprises leave them with some statutory mandates. Boards then have the responsibility to ensure corporate governance

principles are met and also ensure that the public interest is taken into consideration at all levels. The board must understand and have monitoring systems in place to ensure management objectives are in line with the corporate mission and vision, as there are always managers who seek personal interest at the expense of the tax payers and general citizen (Chieyeyo, 2012).

SOEs are essential for economic development, especially in the sectors of electricity, transportation and telecommunications. Even though SOEs are performing poorly, Thomas indicated that, in developing countries, State Owned Enterprises are crucial in eradicating inequalities in income, increasing employment and contribution to the development of the region. He goes on to state that, for SOEs to be competitive, they need to be governed responsibly with transparency, and accountability (Thomas, 2012).

Corporate governance can help a State Owned Enterprise internally to achieve its goals and objectives as follows:

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

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

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

2.8 BOARD MEMBERS AND BOARD COMPOSITION

This study suggests that, it has been useful to seek out theories of organizational behaviour to help explain Board effectiveness. It appears that a certain amount of diversity with respect to tenure and age is beneficial in a Board, but that firm performance will tend to

taper off with excessively varied Boards. As predicted, smaller Boards are also associated with higher levels of firm performance. Insofar as average board tenure is concerned, the data supports the idea that Board members need time to adjust to a Board in order to contribute, but also that their contributions tend to diminish with longer levels of tenure. This suggests that an optimal moderate level exists. Finally, a high average proportion of directors who hold outside board positions are associated with decreased levels of firm performance, a result that is contrary to the initial prediction, but consistent with current views that directors are stretched too thin. In short, the data confirms the suggestion that team design is essential for Board effectiveness (McIntyre M et al., 2002).

The board of State Owned Enterprises should be made accountable for SOEs' performance. To achieve this strategy, an SOE's board should be provided with more powers and autonomy to exercise these powers. The board must consist of a well-structured, composed set of skills and expertise, and independence of the members to achieve its goals and objectives. Board incentives must be reviewed, and evaluation of performance must be effective and in place (Frederick, 2011).

One of the important issues to be executed is to minimise political intervention and to channel such intervention appropriately, and these approaches to minimize politics has yielded results for those countries that pursued best practices of corporate governance and has intensified quality board discourse, create more professional boards and improved performance in SOEs (Frederick, 2011).

To establish an effective board capable of independent judgment is more difficult for the SOE. This is viewed with the point that board members are elected officials and politi-

cal/patronage appointees, civil servants and employee representatives, all of whom may have agendas that conflict with the interest of the company (World Bank Report, 2006).

Participants' considers that providing an independent view in the boardroom assisted directors in maintaining a balance of power within the boardroom with a view to sustaining board management relationships. Since this was important to the overall operation of the board, resulting in benefits to the organisation, it followed that having independent directors on the board was of importance (McCabe M & Nowak, 2008).

According to the Commonwealth Association Corporate Governance guidelines, the board composition should consist of:

Right Mix

Organisations must have a right mix of Board members adequately representing key stakeholders. All organisations must have a majority of non-executive directors on their Boards.

Right Size

A board must be sufficient enough to ensure diversity of competencies to exercise its duties and responsibilities, to make timely decisions and work together as a team. An international acceptable number ranges between, 7 to 10 members of boards.

2.8.1 BOARD DIVERSITY

Profiling of individuals of State Owned Enterprises is very essential. Most boards have serious concerns about profiling and its impact on broad categories of a candidate. Corporate governance provides guidelines that are an essential exercise in profiling. When appointing directors, different ethnic and gender backgrounds as well as bases of expertise to their boards must be put into consideration. It is assumed that greater diversi-

ty of the board should lead to less narrow-minded decision-making processes and greater recognition of change (Van der Walt et al., 2006).

Emphasis is placed on State Owned Enterprises to structure their boards to serve their needs and to review their composition to provide the diverse perspectives that today's corporations require. At the same time, board composition will vary according to the ownership structures and their associated governance, performance and social requirements (Van der Walt et al., 2006). Board composition may also vary according to the life cycle stage of the firm as well as the strategic implications of the operating environment.

2.8.2 ROLE OF THE BOARD

The board members have critical roles, some of which are:

- Lead the entity ethically for sustainability in terms of the economy, environment and society, taking into account its impact on internal and external stakeholders.
- Strategically direct, control, set the values, align management to the latter and promote the stakeholders inclusive approach of governance.
- Ensure that each director adheres to their respective duties.
- Safeguard the transparency and the adequate disclosure of information.

The board must ensure that an accountability policy and a process of auditing are in place and are efficient and reliable (King III, 2001; Khoza & Adam, 2005; Wilcox, et al., 2012; CACG, 1999; OECD, 2005; The World Bank, 2006).

2.9 THE NOMINATING COMMITTEE

The Nomination Committee is responsible for providing recommendations of selected candidates to the board and has other responsibilities as well too:

- Nomination Committee must development and revision of corporate governance guidelines;
- Ensure a well-balanced size, composition and functioning of the board and the one of the board committees;
- Select suitable candidates to fill board positions;
- Provide nominees to be designated for election as directors to the board;
- Revise and ensure compensation of board members is appropriate;
- Ensure that the organisation and responsibilities of board committees are in place;
- Ensure there is succession planning of the company in place;
- Ensure that there is a conflict of interest policy in place in case of conflicts of interest involving board members arise.

In addition, the governance and nominating committee is usually responsible for:

- Reviewing contribution policies of the company
- Revisions to the company's code of ethics
- Overseeing the annual evaluation of the board and committee.

2.10 APPOINTMENT OF BOARD MEMBERS

The author-highlighted statement, from the report of Schlettwein (2010), states that to ensure good performance, it is crucial to appoint board members based on their demonstrated expertise and skills during the recruitment process where vacancies are duly advertised, ensuring more transparency in the appointment process. It is also viewed by many authors, to ensure that the board members are credible, competent and independent; there is a need to follow a transparent and objective process of appointment (Khoza & Adam, 2005).

Even though there are regulations in the countries governing the selection and appointment of board members, there is still a high rate of political interference. Each entity should have a nominating committee, with the responsibility of nominating candidates to serve on the corporation's board of directors (Petra, 2005).

The Nominating Committee with the board assistance has the responsibility to appoint qualified candidates for board service and the chairpersons of the various committees of the board. The board must always review the performance of incumbent directors to determine if their work justifies their re-nomination for continued service. In Namibia, there are procedures for appointment of board members as stipulated in the *State Owned Enterprises Governance Act* (2006). In terms of section 15 (1), When selecting a board member the particulars of board members should be recommended, this includes the knowledge, experience and skills concerning issues relevant to the functions of the state-owned enterprise concerned (Chubb Group of Insurance Companies, 2009).

According to the study conducted by Deloitte Report, the guidelines and procedures for the appointing of board members are not necessarily followed. The findings further states that most of the SOE's in Namibia have unqualified and inexperienced board members. It further states that SOEs or public institutions are occupied by political appointees who hamper efficiency and effectiveness of SOEs (Deloitte & Touch, 2012).

There should be requirements when selecting a board member and evaluation of selected candidates must be done. It is also noted that in developing countries, the nomination process of board members is influenced by politics and political interference during the nomination process which involves a complex political negotiation among different government. Government interference should be avoided during the appointment of

SOEs board members to promote professionalism; a structured nomination process should be in place to ensure that the ultimate selection criteria are competent (Vagliasin-di, 2008).

During the selection and nomination process, the problem is not related to the lack of available candidates, but to the process by which directors are appointed to boards. These procedures allow the current power elite always to hire in their own image, so giving way to tap into a more diverse pool of talent (Sealy et al., 2009).

To ensure that the board is accountable to the shareholders is for shareholders to have mandate to remove ineffective directors. Nevertheless, even the stockholders may have strong appointment or provision of removal rights over board members; it might be hard for the shareholders to work accurately in jurisdictions with dispersed shareholding structures, because of their collective action (Davies, 2008).

Guidelines are intended to provide general advice that will assist the SOE; the SOE must bring its part to abide by the corporate governance guidelines and best practices in order to improve performance of the SOE. To improve performance can be achieved by ensuring a well-structured and transparent board nomination process of SOEs (Johnston, 2005).

The board should ensure that, through a managed and effective process, board appointments will provide a mix of proficient directors, each of whom may add value and to bring independent judgment to bear on the decision-making process. The board and Nomination Committee must ensure that the nominees are of high integrity and honesty, complement the knowledge and skills, objectively. The selection process must be managed by asking what skills are needed on the board to add value to the processes of the

board in the context of the business of the corporation (KPMG 2012; King III report, 2012).

2.11 BOARD NOMINATING PROCESS

In the past, many board members were selected by CEOs based on their affiliation or friendship, however in the current environment, the competence, values and independence of board members are all significant areas of concern; the nomination of directors has become an important board task. For listed companies, responsibility for this process lies with an independent corporate governance/nominating committee (Roy, 2008).

Understanding the role and makeup of a Board of Directors is an issue in fundamental governance research. While there is research that offers guidance as to how Boards should be assembled over time, we know surprisingly little about how to identify, recruit, and successfully engage the right mix of Board members that allow organizations to construct a Board that is ideal for their mission. Boards are responsible to a number of stakeholders, including members of the organization and segments of their communities. A major challenge in constructing an effective Board is to have the right mix of stakeholders that provide access to critical skills and resources while minimizing the conflict created by members with potentially competing interests (Ford, et al., 2011).

The right Board composition is a function of securing the right stakeholders in the right proportion. Defining the purpose and scope of the Board to identify the right piece can be viewed from a number of theoretical perspectives.

Appointment, development and performance assessment of directors is a formal process and should be established for the appointment and development of directors. A nom-

inations committee should assist with the identification and recommendation of potential directors to the board;

- Background and references should be checked before nomination.
- Letters of appointment should be provided to non-executive directors.
- Full disclosure of directors should be made to shareholders (details of disclosure, e.g., education, experience, age, other directorships).
- Directors should receive induction and on-going training (including changes to laws, rules, standards and codes).

Performance evaluation results should inform the nomination committee for re-appointment of a director (KPMG, 2012).



Figure 2.3: Board Appointment Process

Source: Lenovo (2013)

According to the Nomination Process in figure 2.3, one of the most important factors to consider when selecting a board member is to value board diversity. When diversity exists in a board it provides major benefits to the State Owned Enterprise. The transparent and formal procedure must be in place when selecting new directors to the board; this process is normally delegated to the Nomination and Governance Committee. The Nomination Committee must ensure at all times that decisions made are in the best interest of the SOE's. The Nomination and Governance Committee's assessment of the candidates should take note of each candidate's qualification, skills and experience to complement the existing board. The background of each candidate also has to be checked, and conflict of interest should be considered.

2.11.1 BOARD APPOINTMENT PROCESS

The Nomination Committee, with the board from time to time must, do an assessment on the board structure, size and composition to ensure that the board has a right balance of required expertise in providing effective leadership to the SOE's. The Nomination Committee thus must ensure when selecting a candidate that the candidate has the skills and competencies that are deemed fit and benefit to the board.

2.11.2 NOMINATION OF REQUIRED SKILLS AND QUALIFICATION

Selection and recruitment of a board member is very vital to the success of any State Owned Enterprise. The appointment of any directors should relate to the board requirements at all times. The Nomination Committee with the board must maximise the pool from which members can be selected to provide a greater possible choice of candidates (Barker, 2004).

In order to get the best from the board to carry out its responsibilities successfully, the board has to ensure that it has required competencies, knowledge and skills in place. It will be a dilemma if the board consists of an inexperienced, unqualified or inappropriately skilled director as the ability of the board to provide effective governance will be placed in jeopardy. To ensure that this does not happen, the Nominating Committee with the Minister must be transparent and diligent, and appointments must be done on the merit scoring system (Uhrig, 2003).

2.12 CORPORATE GOVERNANCE FOR SOE'S IN DEVELOPED & DEVELOPING COUNTRIES.

In many countries, the process of nominating and appointing board members and SOE CEOs is often opaque and not very transparent (The World Bank, 2006). Nomination or selection of an SOE board in different countries mostly depends on whether the SOE is wholly or partially owned by the government or whether the company is listed or not. In the wholly owned SOEs boards, the state has much greater say in the composition of the board, which is not the same for listed SOEs.

UK Cabinet Office, 2006 on board appointment follow the following selection guidelines:

- Ensure that you maximise the recruitment pool to attract the widest possible field of worthy candidates.
- SOEs must use an evidence-based competency approach to ensure transparency and to identify merit requirements.
- Another important aspect to consider apart from formal qualification and traditional work experience is vital things such a practical experience of relevant issues, community involvement and transferable skills gained from all backgrounds (influential, communication, negotiation skills and strategic thinking).
- Ensure that diversity is taken into consideration when selecting a candidate.
- Interviews must be conducted in a fair manner.

Below is a summary of cases on board's recruitment processes from different countries;

2.12.1 CHINA

In China, for example, 76% of the SOE board members of listed companies are appointed by the state. The final decision whether to appoint individuals to the SOE board rests with the Appointment Committee of Cabinet, which consists of ministers (Reddy, 2001).

2.12.2 INDIA

In India, SOE board members are recommended by the Public Enterprise Selection Board, which is an independent body. The system has a specialised Enterprise Selection Board (ESB). ESB is an independent body, which makes the initial recruitment. Their recommendations are forwarded for approval to the Cabinet Appointment Committee, which is made up of Cabinet Ministers. The Cabinet Appointment Committee makes the final decision, (The World Bank, 2006).

Results from this journal states that out of all the directors that serve on boards, two-thirds of them are appointed by the shareholders. Furthermore, they state that the companies also allow the Articles to provide for the appointment of two-thirds of the board members according to the principle of proportion representation. Even though qualifications of board members are not pertaining to this study, it is crucial to also look at it. In India, the Act does not indicate the required qualifications of the directors of companies. The companies in their Articles can specify the qualifications of board members (Narassappa et al., 2011).

2.12.3 NEW ZEALAND

In New Zealand, the relationship between the shareholder (the state) and the SOE board is codified in special legislation called the SOE Act. SOE's in New Zealand report to two shareholding Ministers. The ministers are accountable to parliament. The two

ownership ministries signed a Statement of Intent between the shareholder and the SOE, in which it clearly stimulates what the SOE must deliver. The SOE directors are legally compelled to act in the SOE's interest (Mako et al., 2004).

New Zealand has a special unit, which acts on behalf of the shareholders (government). The Crown Company Monitoring Advisory Unit (CCMAU) has the responsibility of recruiting and appointing SOE board directors. It develops shortlists for SOE boards and hands the final shortlist to the shareholding ministers for selection and approval. The CCMAU identifies the skills mix that SOE boards needs and make recommendations to the shareholder ministers on the basis of this. Government officials and management of the SOEs do not sit on the SOE boards (Mako et al., 2004). In this country, the SOEs are governed by the State Owned Enterprises Act (SOEA). This Act requires the SOEs to be profitable as the private entities are. The Act also provides a number of transparency provisions (Sokol, 2006).

2.12.4 SWEDEN

In Sweden, the CEO of an SOE cannot be the chairperson. The CEO is excluded from the SOE board. The interesting part is that, in Sweden, the convention is that less than 5% of all SOE boards are politicians or former politicians (Frederiksson, 2010). We have also observed that in Sweden, the responsibilities of board members in SOEs are unlimited as those of board members in private companies (Sokol, 2009).

2.12.5 SOUTH AFRICA

In South Africa, there is generally a lack of clarity over the objectives, mandates and oversight of SOEs. Often there is no clear set-out requirements to be on SOE board, little transparent and objectives, board recruitment procedures, and no procedures for evalua-

tion of the performance of board members. The governance easily becomes prone to advance personal interest and agendas as there are no clear roles and responsibilities. The muddled SOE governance structures have opened space for political and self-interested meddling in the appointment of boards and senior executives. Appointments of board members and CEOs are often mired in allegations of jobs for pals and political appointees without the appropriate skills (Mashudu, 2010).

2.12.6 KENYA

In Kenya, the State Corporation Act (SCA) gives the President a strong measure of control over appointments. It allows the President to provide for the management of every public corporation established under the SCA. The President is also empowered to determine the composition of the board of directors. Due to the political nature of appointments, parastatal boards are composed of many directors who are ex-civil servants with little or no private business experience (Mwuara K, 2007).

Appointment of directors by the President and the Ministers politicises directorships. The directors, who sometimes serve concurrently as nominated Members of Parliament and Assistant Ministers, act in the interests of their appointers rather than the corporation. It is further noted that, from an economic perspective, it is true to say that the performance of directors of parastatals is constrained by the many agency problems that arise from their political appointments (Mwuara K, 2007).

2.12.7 NAMIBIA

In Namibia, according to the referenced study mentioned below, there are weaknesses that have been found in board members. This information was derived from the *Report on a Governance Policy Framework for State-Owned Enterprises in Namibia*:

- The recruitment criteria and processes are not consistently used in the appointment of the board members.
- Many boards do not maintain an appropriate balance, in terms of, for instance, executive versus non-executive directors and the distribution of skills.
- Most of the individuals that serve on the SOE boards, especially state representatives, are subject to many responsibilities.
- Board members are not sufficiently exposed to training and development programs.

There is conflict of interest where individuals are serving on the boards of both holding and subsidiary boards in the same groups of companies (Governance Policy Framework for State-Owned Enterprises in Namibia, February 2001).

2.13 THE IMPORTANCE OF CORPORATE GOVERNANCE

The Commonwealth Association for Corporate Governance (CACG), states that the globalisation in the marketplace within the context of corporate governance has brought in an era where the traditional measure of corporate governance is distinct within the laws and regulations, and with national demands becoming increasingly challenged by circumstances to abide by the rules and regulations of corporate governance.

Good Corporate Governance is essential in order to:

- To attract both local and foreign investors and to convince them that their investments made will be well managed in a transparent and accountable manner.
- To establish a competitive and efficient business.
- Develop accountability and performance of those entrusted to manage the companies and business enterprises.
- To manage efficiently and effectively the use of limited resources.

A country will not create effective employment and wealth without an effective and efficient corporation and, the corporations will not prosper and expand without investment. There will be no economic development, no employment creation and no taxes to be paid if the corporation do not prosper. For a country to attract investment, employment creation and wealth and to be sustainable in a global marketplace, it needs well-governed and managed corporations. Good corporate governance, therefore, becomes a prerequisite for national economic development (CACG, 1999).

2.14 CONCEPTUAL MODEL: APPOINTMENT OF BOARD MEMBERS IN SOES

2.14.1 ORGANISATIONAL NEEDS.

In the research model, the first step in the selection and recruitment process is to conduct an organizational needs assessment. The purpose of the assessment is to define and assess the work environment in terms of the characteristics of the organization. An organizational assessment begins with an examination of the internal environment and the external environment. The organisation must have an understanding of its own culture as this will enable it to articulate core values, goals, and beliefs and translate them into traits and

abilities, and executives have knowledge, skills and abilities that are needed to match the organization's needs.

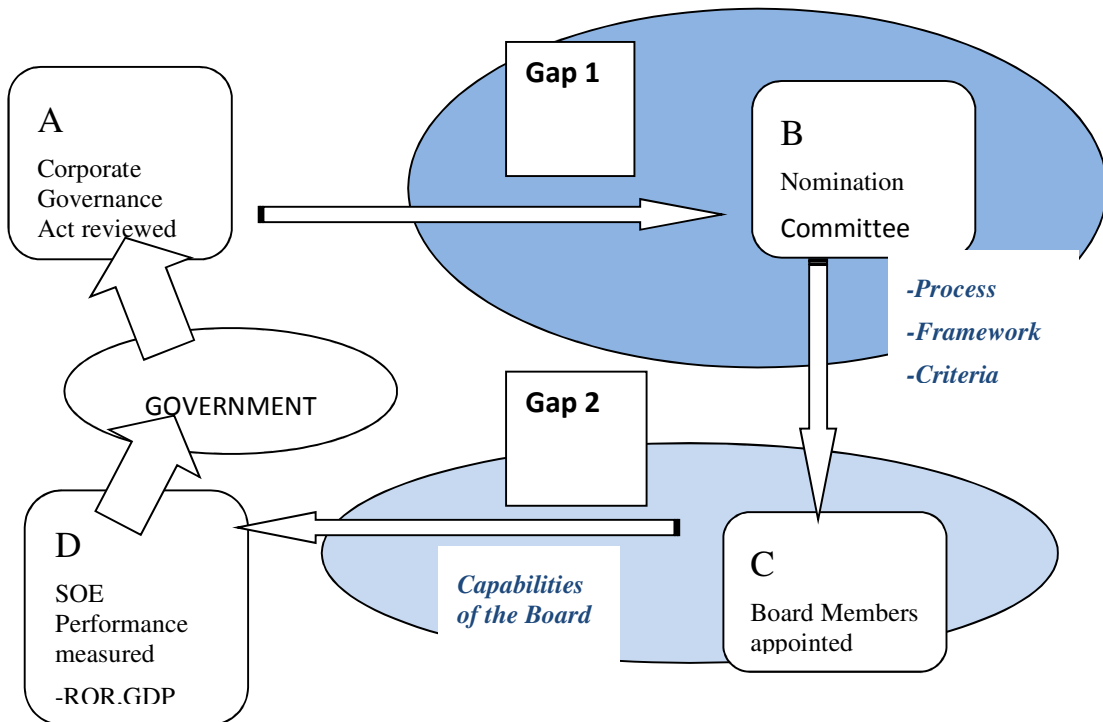


Figure 2.4 Conceptual Model
Source: Developed for this study.

Figure 2.4 above shows the conceptual model for the study, for selection and recruitment of the strategic personnel who will oversee the operations of the government entities. Furthermore, according to the Protocol on Corporate Governance in the Public Sector (2002), the performance of State Owned Enterprises depends on the capabilities and performance of the board members. Therefore, it is imperative that the appointment of board members is properly structured and constituted. The following is a description of the model in Figure 2.4. The Government, through the line ministry, is pivotal to this process. It is initially responsible for the SOEs Act and adherence to the Act thereof,

which impacts the performance of the SOE. In the final analysis, the performance of the SOE has a direct bearing on the overall performance of an economy as presided over by the government.

Corporate Governance Act reviewed

The guideline for corporate governance should be understood. This guideline helps the parties to understand the whole process of how the corporations are operating. It also helps to ensure transparency and trust among the parties involved. In addition, the methods available for the recruitment process must also be examined and adopted for the SOE in question. In Namibia, the corporate governance guidelines are from the *State Owned Enterprises, Governance Act, no, 2 of 2006*, and represents “best practice” in the governance of SOEs. The Act and King Report provide the guidelines within which the Nomination Committee must base their decisions.

Nomination Committee appointed

Having understood the SOE Act, the government through the line ministry must appoint qualified and competent personnel to oversee the recruitment process of board members as the custodians of the SOE. A strong nomination committee at this stage has a higher probability of producing an SOE with strong performance.

Board Members appointed

The nomination committee is now required to employ the correct processes, framework and criteria in appointing members to the Board. This is a critical process as the Board members are responsible for implementing the strategy as set out by the line ministry and government, and are ultimately responsible for the overall performance of the SOE. The

capability of the Board is one of the most important factors affecting the performance of the SOE.

SOE performance measured

The government, as a representative of the taxpayer, is one of the key stakeholders of any SOE. Some of the government expectations include, but are not limited to, a high rate of return (ROR), higher employment and skills levels, environmental awareness and a higher Corporate Social Responsibility (CSR), and a sustained positive contribution to Gross Domestic Product (GDP).

Any shortcoming in the processes described above is likely to lead to poor performance of the SOE. For purposes of this study, the following two gaps will be examined together in greater detail:

Gap 1: The difference between the Corporate Governance guidelines and the selection process and appointment of the Board members; and

Gap 2: The difference between the capabilities of the Board members selected, and the capabilities required for executing and meeting the performance targets as set out by the line ministry.

Looking at the gaps mentioned above, and when looking at the state owned governance council Act, in the State Owned Enterprises, there are no systematic guidelines and processes with regard to recruitment of directors. The Line Minister does the appointment with the cabinet approval on an ad hoc basis. This appointment is often made on whether the nominee is affiliated with the party in power. This is a major weakness that we are faced with some of the state owned enterprises as patronage appointments do not provide

State Owned Enterprises with appropriate leadership and efficient running of the enterprise.

For the State Owned Enterprise needs (gaps) to be fulfilled and improving the enterprise performance is to adhere to corporate governance guidelines by appointing the right candidate to serve on the board of directors who has the suitable competencies and skills and personal attributes and to ensure integrity and accountability (Watson, 2003; Deloitte and Touché, 2012).

2.15 SUMMARY

In this chapter it has been shown that State Owned Enterprises in any country, even Namibia, have an enormous economic and social impact for the country, thus the selection of suitably qualified board of directors is particularly crucial. Studies have shown that major challenges in constructing an effective board in SOE's that have the right qualifications and experience and consist of a sufficient board size, without being politically appointed exists. This chapter also states the importance of corporate governance best practices that have to be adhered to, not only is it good practice, but it benefits the economy as a whole. There is a problem with nominating and appointing process of board members because they are sometimes opaque and not transparent (Gumede, 2012).

Effective Boards of Directors enhance the performance of Government businesses and are strengthened through the recruitment of individuals with the necessary knowledge and skills to oversee the operations of the State Owned Enterprises. An active approach to Board composition and renewal is required to ensure a balance of skills and experience that match the needs and direction of each Government business (Gumede, 2012). The next chapter will provide the methodology employed in this study.

CHAPTER 3:

3. RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presents, describes and justifies the appropriateness of the study's methodology for evaluation of corporate governance practices on board members' selection and recruitment in State Owned Enterprises. The research methodology is the scientific and systematic way to solve research problems. This chapter will deal with the research paradigm and different research designs. It introduces, explores and explains different types of strategies, and strategy to be used in this research and methods, tools or instruments used. The measuring instrument utilised in this study was a questionnaire. It consisted of three sections, namely demographic questionnaire, corporate governance balance questionnaire and board nomination questionnaires. Finally, it will provide an explanation on validity and reliability of data analysis by the researcher in conducting research operation.

3.2 RESEARCH PARADIGMS

A major tenet of pragmatism is that quantitative research methods are compatible with this study. Thus, numerical data collected was helpful in this study in order to understand the research problem better.

In quantitative methods, positivism claims will be used for developing knowledge, reduction to variables, hypotheses and questions, use of measurement and observation, and the test of theories. Positivism paradigm embraces the ontological view that the social world exists externally and that facts about this external social world can be measured through a specific set of objective methods (Easterby-Smith et al., 2002). A

positivist researcher collects primary data mainly through controlled experiments, themselves outcome-oriented, and assuming natural laws and mechanisms. This study is exploratory in nature as it seeks to understand the corporate governance practices related to board nomination. Therefore, the positivist paradigm is deemed appropriate for this research.

3.3 RESEARCH DESIGN

Research designs are useful because they help guide the method's decisions that researchers must make during their studies and set the logic interpretations at the end of their research. This study applied quantitative methods design and non-experimental approach, which is a procedure for collecting, and analysing quantitative data at some stage of the research process of 35 State Owned Enterprises to understand a research problem more completely (Creswell, 2002). All the directors and senior managers that were available were given the opportunity to participate in the study. A corporate governance questionnaire was used to gain information about the application of corporate governance in the State Owned Enterprises. This study also correlates analysis as it looks to determine the relationship between corporate governance and board nomination. Descriptive statistics and frequencies were run to check the data and establish the mean, standard deviation and frequency counts for the variables. Correlations were run first to determine the reliability of the scale as well as to determine any relationships between the selected variables. The Cronbach's test was used to determine the reliability of the scale. The reliability tests show 82 and 85 per cent respectively.

Quantitative research design has positivist aspects. Quantitative researches have experimental approaches such as quasi-experiments and correlation studies. Deductive

approach was used in this study (Creswell, 2012). The method to collect data is through close ended questionnaires. The population and sample of the study were correctly defined and meaningful. The data collected was arranged systematically for accurate and reliable interpretations.

3.4 SAMPLING PROCEDURES

3.4.1 THE POPULATION

In this research study, the population to be studied is derived based on the context and the problem that will be examined. The population is the entire group of individuals the researcher is interested in gaining knowledge about. The population is defined as a study object that consists of individuals, groups, organisations, human products and events, or conditions to which they are exposed (Welman et al, 2005). Because of the multiple background and contextual factors that characterise any given population, the specificity of the research questions delineates the identification of the study population or participants. The population comprised of 52 State Owned Enterprises, and the Government state owned council situated in Windhoek and Walvis Bay respectively. The major characteristic of the population was chosen based on inclusion and exclusion criteria (Amoor, 2012). The characteristic is that the population is the State Owned Enterprises in Namibia.

Table 3.1: State Owned Enterprises in Namibia

Names of State Owned Enterprises in Namibia	
1. Meat Board of Namibia	21. Namibia Airports Company
2. Karakul Board of South West Africa	22. TransNamib Holdings Limited
3. National Special Risks Association (Nasria)	23. Diamond Board of Namibia
4. Namibian Broadcasting Corporation	24. Roads Contractor
5. National Fishing Corporation of Namibia Limited	25. Namibia Institute of Pathology
6. New Era Publication Corporation	26. War Veterans Trust Fund
7. Namibia Press Agency	27. Roads Authority
8. Namibia Post and Telecom Holdings Limited	28. Road Fund Administration
9. Namibian Agronomic Board	29. Electricity Control
10. National Housing Enterprise	30. National Art Gallery of Namibia
11. Namibian Ports Authority	31. Namibia Tourism Board Namibia
12. Social Security Commission	32. Trust Fund for Regional Development
13. Minerals Development Fund of Namibia	33. Fisheries Observer Agency
14. Namibia Qualifications Authority	34. Meat Corporation of Namibia
15. Namibian College of Open Learning	35. Namibia Financial Institutions
16. Games Products Trust Fund Namibian Agronomic Board	36. Motor Vehicle Accident
10. National Housing Enterprise	37. Environmental Investment
11. Namibian Ports Authority	38. Namibian Competition Commission
12. Social Security Commission	39. Agricultural Bank of Namibia
13. Minerals Development Fund of Namibia	40. Development Bank of Namibia
14. Namibia Qualifications Authority	41. National Commission on Research
15. Namibian College of Open Learning	42. National Disability Council
16. Games Products Trust Fund	43. National Heritage Council
17. Namibia Water Corporation Limited	44. Accreditation Board of Namibia
18. Namibia Wildlife Resorts Company	45. Namibia Power Corporation
19. Security Enterprises and Security Officers Regulation Board	46. Air Namibia (Proprietary) Limited
20. Namibia National Reinsurance Corporation	47. National Petroleum Corporation of Namibia
	48. August 26 Holdings Company
	49. Windhoek Machinen Fabrik
	50. Namibia Bricks Enterprise
	51. Star Protection Services
	52. National Theatre of Namibia (Association not for gain)

Source: State Owned Enterprises Governance Act 2006

3.4.2 SAMPLING TECHNIQUES

Sampling involves the selection of a small group of people from the larger population to be studied. A sample of 35 State Owned Enterprises was used for this study. Sampling is a process of selecting the sample from the target population (Amoor, 2012). In research, there are two types of sampling namely, probability and non-probability sampling. The logic behind this is that information collected from the small group of people possessing the information the researcher wants will be representative of the larger population from which they were drawn (Schumacher and McMillan, 1993).

Non-probability, convenience sampling was employed in this study. Convenience sampling is defined as a method where the researcher chooses elements that are readily available, nearby or willing to participate (Willemse, 2009). Participants are chosen because of their availability and accessibility. This method is less expensive and widely practiced. But one of its demerits is that it cannot be generalised to the entire population. For this study, the findings were generalised to all the State Owned Enterprises in Namibia because the sample was large enough. A proportion of 80% ($40/52*100$) of State Owned Enterprises was selected for the study. A total number of 40 questionnaires were distributed, and 35 respondents ($n= 35$) returned completed questionnaires. Thus, a response of 87.5% was achieved.

3.4.3 PROCEDURES

The permission to conduct the research was obtained from the Human Resources Departments, and the Chairman of the State Owned Enterprises through telephonic conversation. A cover letter explaining the purpose and the nature of the research accompanied by the questionnaire and also assuring that participation was anonymous, voluntary

and that the information would be treated confidentially. The questionnaires were hand-delivered and e-mailed to the targeted participants. Each questionnaire had detailed instructions, guaranteeing confidentiality of the data collected.

3.5 MEASURING INSTRUMENT

In quantitative research, other variables of interest are established from the theoretical or conceptual framework. The quantitative methods are the data that is quantifiable, precise and is consistent. The study design determined the frequency of measures to be collected. In this study, closed ended questionnaires were used as an instrument. The questionnaires were considered significant for the purpose of this research to find information concerning corporate governance board nomination practices in State Owned Enterprises. A form of a questionnaire data-gathering instrument will be used to obtain the factual data.

A questionnaire must be clear and as short as possible for the respondents have an interest in completing it. The question should also be short in order to be answered correctly. It should be designed in a logical way and starts with demographics in order to draw the respondent's comfort. The questionnaire comprised of closed-ended questions. They are crucial when the researcher needs more clarification. Those closed-ended questions provide respondents with possible questions to choose from (Keller, 2012).

Questionnaires are considered useful instruments for gathering data. They have a number of advantages. They are a relatively inexpensive way of getting information quickly from large samples as they can be administered by a single researcher on a single occasion, which cuts down on travelling expenses (Oppenheim, 1966; Schumacher and McMillan, 1993; Neuman, 1994).

Mailed questionnaires can be used to reach geographically difficult-to-reach areas. Anonymity is possible because they do not involve face-to-face interaction with the researcher as is the case with interviews, and, as a result, they can encourage greater truthfulness from the respondents (Opie, 2004). Respondents can usually complete the questionnaire at their own pace, for mailing questionnaires (Gall et al., 1996).

As with all instruments, questionnaires have some limitations, the most common being poor returns when they are mailed which leads to biased answers, which should not be generalised (Oppenheim, 1966). In this study, the issue of poor returns does not apply as the questionnaires were administered and collected by the Human Resource Manager of each State Owned Enterprise. Despite the disadvantages of the questionnaire, it was considered to be the most suitable measuring instrument.

The questionnaire comprised of three sections:

See the appendix 3

Section A: Demographic questionnaire

Section B: Corporate governance scorecard questionnaire

Section C: Board nomination questionnaire.

3.5.1 DEMOGRAPHIC QUESTIONNAIRE

The demographic questionnaire contained the following information to be completed by participants:

- Job title
- Gender of the respondent
- Highest qualification
- Age

- Number of years of experience serving as a board member
- Number of boards the respondent sits in
- Number of directors on the organisation's board

The purpose to include the demographic questionnaire in the study was to link these variables to the corporate governance and board nomination.

3.5.2 CORPORATE GOVERNANCE QUESTIONNAIRE

Corporate governance was measured using a scale designed by Hendrikse & Hendrikse and consisted of 20 items measured numerically on an 11 point scale ranging from 0 to 10. For this study during the analysis, the items were reduced to 11 items that more applicable in answering the research questions. There was no alpha given on the original scale. The supervisor recommended this scale measurement (questionnaire). Therefore, that determines the reliability.

This questionnaire was included in the study to answer two research questions. "What constitutes proper corporate governance guidelines in State Owned Enterprises?" "How useful are corporate governance practices in the selection and recruitment of board members?"

3.5.3 BOARD NOMINATION QUESTIONNAIRE

With regards to board nomination, the researcher came up with her own scale suitable for this study. The scale is divided into two categories, the nomination committee and State Owned Enterprises. Each category comprised of 10 items. Furthermore, there was no Cronbach alpha for the original scale. When the scale was used in this research, it returned a Cronbach alpha of 0.82. Moreover, for the first category the items were reduced to five items and the second category the items were reduced to six items. All the items

were scored on a five point Likert-type scales ranging from strongly disagree to strongly agree. The inclusion of the board nomination questionnaire was to explore the following questions: what methods are available in respect of selection and recruitment of board members, and who are the personnel involved in the selection of board members?

3.6 RELIABILITY AND VALIDITY OF QUESTIONNAIRE

3.6.1 RELIABILITY

Reliability is defined as the extent to which test scores are accurate, consistent or stable (Struwig & Stead, 2001). The reliability of the questionnaire can be determined by using test-retest reliability, parallel-forms, split-half and internal consistency reliability (Welman et al., 2005). A questionnaire has a greater level of reliability because it can be retested and produces same results.

To test the reliability of the variables used in the entire analysis Cronbach's Alpha and the Cronbach's Alpha Based on Standardized Items tests was used. Internal reliability is an issue that arises in connection with multiple-indicator variables. A Cronbach's Alpha below 0.7 would raise doubts about the internal coherence and reliability of the data collected and used. For this particular study, the Cronbach's Alpha and the Cronbach's Alpha Based on Standardized results are shown below.

Table 3. 2: Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.820	0.849	30

The Cronbach's Alpha reliability test shows that the 82% of the variables analysed are internally consistent and reliable. Additionally, the Cronbach's Alpha Based on

Standardised Items shows that 84.9% of the variables are internally consistent and reliable. This means that the results of the study are reliable. This gives the green light to the researcher to go on and interpret the results that were obtained.

3.6.2 VALIDITY

Validity is the degree to which a research design is scientifically sound or appropriately conducted. However, in the current research, the researcher is interested in the validity of scores of the questionnaire used. Validity is, therefore, the degree to which the questionnaire measures what it is supposed to measure. To ensure a high level of validity, the researcher must ensure that the instrument has a high degree of reliability. It is incorrect to refer to a measure as being valid because the validity of an instrument is a process (Struwig and Stead, 2001).

3.7 DATA ANALYSIS

The data is usually very large, and it is difficult to draw meaning and make connections between various aspects (Struwig and Stead, 2001). To give meaning to the data, it has to be analysed. Data analysis involves a systematic search for meaning from the collected data, so that what is learned can be communicated to others (Hatch, 2002). Data analysis of quantitative data has steps that need to be followed (Struwig & Stead, 2001).

The steps are; data tabulation and investigation, data analysis; levels of measurement, selecting a data analysis technique, screening data, descriptive statistics, and inferential statistics and interpreting the data.

For this study, the Statistical Package for Social Science (SPSS) was utilised for all the statistical calculations. This programme helped the researcher with regards to the

generation of frequency tables, graphs and inferential statistics. Cronbach's coefficient alpha was used to test the reliability of the questionnaire.

Description of the steps that guide the researcher to analyse the data effectively is mentioned below:

Step 1: Data tabulation

This is the first step in the process whereby the researcher converts the data collected into relevant information required. When the information is converted, the author edits and encodes the data. Besides that, there are important issues that require special attention. The processes of editing and encoding must be properly executed. The researcher should identify all the incomplete answers as they will be useful in the analysis. The researcher types the data into the computer in a tabular form.

Step 2: Data analysis: level of measurements

The process of data analysis is complex in nature. The researcher decides the level of measurement to make it easier in terms of analysis. Under quantitative research, there are two levels of measurements, ratio and interval (Keller, 2012). This study employed measurable variables (relationship between corporate governance and board member's nomination).

Step 3: Selecting a data analysis technique

Researchers always experience difficulties in selecting the appropriate techniques in analysing their data. To choose the correct techniques, there are two questions that need to be asked. How many variables are to be analysed at the same time? What level of measurement is available for the variables) of interest? By answering these questions, the researcher will realise that appropriate technique was utilised.

Step 4: Screening data

The data should be free of errors. Therefore, it is very essential that the researcher screens the data for this purpose.

Step 5: Descriptive statistics

For this step, the researcher summarised data in terms of measures of tendency, dispersion, skewness and kurtosis. The researcher calculated the mean, median, mode, and standard deviation for the data.

Step 6: Inferential statistics

This is a vital step in research. The researcher draws a sample of 35 from the population of 52 SEOs. In this step, two types of inferential statistics are employed based on the hypothesis formulated in Chapter 1. For this study, the researcher used non-parametric statistics. Chi-square is significant in testing the relationship between variables. For this to be tested, the researcher needs degrees of freedom, which are determined by the sample size. Based on the stated hypothesis, the researcher tested for independence of association. This test helped the researcher to decide whether corporate governance and the selection of the board are related.

The null and alternative hypotheses are tested. This is the method used to judge the calculated dependence between corporate governance and board members' nomination. To use this test the researcher observed frequency (the data obtained from the respondents) and the expected frequency are grouped together and then analysed using the

steps for hypothesis testing (Kothari, 2004). The SPSS method is mainly utilised to give meaning to the raw data.

Step 7: Interpreting the data

The researcher ensures that the findings are related to the hypotheses. All the data is interpreted.

3.8 DESCRIPTIVE STATISTICS

Descriptive statistic is concerned with the description and summary of the data obtained for a group of individual units in the analysis and the purpose of these statistics is to provide an overall, coherent and straightforward picture of a large amount of data. For this study descriptive statistics were used to determine the frequencies, tables, percentages, graphs, means and standard deviations (Struwig and Stead, 2001).

3.9 HYPOTHESIS TESTING

H0: Important aspects of good corporate governance are not adhered to

H1: Important aspects of good corporate governance are adhered to

The above null hypothesis was tested through One-Way Anova. There is a positive correlation between overall corporate governance performance and board nomination. The critical variables have been identified through the One-Way Anova test statistic results (see appendix 4 and 5).

3.10 ETHICAL CONSIDERATIONS

The issue of ethics is a vital consideration in research that involves human subjects (Babbie, 1990; Bogdan & Biklen, 2007; Cooper & Schindler, 2010). Research ethics is de-

defined as the appropriate behaviour by a researcher relative to the norms of society (Wells, 1994; Zikmund, 2010). A researcher, research subjects, and clients or consumers of a research have to be protected from any adverse consequences of the research (Cooper & Schindler, 2010; Patton, 2002).

This research considered ethical factors in a number of ways. That participation in the research was voluntary, and research participants had the right to withdraw at any time of their choice. The participants were fully informed before the research commenced, and they were properly treated throughout the interview process. All the communication was conducted with the approval of the institutions, and information obtained from the informants made available to them was analysed before final conclusions were drawn from the research. This study is a sensitive topic and the researcher tried by all means not to pose questions that embarrass and make the respondents uncomfortable. Another ethical requirement is to protect a respondent's identity. This was achieved by exercising anonymity and confidentiality. Finally, the researcher intends to maintain objectivity, present the true research findings and use the research results for academic purposes only.

3.11 SUMMARY

This chapter outlined the methodology adopted for this research. Moreover, the researcher explained using a quantitative research approach and justified the research positivist paradigms adopted in this study and explained the data collection methods, data collection instruments, and the criteria for selecting the cases. The chapter examined how quality issues were addressed in the research. Further, the researcher identified limitations of the case study design, and explained how the limitations were addressed in this research.

The following chapter will report the findings from the application form, the research instruments, validity and reliability of the results.

CHAPTER 4:

4. DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This study focused on evaluation of corporate Governance practices on board members' selection and recruitment in State Owned Enterprises in Namibia. The study sought to identify areas that need to be worked on and finally recommend areas which need to be perfected in Namibian State Owned Companies. This chapter focuses on the presentation and analysis of data collected in the study.

4.2 PRIMARY DATA ANALYSIS

The aim of collecting primary data was to establish the respondents' views on the evaluation of corporate governance practices on board members' selection and recruitment in Namibian State Owned Enterprises. The data gathered was used for analysis purposes and to determine conclusions and relevant conclusions were drawn from this analysis.

4.2.1 RESPONSE RATE

A response rate of 87.5% was achieved. From a target population of 52 respondents a sample size of 40 respondents was chosen, and 35 questionnaires were returned. The high response rate was attributed to the constant telephone calls made prior to the dispatch of the questionnaires and personal follow ups undertaken by the researcher.

4.3 OVERALL CORPORATE GOVERNANCE AND BOARD NOMINATION

There is a positive correlation between overall corporate governance performance and board nomination. The critical variables were identified through the One-Way Anova test statistic results ($P < 0.05$) (see appendix 4 and 5). Moderating critical variables were identified through board nomination, which affects corporate governance and these are:-

- Board Effectiveness
- Business and Corporate Values
- Code of Conduct is in Place
- Organisational Structure is Consistent with Corporate Objectives
- Accounting Policies and Practices are in Place
- Assessment of Profits, Budgets and Targets is Done
- Timeous Disclosure of Information to Shareholders
- Whistle Blowing is Encouraged

Linear regression analysis could have been the best model to test the correlation of two statistic variables but in this case corporate governance and board nominations were decomposed into moderating variables which makes it difficult to test the relationship of the variances. Non- parametric tests could also have been used to test the hypothesis (Kothari, 2004). However, it was found suitable to employ the One-Way Anova Tests given the multiplicity of moderating variables within a group (see appendix 4 and 5).

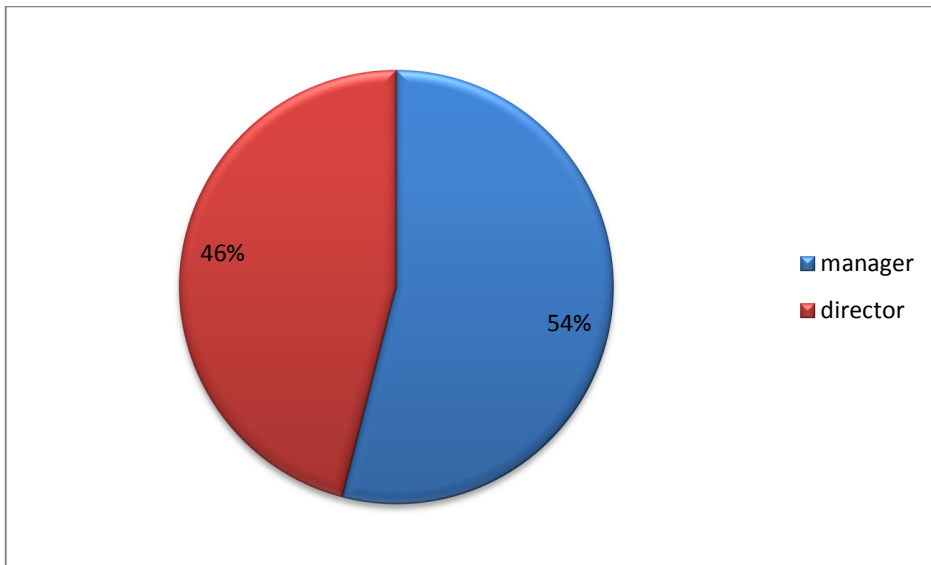


Figure 4.1 Job Title
Source: Survey Data

Figure 4.1 indicates that 54% of the respondents were managers and 46% were directors. There were more managers than directors, maybe due to the sample size of the study which might have liked to take more managers in the study than directors.

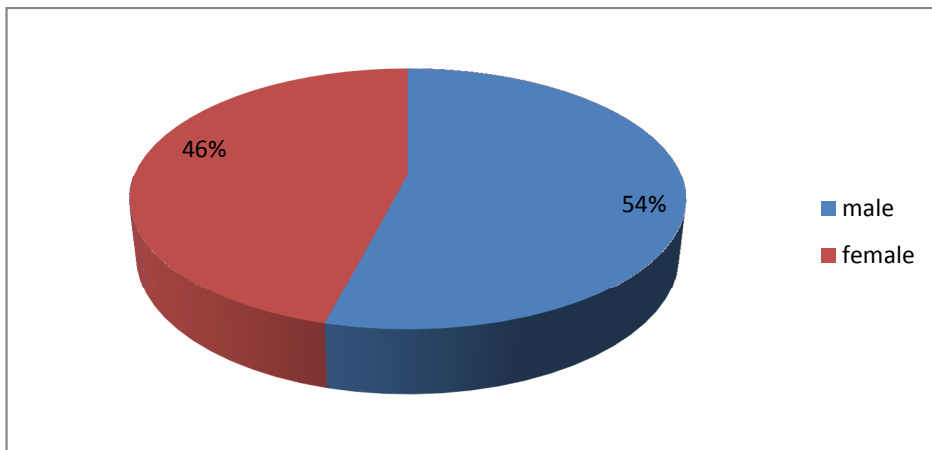


Figure 4.2 Gender
Source: Survey Data

Figure 4.2 states that 54% of the respondents are male and 46% are women. The men outnumber the women. There were more male respondents because in Namibia more men

have formal employment than women so the bias is caused by the structural factors in the economy and not by the way the interviews were conducted.

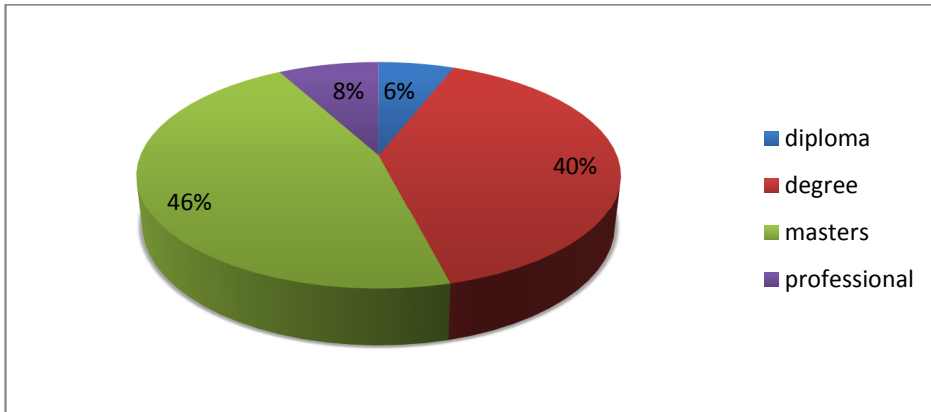


Figure 4.3 Highest Academic Qualifications

Source: Survey Data

Figure 4.3 shows that the organisation has people who are academically sound and are capable to discharge their duties efficiently and effectively due to their high level of education. Figure 4.3 depicts that 6% of the respondents have diplomas, 8% of the respondents have professional qualifications 40% have first degrees, and 46% of the respondents have Masters Degrees.

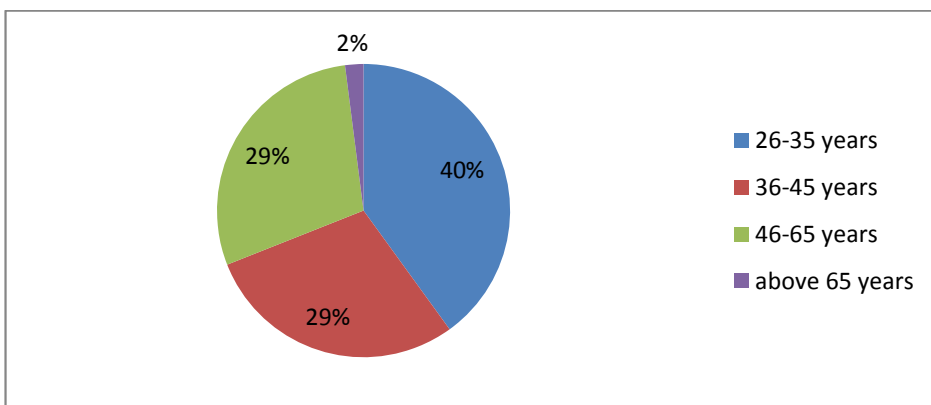


Figure 4.4 Age

Source: Survey Data

Figure 4.4 depicts that the respondents in the 26-35 years age group constitute 40% of the respondents. These are still young and capable to work for their organisation for a long period of time. The respondents in the 36-45 years age group constitute 29% of the respondents. The respondents in the 46-65 years age group constitute 29% of the respondents; these are also able to contribute and can also serve for a relatively long period of time. One advantage of the latter group is that they are mature and experienced and, therefore, likely to be more productive in their work. Those in the 65 years and above age group constitute 2% of the respondents. These have the knowledge, experience and maturity which could prove very crucial for any board of directors.

Table: 4.1 One Way Anova Statistics Results Summary: Board Nomination

One Way Anova Statistics Results Summary					
Parameter	Sum of squares	df	Mean Square	F-Stat	P-value
Number of Years Working as a Board Member	3.731	4:30	5.947	14.145	.003
Number of Directors in Organisation Board	17.013	4:30	4.253	3.923	.011
Consists of Sufficient Board Members	23.787	4:30	5.947	14.145	.000
Has Sufficient Experience and Qualified People	20.423	4:30	5.106	7.668	.000
Conducts its Selection Process in a Transparent Manner	19.108	4:30	4.777	10.510	.000
Engages Experts in the Selection Team	21.199	4:30	5.300	9.243	.000
Does not Stereotype any Candidate	15.125	4:30	3.781	7.263	.000
Is not Judgemental on any Candidate	18.989	4:30	4.747	8.817	.000
Members Declare Conflict of Interest	10.935	4:30	2.734	3.529	.018
Advertise Directors Vacancy to Attract Candidates	15.349	4:30	3.837	6.640	.001
Adhere to the Selection Process	8.893	4:30	2.223	3.021	.033
Uses a Scoring System to Select Suitable Candidates	8.230	4:30	2.057	4.636	.005
Takes Applicants Qualifications and Experience into Account	13.792	4:30	3.448	6.165	.001

Considers Conflict of Interest as a Negative Factor	14.625	4:30	3.656	6.805	.001
Shares Information with all the Board of Directors	6.048	4:30	1.512	3.278	.024
Does not have a Nomination Committee	14.586	4:30	3.646	4.695	.005

Source: Survey Data

The above results in Table 4.1 for the board nomination are derived from one-way Anova statistical analysis depicted in Appendix 4. One-way Anova is a way of presenting the calculations for the significance of a particular factor's effect, especially for data in which the influence of several factors is being considered simultaneously. Anova is a statistical method that divides the variance in an observation into the variance of the variable and the variance of the rest of the variables in the group (Changarampatt, 2011). Each critical variable as per the questionnaire is explained below.

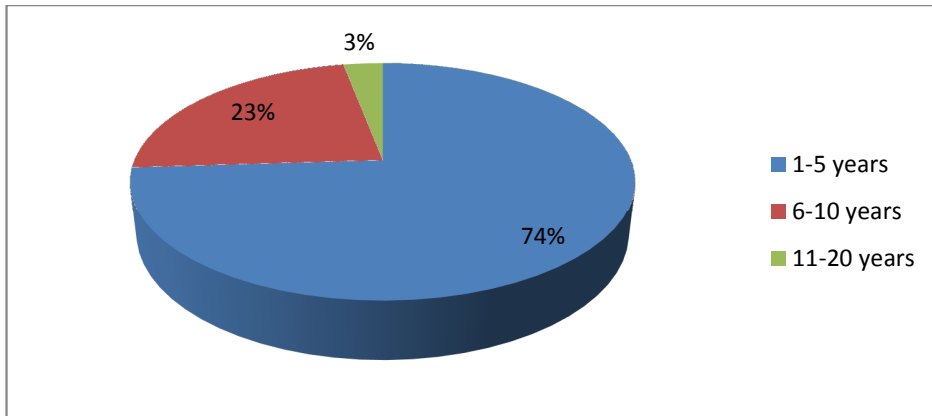


Figure 4.5 Number of Years Working as Board Member
Source: Survey Data

The number of years for one working as a board member is statistically significant since the Probability value (p- value) of 0.003 is less than the critical value of 0.05 (refer to Table 4.1 above). Figure 4.5 indicates that 74% of the respondents worked as board members for a period of 1-5 years, while 23% worked as board members for 6-10 years

and 3% of the respondents worked as board members for a period of 11-20 years. This means that the majority of those who responded to the questionnaire (74%) have little experience as board members and this can be linked to the fact that Namibia is still a young democracy with only 23 years of age.

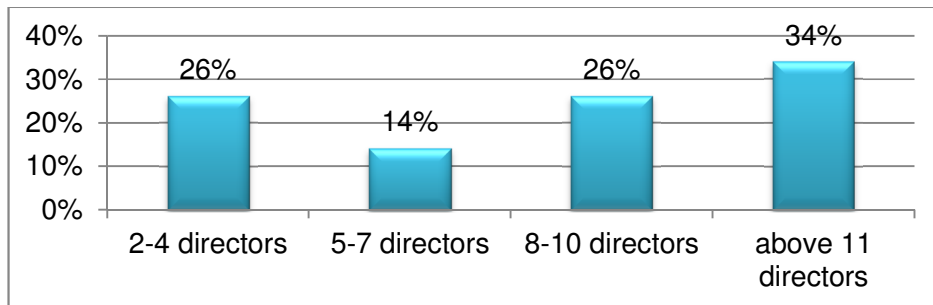


Figure 4.6 Numbers of Directors on the Organisations Board
Source: Survey Data

The question that was asked about the number of directors on the organisation's board was also found to be statistically significant since the p-value of 0.011 is less than the critical value of 0.05 (refer to table 4.1).

Figure 4.6 also indicates that 26% of the respondents pointed out that the board had 2-4 directors, 14% indicated that the board had 5-7 directors, 26% indicated 8-10 directors and 34% of the respondents indicated that the board had 11 directors and above. These results show that 50% of the boards of directors sat in by the questionnaire respondents have more than 8 directors.

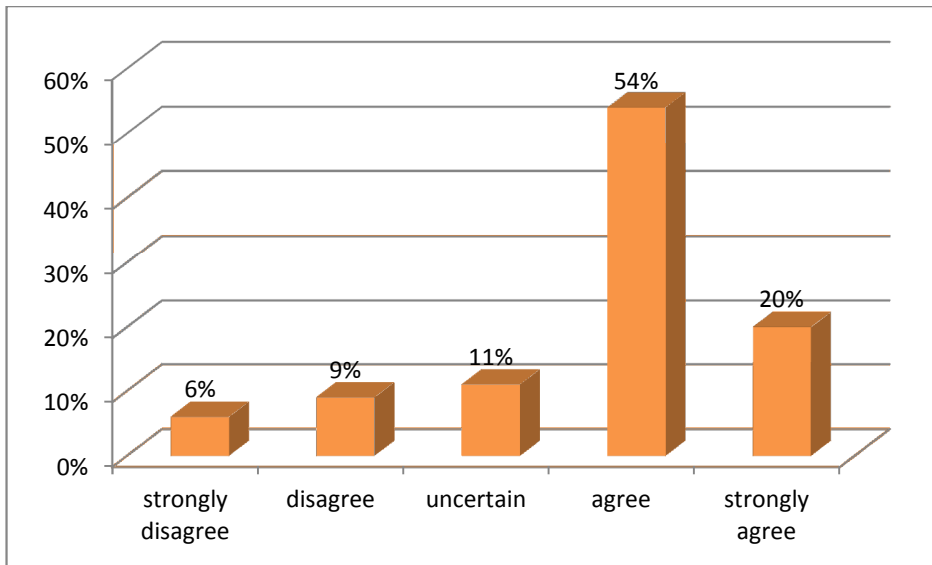


Figure 4.7 Assess Current Skills and Expertise of the Board
Source: Survey Data

Figure 4.7 depicts results of the question that wanted to find out if the board assesses current skills and expertise of the board to identify the gaps that need to be filled. The results depict that 6% of the respondents strongly disagreed that the nomination committee assesses current skills and expertise of the board to identify gaps that need to be filled, whilst 9% disagreed, 11% were uncertain, whilst 54% of the respondents agreed and 20% strongly agreed. This means that 74% of the respondents agreed that their boards assess the current skills to identify gaps that need to be filled, whilst only 15% disagreed.

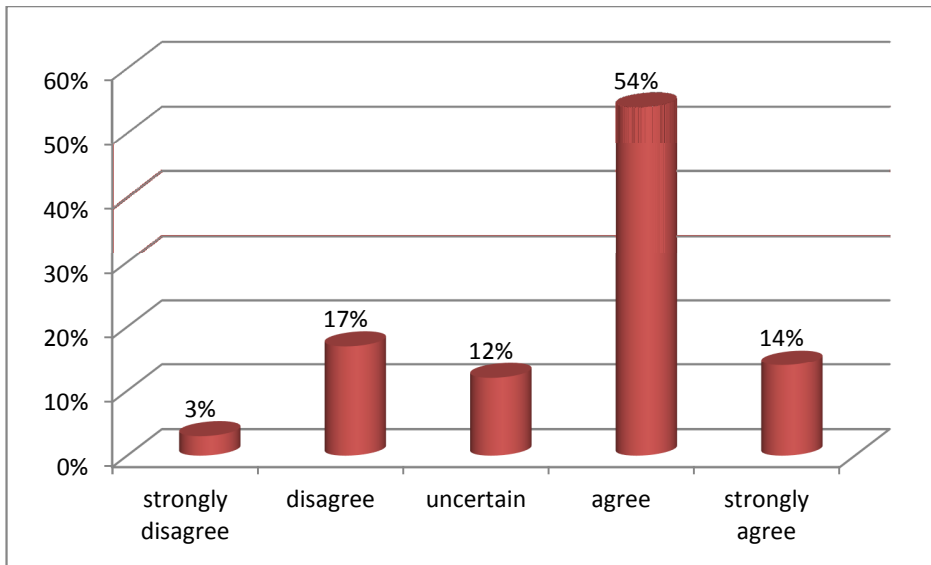


Figure 4.8 Consists of Sufficient Board Members
Source: Survey Data

The results show that the question which says that the board consists of sufficient board members produced a p-value of 0.000 which is less than the critical value of 0.05 (refer to Table 4.1). This means that the results are statistically significant using the one-way Anova method.

In addition, Figure 4.8 depicts that 3% of the respondents strongly disagreed that the board of directors consists of sufficient board members, 17% disagreed, 12% were uncertain, 54% agreed and 14% of the respondents strongly agreed. The majority of the respondents (68%) agreed that their board of directors consists of sufficient board members.

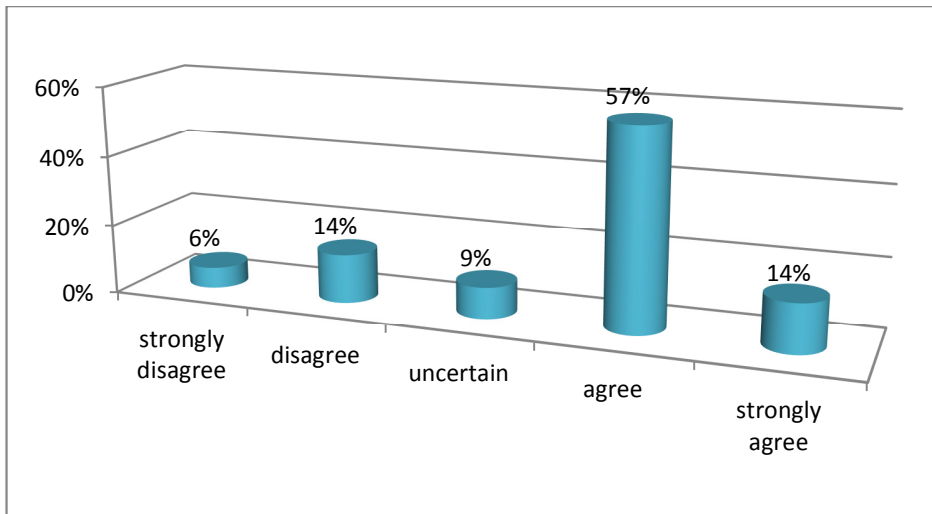


Figure 4.9 Has Sufficient Experience and Qualified People
Source: Survey Data

The question which wanted to establish if the board has sufficient experience and a qualified person is also statistically significant since its p-value of 0.000 is less than the critical value of 0.05 (refer to table 4.1).

In addition, Figure 4.9 indicates that 6% of the respondents strongly disagreed, 14% disagree, 9% were uncertain, 57% agreed and 14% of the respondents strongly agreed. The majority of the respondents (71%) agreed that their boards have sufficient experience and qualified people.

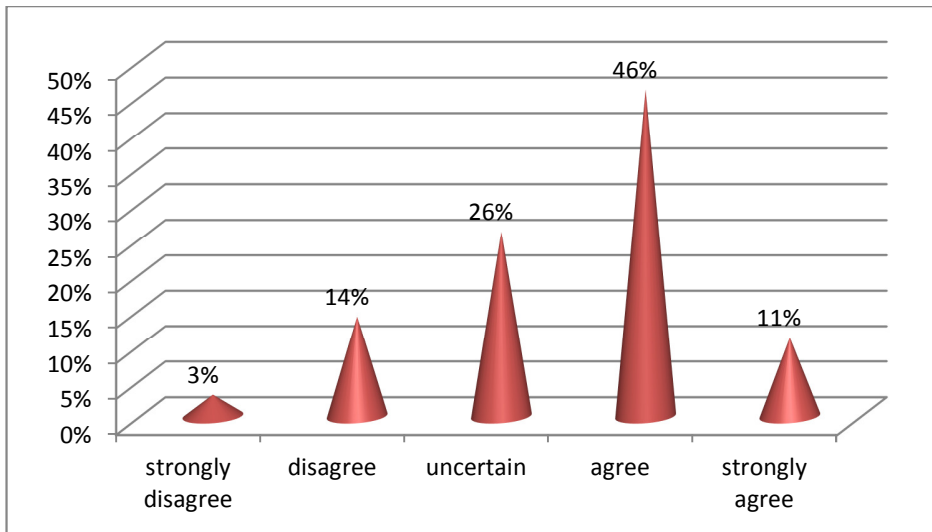


Figure 4.10 Conducts its Selection Process in a Transparent Manner
Source: Survey Data

The question which says that the board conducts its selection process in a transparent manner is statically significant since the calculated value of 0.000 is less than the critical value of 0.05 (refer to Table 4.1).

Furthermore, Figure 4.10 indicates that 3% of the respondents strongly disagreed, 14% disagree, 26% were uncertain, 46% agreed and 11% strongly agreed. The majority of the respondents (57%) concur that their board of directors conducts its selection process in a transparent manner.

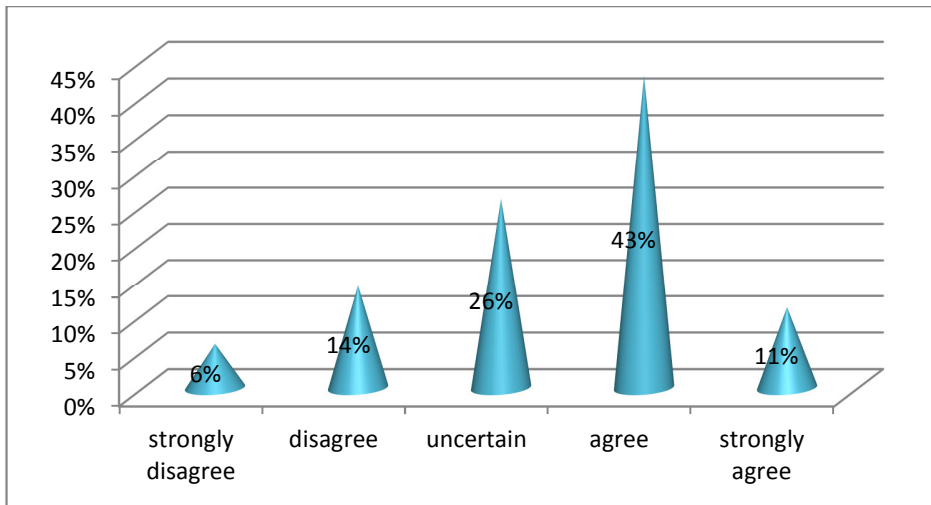


Figure 4.11 Engages Experts on the Selection Team
Source: Survey Data

Respondents also answered the question which required them to indicate if their board of directors engages experts in the board selection team. This question was also found to be significant at the 5 per cent level since its p-value for this variable is 0.000.

Figure 4.11 states that 6% of the respondents strongly disagreed, 14% disagreed, 26% were uncertain, 43% agreed and 11% strongly agreed. The majority of the respondents (54%) affirm that their boards engage experts on the selection team.

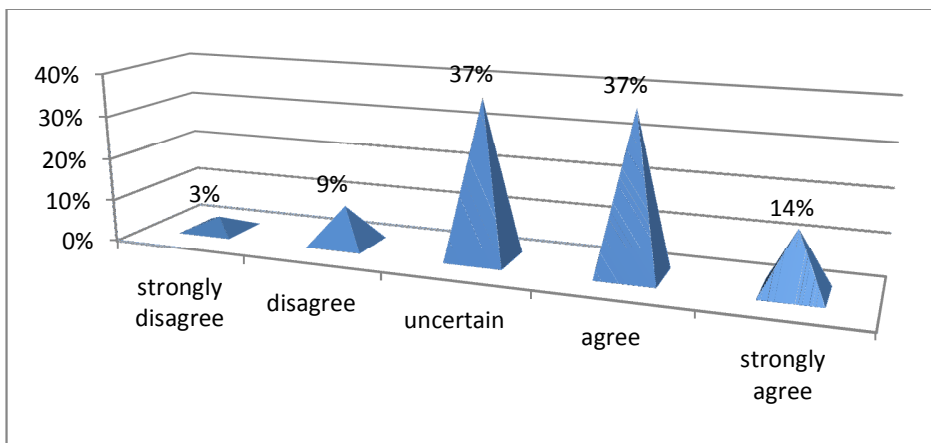


Figure 4.12 Does not Stereotype any Candidate
Source: Survey Data

The statement that the board does not stereotype any candidate during the selection process was found to be statistically significant since the p-value of 0.000 is less than the

critical value of 0.05 (refer to Table 4.1). In addition, Figure 4.12 indicates that 3% of the respondents strongly disagreed, 9% disagreed, 37% were uncertain, 37% agreed and 14% strongly agreed. The results show that (51%) of the respondents affirmed that their boards do not stereotype any candidate when selecting their board members.

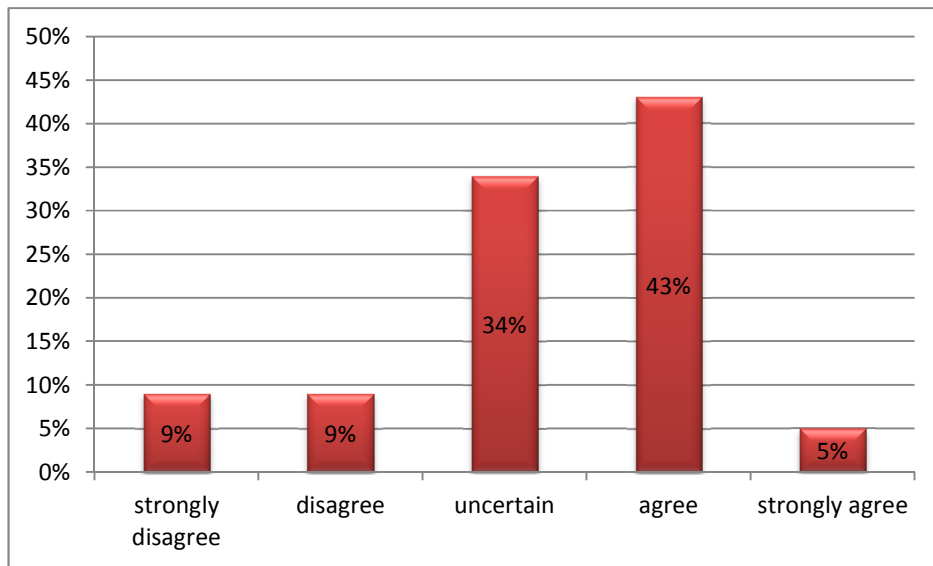


Figure 4.13 Is not Judgmental on any Candidate
Source: Survey Data

Respondents were also asked to indicate if their boards were not judgemental on some candidate or not. The Anova results to this question are statistically significant with a p-value of .000 which is less than the critical value of .05 (refer to Table 4.1).

Figure 4.13 indicates that 9% of the respondents strongly disagreed, 9% disagreed, 34% were uncertain, 43% agreed and 9% strongly agreed. The results therefore indicate that 18% of the respondents disagree meaning, that their boards are judgmental while 52% agree that their boards are not judgemental on any candidate.

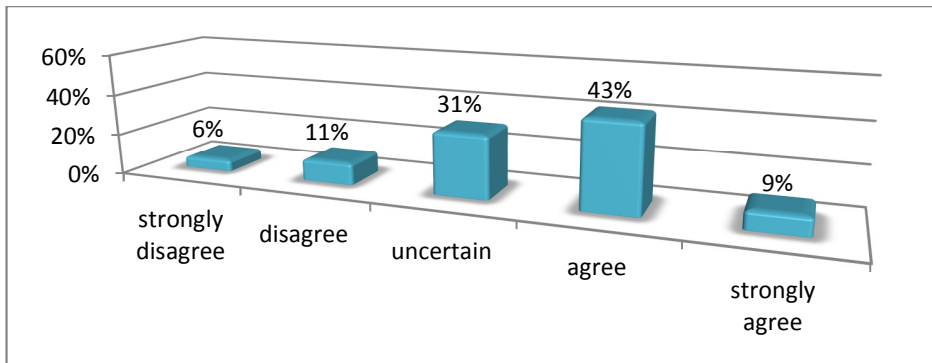


Figure 4.14 Members Declare Conflict of Interest
Source: Survey Data

The question that board members declare conflict of interest is statistically significant since its p-value of 0.018 is less than the critical value of 0.05 (refer to Table 4.1).

Furthermore Figure 4.14 depicts that 6% of the respondents strongly disagreed, 11% disagreed, 31% were uncertain, 43% agreed and 9% strongly agreed. This shows that 17% of the respondents disagreed that members declare conflict of interest, while 52% agreed.

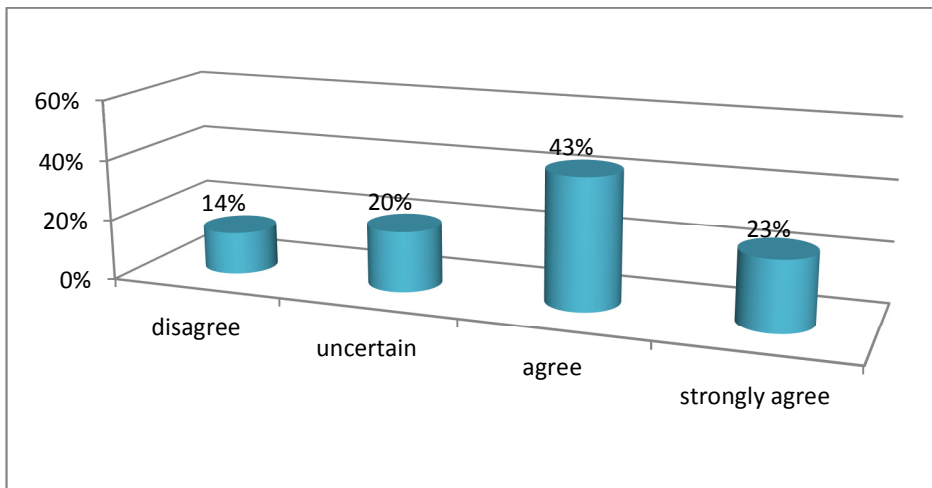


Figure 4.15 Advertise A Directors Vacancy to Attract Candidates
Source: Survey Data

The respondents were also asked to say whether their board advertises a director vacancy to attract strong candidates. This question was also found to be statistically significant with a p-value of .001 which is less than the critical value of .05 (refer to table 4.1).

Figure 4.15 indicates that 14% of the respondents disagreed 20% were uncertain, 43% agreed and 23% strongly agreed. Thus, 14% of the respondents disagreed that their board advertises director vacancies to attract strong candidates while 66% agreed.

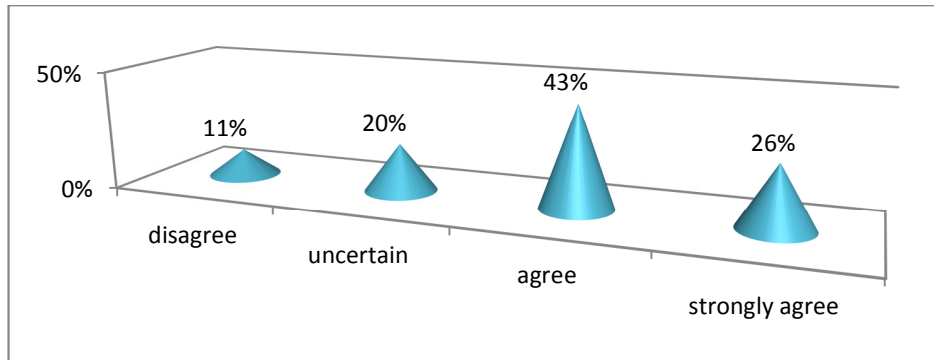


Figure 4.16 Adhere to Selection Process
Source: Survey Data

The respondents were also requested to indicate if their board adheres to the selection process as required by law. This variable is also statistically significant since its p-value of 0.033 is less than the critical value of 0.05 (refer to Table 4.1).

Figure 4.16 indicates that 11% of the respondents disagreed, whilst 20% were uncertain, 43% agreed whilst 26% strongly agreed. Overall, 11% disagreed that the board adheres to the selection process while 69% agreed.

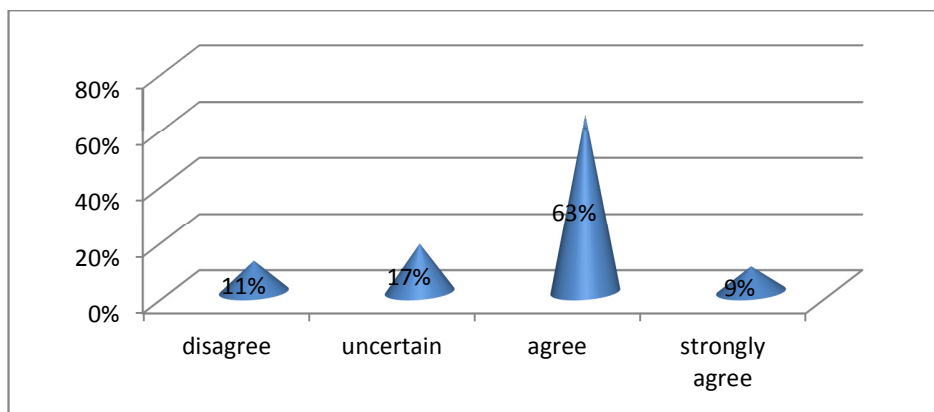


Figure 4.17 Uses a Scoring System to Select Suitable Candidates
Source: Survey Data

The variable the board uses a scoring system to select suitable candidates` was found to be statistically significant since its calculated p-value of.005 is less than the critical value of.05 (refer to Table 4.1).

Figure 4.17 depicts that 11% of the respondents disagreed, 17% were uncertain, 63% agreed and 9% strongly agreed. These results show that 11% of the respondents disagree that their board uses a scoring system to select suitable candidates while 72% of the responses were in the affirmative.

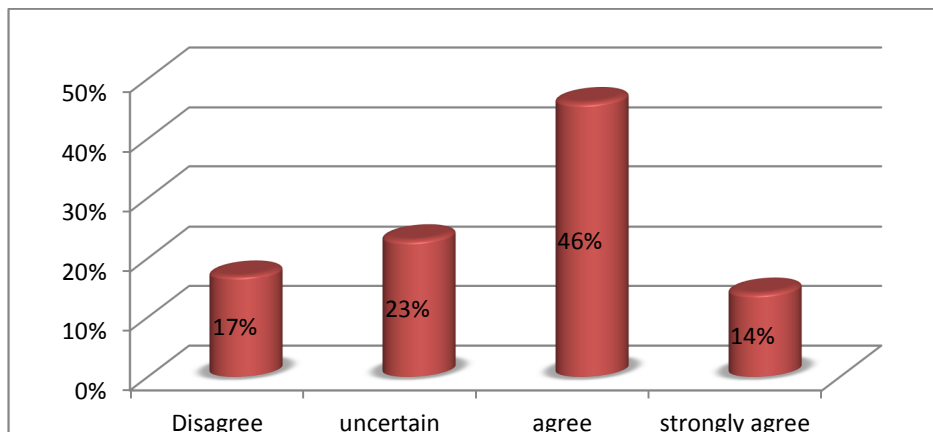


Figure 4.18 Takes Applicants Qualifications and Experience into Account
Source: Survey Data

The other question the respondents were to answer was that the board takes applicants' qualifications and experience into account. The Anova results show that the calculated p-value is 0.001 which is less than the critical value of 0.05 (refer to table 4.1). Furthermore, Figure 4.18 indicates that, 17% of the respondents disagreed, 23% were uncertain, 46% agreed and 14% strongly agreed. This means that 17% of the respondents disagree that their boards take applicants qualifications into account when selecting their board members and 60% agree.

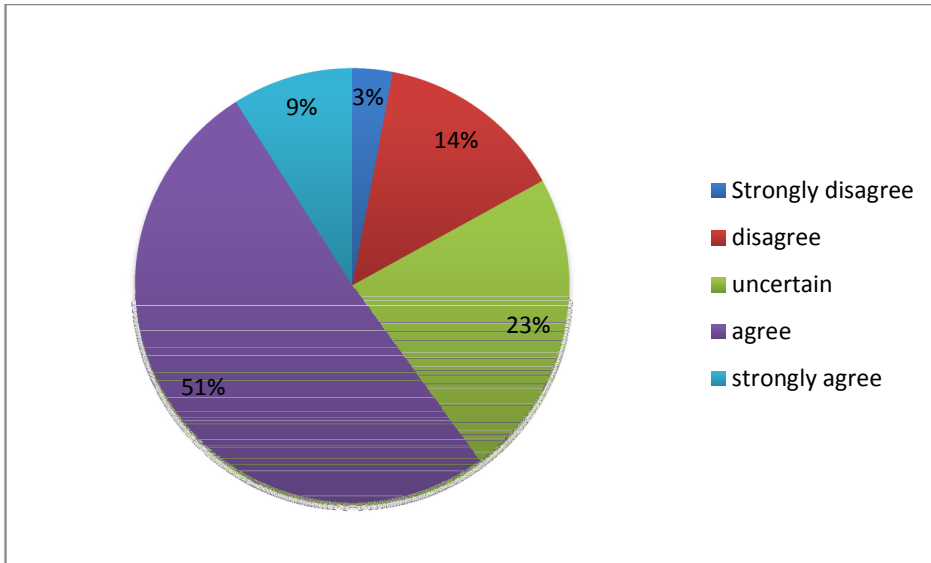


Figure 4.19 Considers Conflict of Interest as a Negative Factor
Source: Survey Data

The board considers conflict of interest as a negative factor is a question whose Anova calculated p-value was found to be 0.001 which is less than the critical value of .05 (refer to table 4.1). This means that this question was found to be statistically significant.

The results in Figure 4.19 indicate that 3% strongly disagreed, 14% disagreed, 23% were uncertain, 51% agreed and 9% strongly agreed. This means that 17% of the respondents disagree that the board considers conflict of interest as a negative factor in the selection of their boards of directors while 60% agree and 23% were uncertain.

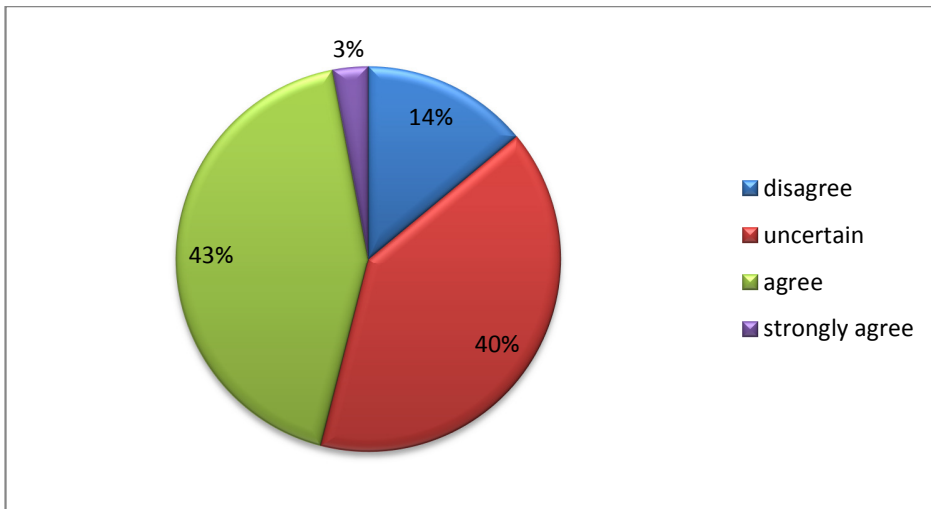


Figure 4.20 Shares Information with all the Board of Directors
Source: Survey Data

Does the board of directors share information with all the members on the board of directors? This variable was also found to be statically significant since its calculated p-value was found to be 0.024 which is less than the critical value of 0.05 (refer to table 4.1).

Figure 4.20 also shows that 14% disagreed that the board shares information with all the board of directors, while 40% were uncertain, 43% agreed and 3% strongly agreed. Even though 46% of the respondents overall agree that the board shares information with all board members the 40% which falls in the uncertain range is a cause for concern which may need further investigation and clarification.

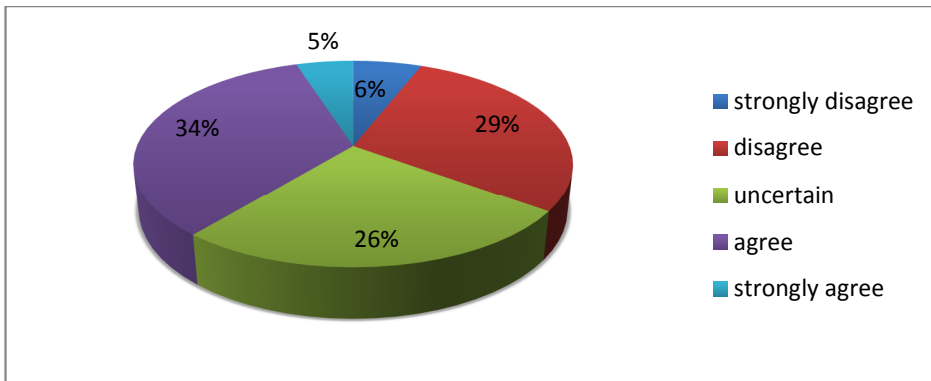


Figure 4.21 Does not have a Nomination Committee
Source: Survey Data

The other question that the respondents had to respond to was whether the board does have a nominating committee. This question was also found to be statistically significant with a calculated p-value of 0.005 which is less than the critical value of 0.05 (refer to table 4.1).

In addition, Figure 4.21 indicates that 35% of the respondents disagree that their boards do not have a nomination committee, while 39% agree that their boards do not have a nominating committee and 26% are uncertain that their boards have a nominating committee. The later 26% is also a cause for concern and may require further investigation.

Table 4.2 One Way Anova Statistics Results Summary: Corporate Governance overall performance

One Way Anova Statistics Results Summary					
Parameter	Sum of squares	df	Mean Square	F-Stat	P-value
Board Effectiveness in Terms of Conduct	29.954	6:28	4.992	6.073	.003
Business and Corporate Values and Ethics in Place	41.431	6:28	6.905	5.735	.011
Code of Conduct is in Place	48.596	6:28	8.099	3.807	.000
Organisational Structure is Consistent with Corporate Objectives	25.194	6:28	4.199	4.829	.000
Accounting Policies and Practices are in Place	29.045	6:28	4.841	2.928	.000
Assessment of Profits Budgets and Targets is Done	31.868	6:28	5.311	2.753	.000
Timeous Disclosure of Information to Shareholders	22.661	6:28	3.777	2.408	.000
Whistle Blowing is Encouraged	66.492	6:28	11.082	2.580	.000

Source: Survey Data

The above listed critical results in table 4.2 for the corporate governance scorecard are derived from one-way Anova statistical analysis depicted in appendix 5, below. One-way Anova is a way of presenting the calculations for the significance of a particular factor's effect, especially for data in which the influence of several factors is being considered simultaneously. Anova is a statistical method that divides the variance in an observation into the variance of itself and the rest of the variance, called the within group or error variance (Changarampatt, 2011).

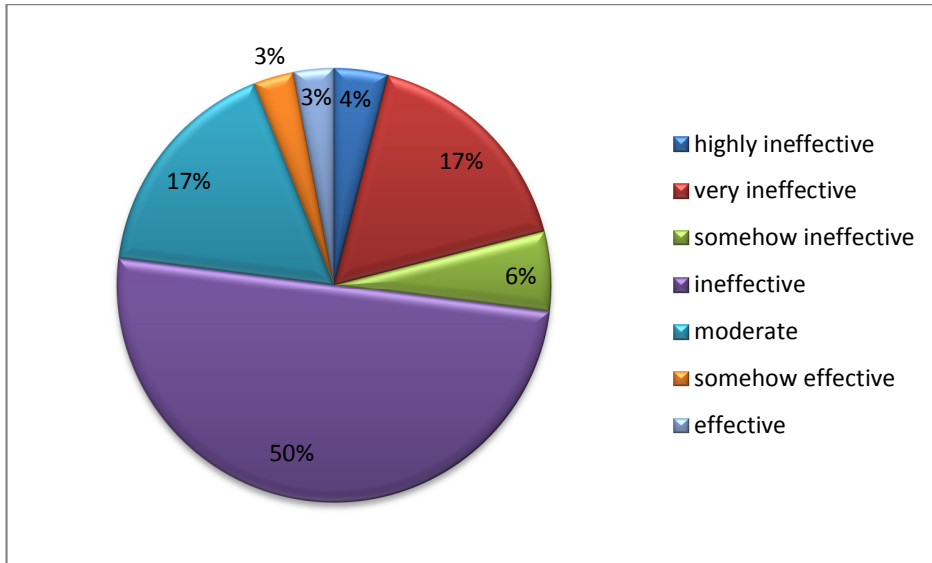


Figure 4.22 Board Effectiveness
Source: Survey Data

The respondents were supposed to say something about the effectiveness of the boards they serve. Calculated p-value of.000 is less than the critical value of.05 (refer to table 4.2).

Figure 4.22 indicates that 4% of the respondents pointed out that the board was highly ineffective, 17% said it was very ineffective, 6% somehow ineffective, 50% ineffective, 17% moderate, 3% somehow effective and 3% effective. Overall, 73% of the respondents said that their boards were ineffective while only a paltry 6% indicated that they were effective. This simply means that the boards are ineffective.

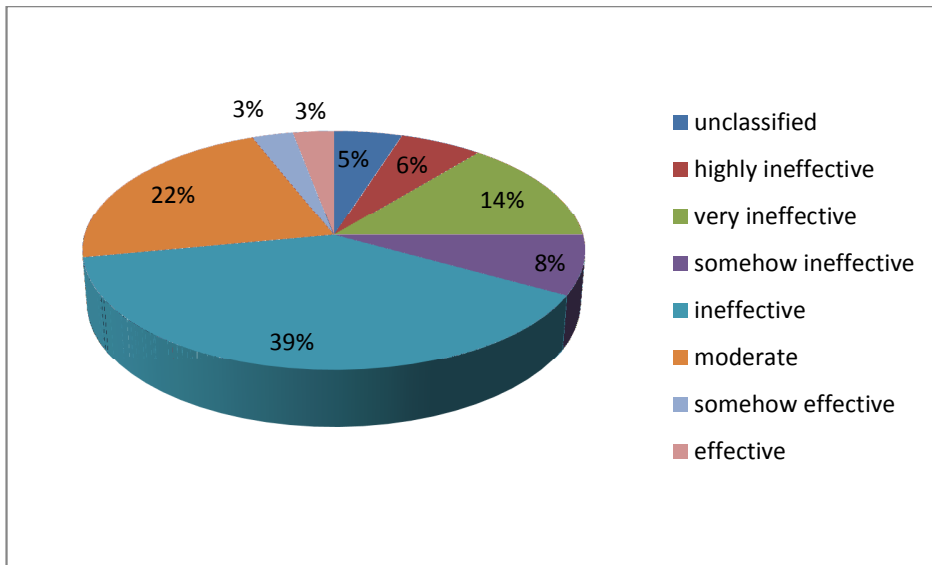


Figure 4.23 Business and Corporate Values

Source: Survey Data

The business and corporate values variable was found to be statistically significant with calculated probability value (p-value) of 0.001 which is less than the critical value of 0.05 (table 4.2).

The results in Figure 4.23 indicate that 5% of the respondents suggested that business and corporate values were unclassified, 6% highly ineffective, 14% very ineffective, 8% somehow ineffective, 39% ineffective, 22% moderate, 3% somehow effective and 3% effective. This means that 61% of the respondents think that the business and corporate values are ineffective in Namibia while 28% think that they are effective. We may be tempted to conclude that they are ineffective on the basis of what we have got.

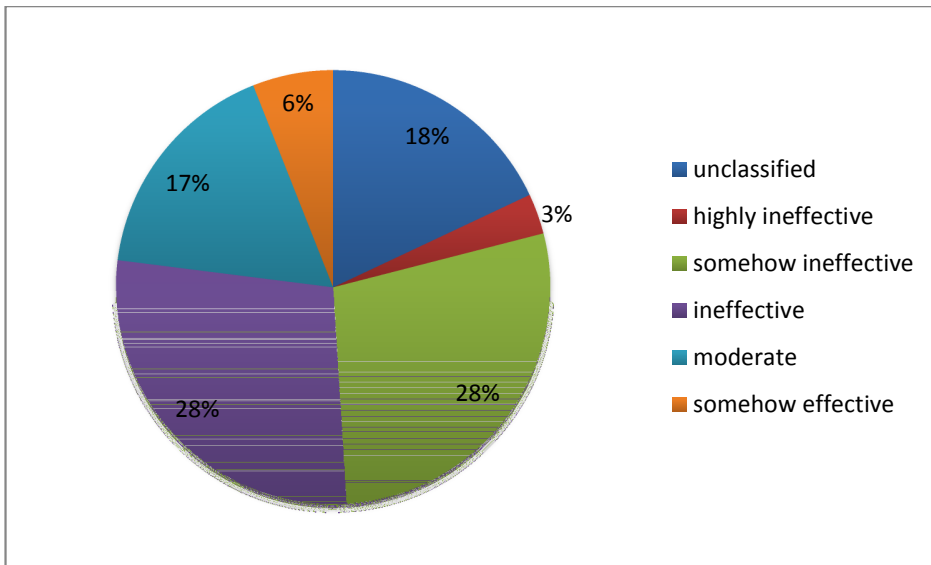


Figure 4.24 Code of Conduct in Place
Source: Survey Data

Is the code of conduct effective? This variable was also found to be statistically significant with a calculated p-value of .007 which is less than the critical value of .05 (see table 4.2).

Additionally, Figure 4.24 indicates that 18% of the respondents stated that code of conduct is unclassified, 3% highly ineffective, 28% somehow ineffective, 28% ineffective, 17% moderate and 6% somehow effective. The results show that 59% of the respondents think that the code of conduct in place is ineffective while only 23% think it's effective.

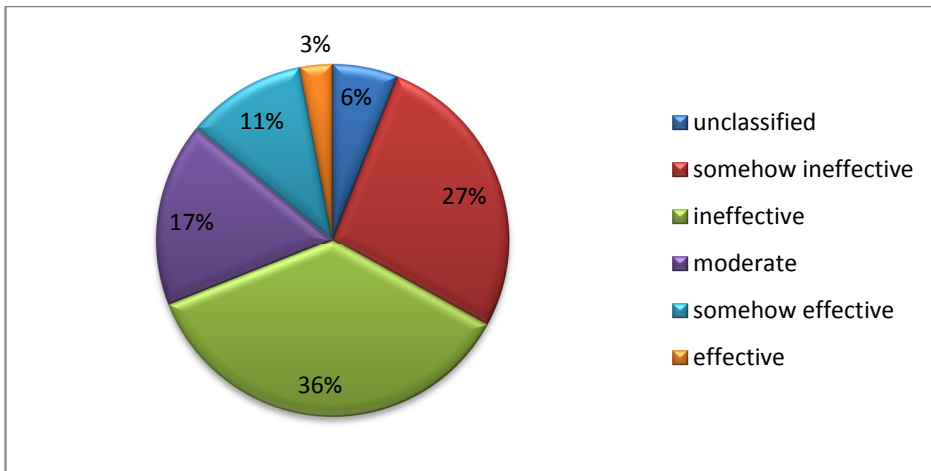


Figure 4.25 Organisational Structure is Consistent with Corporate Objectives
Source: Survey Data

The variable organisational structure is consistent with corporate objectives is also statistically significant since its calculated p-value of 0.002 is less than the critical value of 0.05 (see table 4.1).

Figure 4.25 suggests that 6% of the respondents indicated that organisational structure, consistency was unclassified, 27% somehow ineffective, 36% ineffective, 17% moderate, 11% somehow effective and 3% effective. Results shows that (63%) of the respondents think that the organisational structure is ineffective while the minority think it is effective.

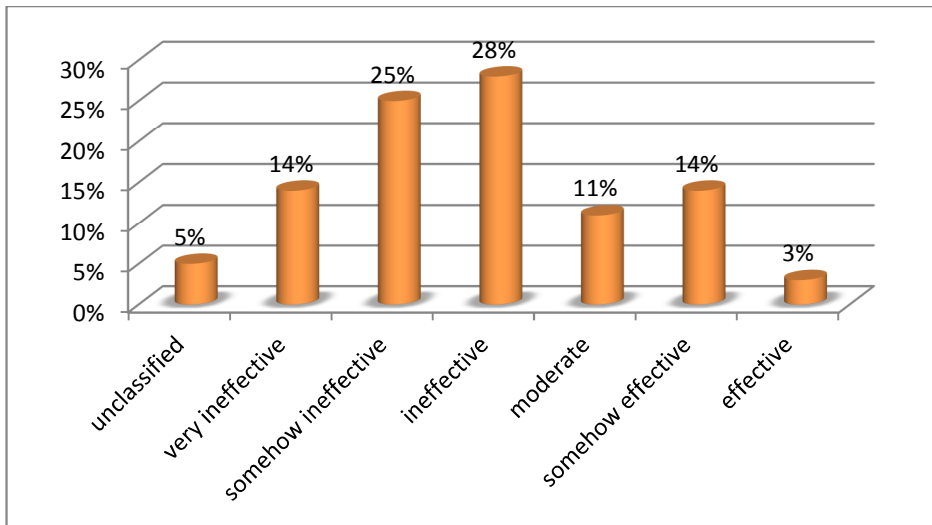


Figure 4.26 Accounting Policies and Practices are in Place
Source: Survey Data

Are accounting policies and practices in place? The variable is statistically significant since the calculated p-value of 0.028 which is less than the critical value of 0.05 (refer to table 4.1).

Additionally, Figure 4.26 indicates that 5% of the respondents stated that accounting policies and procedures are in place was unclassified, 14% very ineffective, 25% somehow ineffective, 28% ineffective, 11% moderate, 14% somehow effective, and 3% effective. The results show that the accounting policies and practice in place are ineffective.

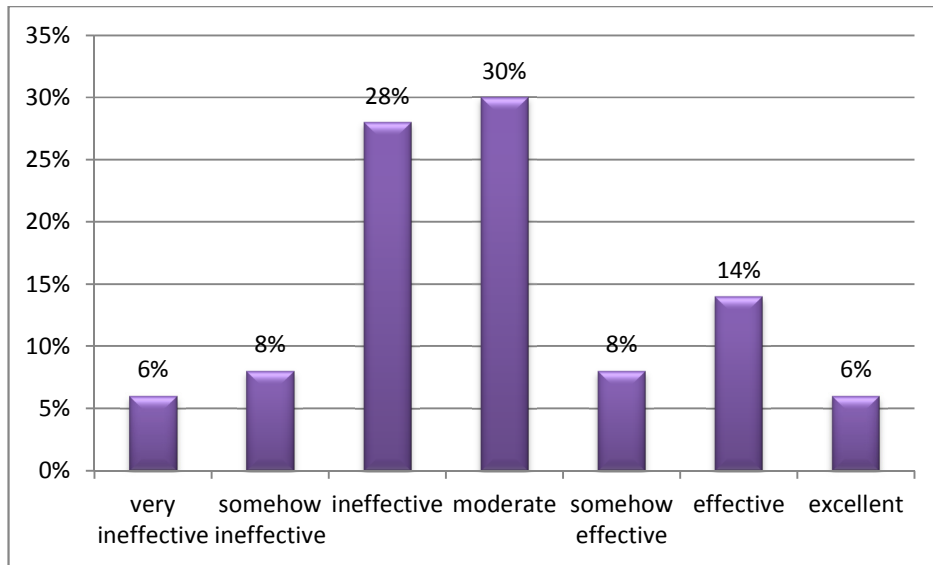


Figure 4.27 Assessment of Profits Budgets and Targets is Done
Source: Survey Data

The variable assessment of profit budgets and targets is done, is also statistically significant since the calculated p-value of 0.031 is less than the critical value of 0.05 (refer to table 4.1).

Figure 4.27 also indicates that 6% of the respondents indicated that assessment of profit budgets and targets is done is very ineffective, 8% somehow ineffective, 28% ineffective, 30% moderate, 8% somewhat effective, 14% effective and 6% excellent. The results show that the assessment of profits, budgets and targets is done effectively since 58% of the respondents say so.

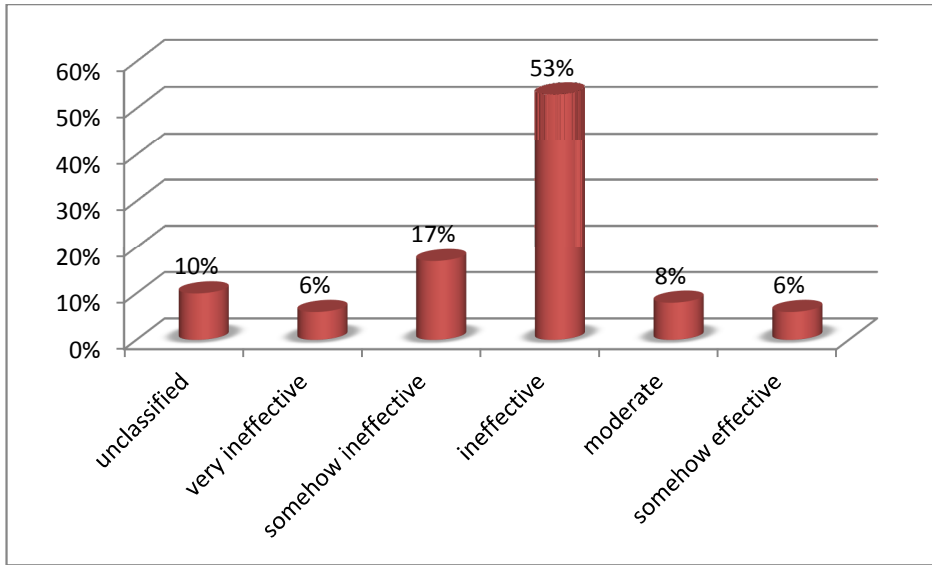


Figure 4.28 Timeous Disclosure of Information to Shareholders
Source: Survey Data

The variable, there is timeous disclosure of information to shareholders, is also statistically significant using one-way ANOVA since the calculated p-value is 0.053 which is less than the critical value of 0.05 (refer to table 4.1).

Figure 4.28 indicates that 10% of the respondents indicated that timeous disclosure of information to shareholders is unclassified, 6% very ineffective, 17% somehow ineffective, 53% ineffective, 8% moderate and 6% somehow effective. The results show that timeous disclosure of information to shareholders is ineffective at 76%, while the 14% says it's effective.

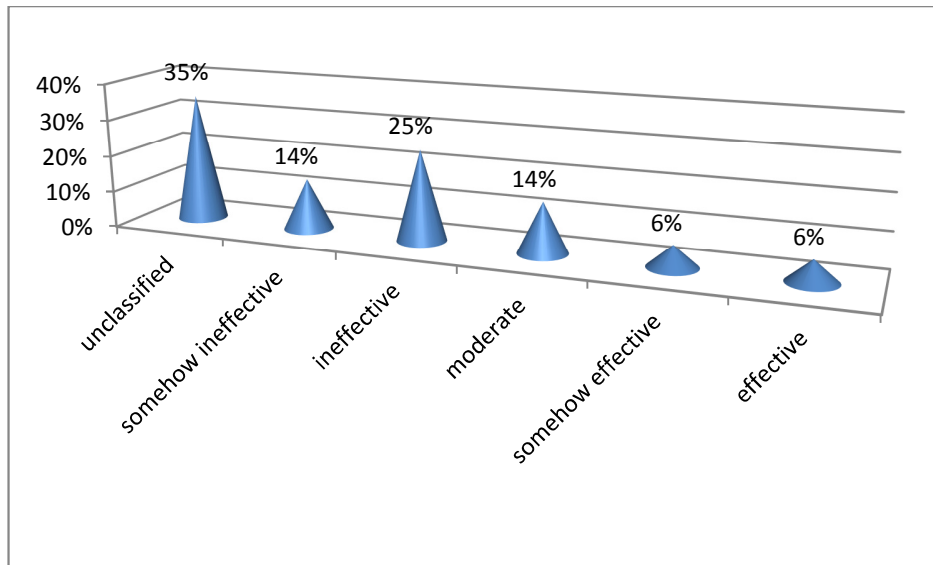


Figure 4.29 Whistle Blowing is encouraged
Source: Survey Data

Is whistle blowing encouraged? This variable was also found to be statistically significant since the calculated p-value of 0.041 is less than the critical value of 0.05 (refer to table 4.1).

Figure 4.29 indicates that 35% of the respondents indicated that whistle blowing is unclassified, 14% somehow ineffective, 25% ineffective, 14% moderate, 6% somehow effective and 6% effective. From these results we can see that whistle-blowing is generally viewed as ineffective by the respondents.

CHAPTER 5

5. DISCUSSION OF RESULTS

5.1 INTRODUCTION

This chapter re-caps steps taken in carrying out this research project and discusses results obtained from the respondents. The purpose of the research was to evaluate corporate governance practices of board members' selection and recruitment in state owned enterprises in Namibia. The research questions pertaining to the study have been adequately answered.

5.2 DISCUSSION OF RESULTS

1. **Qualification and Number of Years Working as a Board Member**

The findings shows that a higher percentage of board members have less experience and not qualified to serve on board member. This results show that it is an area might be cause for concern as this means that the state owned enterprises is led by inexperienced and less qualified board members. All the board members should possess at least Masters Qualifications or higher qualifications and at least five years of experience (OECD 2005). This study found that the majority of the board members have only between 1-5 years of experience which and majority of them having a diploma or a degree qualification. This implies that they may at times lack the requisite experience however this can also be argued that less experienced appointee can also come in with new creative and innovative idea that might be benefit to the board. With these said we can conclude to that a board can consist of a mixed balance of experienced and less experienced board members to complement each other so that the gap can be filled.

2. Sufficient Number of Directors on the State Owned Enterprise's Board

The findings show that a higher percentage of board members are not very experienced and are not qualified to serve as board members. These results show that it is an area that might be cause for concern as this means that the state owned enterprises are led by inexperienced and less qualified board members. According to the OECD report, all the board members should possess at least Masters Qualifications or higher qualifications and at least five years of experience. This study found that the majority of the board members, although highly qualified, have only between 1-5 years of experience.

This implies that they may at times lack the requisite experience, but this can also be argued that the less experienced appointee can come in with new, creative and innovative ideas that might be of benefit to the board. With this said, we can conclude that a board can consist of a mixed balance of experienced and less experienced board members to complement each other. In addition, the fact that the board members are highly qualified should act as a catalyst to stimulate constructive debate in the board.

3. Sufficient Number of Directors on the State Owned Enterprise's Board

The results show that there is few directors on the state owned enterprise boards. Although there is no formula on the number of directors to make up a sufficient board in the state owned enterprise, for only 2-4 directors to consist of the board seems like a small number for a state owned enterprise for effective and transparent board decisions to be achieved.

According to OECD the state owned enterprise boards should comprise of 7 to 12 directors in order to ensure effectiveness. Since the majority of boards in the research

meet this criterion, it suggests that one of the pre-requisites for effectiveness has already been met (OECD, 2005).

4. Assess Current Skills and Expertise of the Board

The findings state that the majority of the state owned enterprises assess the current skills and expertise of the board. This is an important assessment to do as the dynamics of business and the environment are constantly changing. The skills and expertise of the board must therefore match the state owned enterprise' needs so as to remain relevant and effective.

The assessment has to be done on a regular basis to ensure the current needs (at any given time) of the state owned enterprise are met. This will ensure that the capabilities of the board (Gap 2 in the Conceptual Model) are consistent with the needs of the SOE.

Although this research determined that the skills and expertise of the board are assessed, the measurement of the frequency was outside the scope of this paper. This is a crucial and interesting component, which can form the basis for further study.

5. Conducts its Selection Process in a Transparent Manner

The findings show that an average scoring of state owned enterprises agree that the nomination committee conducts its selection process in a transparent manner, then you wonder what is happening to the other half of the state owned enterprises? SOEs, through their Nomination Committees, need to adhere to the guidelines of the State Owned Enterprise Act. The Committee needs to conduct its selection in accordance with the process, framework and criteria there outlined, to ensure transparency in the process and combat

corruption. This increases the probability of having a transparent, capable and effective board.

6. Engages Experts on the Selection Team

The findings show that only an average of the state owned enterprise engages experts on the selection team. This might be because the Committee is qualified and well represented to select and recruit the candidates. On the other hand, it could also be because the board members themselves are not experts, making it difficult for them to engage experts who may inadvertently expose their ineffectiveness. However, engaging an expert during the selection and recruitment doesn't necessarily mean that you don't have the expertise nor that you are inadequately qualified, it is actually a demonstration of maturity and transparency of the board.

7. Does not Stereotype or being Judgemental on any Candidate

An average scoring of the respondents is of the view that the board nominating committee does not stereotype any candidate during the nominating process. This coupled with the fact that above average of the respondents state that the nominating committee is judgemental during the selection and recruitment process, tends to suggest that an element of judgement still exists in the selection process. Some candidates may therefore be judged according to their political affiliations, race or gender. This compromises the efficiency and effectiveness of the boards.

8. Members Declare Conflict of Interest and Considers Conflict of Interest as a Negative Factor

The results show declaration of conflict of interest when nominating board members falls below 50%. Declaration of conflict of interest is important, so as to avoid having board

members with interests that compromise the objectives of the board, e.g. a board member having a company which can provide services required by the SOE. The state owned enterprises must adapt a policy to declare conflict of interest. Lack of transparency in this regard compromises the effectiveness of the selection and recruitment process of the board, and ultimately its performance.

9. Advertise a Directors Vacancy to Attract Candidates

The findings have shown that the majority of the state owned enterprise advertises directors' vacancy to attract candidates. This gives the board more option to select from a bigger pool from the community so that the minority can also be well represented on the board of directors of state owned enterprise. It is ideal to advertise all the directors' vacancies to attract more candidates, but some of the appointees are hand-picked which is not proper in terms of accountability.

10. Adhere to Selection and recruitment Process

The results show that adhering to selection and recruitment process is below average. This is a serious cause of concern and this gap has to be addressed immediately to ensure effectiveness and performance of the enterprise. Kakabadse et al. (2010) also found that there is an ineffective recruitment process in SOEs, which leads to the selection of incompetent board members. There is a lack of consistently applied criteria and processes in the recruitment and appointment of the boards of directors which leads to poor performance (Ashipala 2012).

11. Uses a Scoring System to Select Suitable Candidates

Even though most state owned enterprises use a scoring system during the selection and recruitment of board members, the candidate is not always appointment based on

their merit. This is evidenced by the poor performance of SOE, as appointing a board member is mostly political influenced.

When board members are nominated the skills, merit and 'fit' of the candidate must be key considerations (Pat, 2009). The nomination process for board members must be structured and transparent and board appointees must be based on the scoring system.

12. Shares Information with all the Board of Directors

The results of the respondents indicate that information shared with all board members falls below average. Information as per our findings indicate that information does not move smoothly and it is not propagated to all the board members which means that not all the board members will be abreast of what's happening in the board. This can raise confusion and conflicts, and decisions made might therefore not be effective. Accurate and timeous information must circulate amongst all board members.

13. Does not have a Nomination Committee

The researcher's findings show that a lower percentage which is way below average states that they have a nomination committee; this makes you wonder who is handling the selection and recruitment process. If there is no committee, are the guidelines of the selection and recruitment process being adhered to?

This is the essence of Gap 1 in the Conceptual Model, whereby the Nomination Committee has not been appointed in accordance with the Corporate Governance Act, worse still in this instance where the Nomination Committee does not exist. Failure to close this gap has adverse consequences on all subsequent processes, which eventually lead to the poor performance of the SOEs.

The Protocol on Corporate Governance in SOEs (2002) stated that the Line Minister should establish a Nomination Committee. Consequently, the Protocol prescribes that the executive authority invites all the chairpersons and CEOs of SOEs to sit on the committee, and to recommend the best qualified people for each SOEs board position of the executive authority, taking into account the needs of each SOE. The Protocol states that the Nomination Committee should provide the Executive Authority with a list of candidates suitable for board membership, which list may include names of retiring directors.

If most of the state owned enterprises do not have a nomination committee, it clearly shows that they are not following the right practise and this gap has to be filled to ensure effective practise during the selection and recruitment process.

14. Board Effectiveness and Independent Representation

The results show that a number of state owned enterprises is ineffective and consist of less representation of independent board members; this means that the effectiveness during the selection and recruitment process might be in question. According to King 3 guidelines, there should be a 70% representation of the independent mixture of the board of directors for the board to be effective.

15. Business and Corporate Values

There is clearly a problem of values and ethics in SOE's; as findings show that the SOE's lack business and corporate values. This can mean that business and corporate ethics are not in place or if they are in place they are not being adhered to. Business and corporate values are important in any organisation to make effective and transparent decisions in order to ensure public trust and attract investors.

16. Code of Conduct is in Place

The results indicated that most SOE do not have a code of conduct in place. This is an area of concern as this clearly shows that members are not held accountable, leaving room for corrupt practices and misuse of public funds.

17. Organisational Structure is Consistent with Corporate Objectives

According to our findings it is evident that corporate objectives are not in line with organisational structure in most of the SOEs. Board members will experience difficulties in running the SOE's effectively if the organisational structure is not consistent with its corporate objectives. But it is the board which has the powers to change the organisational structure to suit its objectives. So if there are inconsistencies, one can assume that these structures are serving agendas that are different to those of the organisation in question. This takes us back to whether the right members have been selected to the board in the first instance, and whether the guidelines of the Corporate Governance Act have been adhered to.

18. Accounting Policies and Practices are in Place

The results indicate that the majority of SOE's do not have accounting policies and practice in place. This means that accounting records are not in place and SOE's cannot access its financial position and measure the growth of the SOE's. For SOE's to assess if they are moving towards the self-sustainability goal, accounting policies and practices must be in place and adhered to.

Also of concern if accounting procedures are not being followed, is the reliability of the financial statements that are presented to government. The research indicates that indeed

financial results are produced, but if they are not reliable, the whole exercise becomes futile and misleading to the government, the principal sponsor of the SOEs.

19. Assessment of Profits Budgets and Targets is done

The findings show that there is no assessment of profit, budgets and targets are in most of the SOE's. The results speak volumes, as profits and targets that are meant to support the organisations are not met, resulting in these organisations getting funding from the government year-in and year-out.

20. Timeous Disclosure of Information to Shareholders

Most SOE's do not practise timeous disclosure of information to shareholders. This means that shareholders are not informed on time on the activities of the board; hence the opportunity of receiving important advice and intervention by shareholders before crucial decisions are made is missed out on. Also, the delay in disclosing information may be deliberate so as to mislead the shareholders and cover-up malpractices, malpractices that may lead to poor performance of the SOE.

21. Whistle Blowing is encouraged

Our finding states that whistle blowing is not encouraged in the SOE's. This also means that there might be no policies that protect whistle blowers, which is why mismanagement of public funds is increasing and millions of dollars are not being accounted for. Whistle blowing should be encouraged to curb corruption. Much needs to be done in order to activate this area as a corporate governance measure.

5.3 SUMMARY

This study intended to answer the critical questions that pertain to the relationship between corporate governance and board nomination. It's evident that strong relationship

exists between the two variables. Application of corporate governance guidelines constitutes an effective board nomination process. This study found that corporate governance guidelines and procedures are not fully adhered to, which made some of the state-owned enterprises vulnerable to bad practices and poor performance.

CHAPTER 6

6. CONCLUSION AND RECOMMENDATIONS

6.1 CONCLUSION

An attempt was made in this study to assess the corporate governance practices on board members' selection and recruitment in State Owned Enterprises. The paper focused on all the state owned enterprises in Namibia from the performing to non-performing SOEs. The study intended to investigate the criteria and methods used in the selection of board members and to examine the corporate governance practice in nomination of board members. The results indicate that there is a positive correlation between board nomination guidelines on corporate governance and overall performance of the State Owned Enterprise in Namibia.

Based on the findings, the following conclusions can be drawn from the corporate governance nomination guidelines:

- The overall corporate governance guidelines for board nomination are not adhered to;
- There is a lack of transparency during the nomination process from the perspective of board nominating committee and the board values and ethics are in question;
- There is moderate political interference in the selection and recruitment process of the board members of the State-Owned Enterprises;
- The Nomination Committee is well qualified, but fails to select and recruit skilled and experienced directors;

- Appointments of the board are mostly not done in accordance with the State Owned Enterprise Act;
- The Nomination does not declare conflicts of interest when they arise to ensure ethics and professional conduct in the selection process; and
- Only few State Owned Enterprises adhere to corporate governance guidelines.

The poor guideline on the nomination has a negative effect on the performance of SOEs as it has an adverse effect on the economy of Namibia. Although the initial objectives of having SOEs were to foster the development of the private sector and the provision of public services, the current state of SOE's management, and the way that they are regulated, militate against the attainment of such objectives. Having been adopted at independence, the framework can hardly be effective in regulating today's business environment, which has become sophisticated due to technology and globalisation. With the above mentioned, the failure on the part of the government to adopt workable solutions to resolve inefficiency, can only make the crisis worse.

Given that SOEs are likely to be present for a long time, there is a need to streamline the regulations in order to give SOEs some autonomy, which would enable them to meet targets set under the performance contracts they have entered into with the government. Reforming the regulations relating to appointments in order to ensure that directors are appointed transparently and on the basis of their competence, rather than closeness to public officials, is necessary because incompetent directors are unlikely to achieve the targets set under the performance contracts. Transparency is also needed in the process of drafting performance contracts in order to ensure that the targets set by the government

are realistic. Competent, professional and merit-based boards and executives are crucial to the improvement of the performance of SOEs.

All comparisons show that the best performing SOE boards were selected on a competency basis with criteria including merit, professional qualifications, experience, and personal qualities of the candidate, independence and diversity, being absolutely crucial.

Diversity in the member's profiles and backgrounds gives the board a range of values, views and set of competencies. It can lead to a wider pool of resources and expertise. Different leadership experiences, national or regional backgrounds, or gender can provide effective means to tackle 'groupthink' and generate new ideas. Diversified expertise of a board is crucial for better performance of SOEs. A variety of professional backgrounds are needed to ensure that the board as a whole understands, for example, the complexities of global markets and the company's financial objectives.

In countries where politicians dominate boards, the performance of SOEs is poor. In Sweden, when it introduced a rule that less than 5% of all SOE boards should be politicians or former politicians, there appeared to be a remarkable increase in performance of their SOEs (Frederiksson 2010). Therefore, accurate assessment of skills and expertise is the single most important factor in selecting new non-executive board members. However, regular evaluation by an external evaluator of board performance, both individually and collectively is also crucial to better SOE performance.

Corporate governance codes are essential tools for enhancing corporate governance practices not only in Namibia but at the international level as well. Governance codes primary role is to raise standards and to drive reform efforts, and most developed and developing countries have adopted corporate governance codes of best practice to

restore and sustain investor confidence in the wake of financial crisis or corporate scandals. Corporate governance codes also serve as benchmarks for monitoring and implementing corporate practices and policies at the State Owned Enterprise level.

There is evidence that State Owned Enterprises with good corporate governance structures in terms of board structure and ownership structure and adhering to governance practices of board nomination perform better than those without; therefore, the evidence states that the performance of a firm is directly related to good corporate governance (Kouwenberg, 2006). Additionally, the findings of this study confirm the above assumption. Therefore, we can conclude that to ensure performance of the State-Owned Enterprises, corporate governance should be in place during the selection process of the board. Similarly, the nomination committee should operate independently during the selection process.

State owned enterprises must adapt to the culture and believe in the value of good corporate governance, SOEs must have a strong belief that good governance will contribute sustainably to the success of the firm and is essential for good business prospects in the long term. Even though there is a State-Owned Enterprises Act in place, there are no proper guidelines and procedures to ensure that the Act is adhered to, and its existence is effective as it is supposed to be. Finally, the objectives of the study are achieved, and research questions are answered.

6.2 RECOMMENDATIONS

For corporate governance to be effective during the selection and recruitment process in Namibia state owned enterprises; the following recommendations are made.

Firstly the State Owned Enterprises Act should be revised to accommodate proper guidelines and procedures that are in line with the corporate governance guidelines of board selection and recruitment.

Appointments should be governed by the overriding principle of selection based on merit. This means an objective assessment of the fit between the skills and qualification of the prospective candidate and the needs of the SOE. In addition thereto, the nomination process for SOE board must be made more transparent. The Protocol on Corporate Governance in SOEs state that the Line Minister should establish a Nomination Committee for recommendation and Line Minister must only appoint a candidate with the Governance Council approval.

Another way forward is that the SOE Nominations Committee should be expanded to make recruitment to boards for all the SOEs, not only those based in the Department of Public Enterprises. In such a scenario, the make-up of the Nomination Committee could either be changed to include a mix of current and former SOE CEOs/Chairpersons, as well as non-public sector members, to include civil society, academics and industry leadership. Nominations for SOE boards could then be forwarded to the committee, which would make the shortlist and pass it on to the Executive Authority for a decision.

Involvement of the Nomination Committee helps to ensure that the selection and appointment process is transparent and that the Board is structured to add value. The

Nomination Committee plays a crucial role in the process, helping to ensure that the recommended candidate is the right fit for both the Board and the Government business.

- Regularly reviewing how many director positions are required;
- Regularly reviewing the performance of the Board and individual Directors;
- Specifying the role of Directors, including the general attributes required of all Directors by way of a role statement;
- Regularly reviewing the environment in which the business operates and maintaining a skills assessment matrix to identify the skill set required on the Board and any gaps that need to be filled and relevant selection criteria for particular vacancies;
- Identifying specific attributes required for the upcoming Director vacancy for inclusion in the draft role statement to be considered by the Nomination Committee; and
- In the case of an upcoming Chairperson position, identifying potential candidates (this may include the incumbent and other current directors) for consideration by the Nomination Committee, in addition to the candidates put forward by the executive search agent, and providing feedback to the Nomination Committee on preferred candidates prior to it making a recommendation to the Shareholding Ministers.

The role of the Nomination Committee is to identify the best candidate for the position, having regard for the needs of both the Board and the Government business.

Nomination Committee must consider the following when selecting the best candidate:

- Operating environment; the current and future challenges facing the business;
- Specific knowledge and skills required by the Director as identified by the Board through its skills assessment matrix and role statement;
- Independence, the majority of the Board should be independent Directors;
- Diversity in terms of age, gender, local knowledge, commercial background, general governance experience, industry specific expertise and an understanding of operating a business in a government context;
- Succession planning should be in order to manage future and unanticipated retirements of Directors from office and balance continuity with board renewal;
- Potential conflicts of interest, both real and perceived; and
- The right 'fit', both for the business and the Board.

The Nomination Committee should consider all identified potential candidates, interviewing where appropriate, and provide a shortlist of suitable candidates and recommend a candidate to the Shareholding Ministers for their consideration. Adding to that, the nomination committee should operate independently all the time to ensure professionalism, transparency and ethical consideration in business practices.

Appointments to SOE boards must be made less political; it should be genuine and merit-based. Boards should be chosen from a wider pool, more diverse ideological, political, race, gender, industry and specialists. The Nomination committee should consist of a mixture of independent and non-independent directors.

The nomination process for board members must be structured and transparent, including appraisals of board members. In appointing directors to SOEs, there should be a clearer set of rules as to who should be allowed to be a director, and the idea of an effective SOE

board needs to be built around ethics, skills and judgment. In addition, board members should never be appointed on the basis of political affiliation. This is compromising good governance and performance of the SOEs. All the board positions should be on a contract basis with a clear performance contract.

A Declaration of Interests statement must also be established. Candidates must consider whether they have a real or perceived conflict of interest with the position they are being invited to fill. A Declaration of Interests statement must also be established, and any conflicts of interest by the candidate should be recorded in the Declaration of Interests statement.

State owned enterprise must ensure constructive performance of SOEs. The board size and composition should be enriched by employee representatives on the board. Furthermore, employee representation on corporate boards (SOEs) might bring valuable first-hand operational knowledge to corporate board decision-making; provide a powerful means of monitoring and reduce agency costs within the organisation. Boards should tailor governance and practices to the needs of the organisation in a pragmatic search for what is most effective and efficient. Governance best practices should be adopted thoughtfully, and not by rule reliance on the recommendations posited by any entity or group.

In summary, selection and recruitment can be depoliticised successes in different ways. No technique is fool-proof, and all can be subverted by individuals who are intent upon getting their candidate on the board. In addition, public transparency is a key success factor because it places nominations procedures and specific nominations under pub-

lic scrutiny. But, the ultimate success factor appears to be a government that is genuinely supportive of an attempt to get the best quality people.

6.3 LIMITATIONS

The limitation of this study is that it focuses only on Corporate Governance practices on board member selection and recruitment in Namibia of the state owned enterprises. A study involving both Public and Private sector would have added depth to the study but it would have made the scope of the study too broad and would not be completed within the time limit given. However the researcher concentrated on the state owned enterprises due to the important roles they play in the lives of numerous stake holders and the community as a whole.

Another limitation is the quality (truthful) of the data disclosed by the state owned enterprises. Since the tool for data collection is a self-assessment rating on the overall performance of corporate governance questionnaire, accurate disclosure might be areas for concern because of the sensitivity of the topic however the assumption is that the data disclosed is as accurate as possible as questionnaires are addressed to the Board of Directors and the Management. Some of the findings are also made on primary and secondary data.

6.4 CONTRIBUTION AND FURTHER RESEARCH

Although plenty of study on corporate governance exists, there is scarce literature empirical evidence in Namibia regarding the area of corporate governance practices on board member selection and recruitment. The researcher believes that application of the model should improve the quality of board governance in Namibia both in public and private sector.

The study shows that there is a significant relationship between overall corporate governance and board member selection and recruitment, this serve to better inform the state owned enterprises about opportunities for improvement. It is clearly shown that corporate governance should not be practised just because of regulations in the state owned enterprises but to provide opportunity for growth and survival in the market place and compete competitively with the private companies.

Policy makers of Namibia dealing with financial markets, academicians, company directors, company owners and even general readers interested in the area of selection and recruitment of board members might find this paper handy.

Future research can be done on both the private and public sector, so a longitudinal study with similar scope will be useful. The researcher should investigate whether the relationship we find on overall corporate governance performance and selection and recruitment of board members exists over time. This study could also be conducted by using different performance measures and not a self-rating measure.

This study was only conducted in Namibia; other countries can be researched on.

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APPENDIX 1: LETTER OF PERMISSION TO CONDUCT STUDY

TransNamib Holdings Ltd
Private Bag 13204
Windhoek
Namibia

20 August 2013

Attention Mr Gonzo

RE: REQUESTING FOR PERMISSION TO CONDUCT A STUDY.

My name is Naomi Kefas, a student at the Polytechnic of Namibia, at Harold Pupkewitz School of Business.

I am currently doing my research paper and am hereby requesting for permission to conduct a case study for my research paper at your organization.

My topic is *'An evaluation of corporate governance practices on board members' selection and recruitment in state owned enterprise in Namibia*. The methodology that will be used in this study will be structured questionnaires that will be conducted with the management and the board of directors of TransNamib and other State Owned Enterprises. The information will be solely used for this study purpose and this project will be submitted in fulfilment of the requirements for a Master's Degree in Leadership and Change Management at the Polytechnic of Namibia.

Thanking you for your consideration and hoping to hear from you soon.

Yours Faithfully
Naomi Kefas

APPENDIX 2: LETTER TO RESPONDENTS



POLYTECHNIC OF NAMIBIA
HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

Dear participant, your organisation has been selected to participate in a study to **evaluate corporate governance guidelines on the board members' selection and recruitment in State Owned Enterprises in Namibia**. This research is submitted in fulfilment of the requirements for a Master's Degree in Leadership and Change Management (MLCM) at the Polytechnic of Namibia.

The questionnaire consists of three parts; the Demographic, Governance Performance Scorecard and Board Nomination Effectiveness. Your participation in this study is voluntary, and you are free to withdraw your participation from this study at any time. The questionnaire should take about 10 to 20 minutes to complete.

Please be assured that all information you provide will be kept strictly confidential. Your name or other identifying information will not appear on any study report. All of the responses will be recorded anonymously.

While you will not experience any direct benefits from participation, information collected in this study and its findings may benefit the state owned enterprises and other companies in Namibia. If you have any questions regarding this research project, please contact Naomi Kefas, cell 0812471151 or email: naomikefas@gmail.com.

Your participation will add a valuable contribution to my academic research, and I thank you for your cooperation.

Yours faithfully
Naomi N Kefas

APPENDIX 3: QUESTIONNAIRE

A) DEMOGRAPHIC

Name (optional) : _____

Company Name : _____

Background and information (please tick as appropriate).

a) Job Title

Manager	Director

b) Gender of the respondent:

Male	Female

c) Highest qualification of respondent:

Certificate	Diploma	Degree	Masters	Professional

d) Age of the respondent:

Below 25 years	26-35 years	36 -45 years	46- 65 years	Above 66 years

e) Number of years of experience serving as a board member of the organisation:

1-5 years	6-10 years	11-20 years	20 years and above

f) Number of boards the respondent is sitting on:

1 board only	2-4 boards	5 -7 boards	8 and more boards

g) Number of directors on the organisation's board:

2-4 Directors	5-7 Directors	8-10 Directors	Above 11

B. CORPORATE GOVERNANCE SCORECARD

Please evaluate the statements by giving a rating (0 lowest to 10 highest) that best suits your organisation

A. Corporate Governance Performance Factors		
1	The Director's and Chairperson's appointment is done in accordance with the State Owned Enterprise Act.	10
2.	The board consists of a sufficient director mix of independent non-executive and executive directors.	10
3.	The appointment of the CEO is done in accordance with the SOE's Governance Selection and nomination processes.	10
4.	Board effectiveness in terms of conduct, board processes, meetings and board charter is evaluated annually.	10
5.	Business and Corporate values and ethics are in place and are adhered to.	10
6.	Corporate strategy is in place and is being implemented.	10
7.	Code of conduct is in place and is in compliance with the King III report.	10
8.	The organisational structure is consistent with the corporate objectives.	10
9.	Directors' rewards are performance based.	10
10.	There is an effective internal audit in place.	10
11.	There is an effective and an independence external audit.	10
12.	Accounting Policies and Practices are in place and are in compliance with IFRS (International Financial Reporting Standards).	10
13.	The assessment of profits, budgets and targets is done annually.	10
14.	Financial reporting assessment and audit is done annually.	10
15.	There is timeous transparent disclosure of information to shareholders.	10
16.	Shareholders and Investors are being involved in key decisions.	10
17.	There is a comprehensive appraisal of the performance of the busi-	

	ness (e.g. Balanced scorecard, value analysis).		10
18	Whistle-blowing is encouraged.		10
19	There is a good relationship with the business and community stakeholders.		10
20	There are effective organisation systems and procedures in place. (e.g., risk management, information systems).		10
TOTAL SCORE		%	100 (%)

C. BOARD NOMINATION

Please evaluate the statements by ticking in the box with the number that best suits your organisation.

I Strongly disagree	I Disagree	Uncertain	I Agree	I Strongly agree
1	2	3	4	5

The Nomination Committee....

1	Assesses current skills and expertise of the board to identify gaps that need to be filled.	1	2	3	4	5
2	Consists of sufficient board members to reduce the risk of collusion in the selection process.	1	2	3	4	5
3	Has sufficient experience and qualified people with abilities to select the right candidates.	1	2	3	4	5
4	Conducts its selection process in a transparent manner.	1	2	3	4	5
5	Engages experts on the selection team to assist in the recruitment process.	1	2	3	4	5
6	Does not stereotype any candidate during the selection process.	1	2	3	4	5
7	Is not judgmental on any candidate during the selection process.	1	2	3	4	5
8	Members declare the conflict of interest when it arises in the selection process.	1	2	3	4	5
9	Base their selection of a candidate on political connectivity.	1	2	3	4	5

The State Owned Enterprise.....

10	Have selection parameters that are agreed on before starting the interview process.	1	2	3	4	5
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11	Advertises director's vacancy to attract candidates from different backgrounds.	1	2	3	4	5
12	Adhere to the selection processes and not just a "window-dressing exercise when selecting the board members.	1	2	3	4	5
13	Uses a scoring system to select the suitable candidate.	1	2	3	4	5
14	Takes applicants' qualifications and experience into account when selecting the best candidate.	1	2	3	4	5
15	Considers conflict of interest as a negative factor in determining who gets the job.	1	2	3	4	5
16	Conforms to good governance during the selection of board members.	1	2	3	4	5
17	Share information with all the board of directors on the selection process.	1	2	3	4	5
18	Does not have a Nomination Committee.	1	2	3	4	5
19	The Minister appoints a candidate with the Nomination Committee's recommendation.	1	2	3	4	5
20	The Minister appoints a candidate with the SOE Governance Council's approval.	1	2	3	4	5

Thank you for your time!

APPENDIX 4: ANOVA BOARD NOMINATION

		Sum Squares	of df	Mean Square	F	p-value.
Job title	Between Groups	.735	4	.184	.693	.603
	Within Groups	7.951	30	.265		
	Total	8.686	34			
Gender	Between Groups	1.840	4	.460	2.016	.118
	Within Groups	6.846	30	.228		
	Total	8.686	34			
Highest qualification	Between Groups	2.234	4	.558	1.025	.410
	Within Groups	16.338	30	.545		
	Total	18.571	34			
Age	Between Groups	.665	4	.166	.183	.945
	Within Groups	27.221	30	.907		
	Total	27.886	34			
Number of years working as a board member	Between Groups	3.731	4	.933	5.171	.003
	Within Groups	5.412	30	.180		
	Total	9.143	34			
Number of boards re- spondent represents	Between Groups	3.516	4	.879	1.414	.253
	Within Groups	18.655	30	.622		
	Total	22.171	34			
Number of directors on the organisation's board	Between Groups	17.013	4	4.253	3.923	.011
	Within Groups	32.529	30	1.084		
	Total	49.543	34			
Consists of sufficient board members	Between Groups	23.787	4	5.947	14.145	.000
	Within Groups	12.613	30	.420		
	Total	36.400	34			
Has sufficient experience and qualified people	Between Groups	20.423	4	5.106	7.668	.000
	Within Groups	19.977	30	.666		
	Total	40.400	34			
Conducts its selection pro- cess in a transparent man-	Between Groups	19.108	4	4.777	10.510	.000

ner	Within Groups	13.635	30	.455		
	Total	32.743	34			
Engages experts on the selection team	Between Groups	21.199	4	5.300	9.243	.000
	Within Groups	17.201	30	.573		
	Total	38.400	34			
Does not stereotype any candidate	Between Groups	15.125	4	3.781	7.263	.000
	Within Groups	15.618	30	.521		
	Total	30.743	34			
Is not judgmental on any candidate	Between Groups	18.989	4	4.747	8.817	.000
	Within Groups	16.154	30	.538		
	Total	35.143	34			
Members declare conflict of interest	Between Groups	10.935	4	2.734	3.529	.018
	Within Groups	23.237	30	.775		
	Total	34.171	34			
Base their selection of a candidate that is politically connected	Between Groups	3.790	4	.948	.591	.672
	Within Groups	48.095	30	1.603		
	Total	51.886	34			
Advertise a director vacancy to attract candidates	Between Groups	15.349	4	3.837	6.640	.001
	Within Groups	17.336	30	.578		
	Total	32.686	34			
Adhere to the selection process	Between Groups	8.893	4	2.223	3.021	.033
	Within Groups	22.078	30	.736		
	Total	30.971	34			
Uses a scoring system to select suitable candidates	Between Groups	8.230	4	2.057	4.636	.005
	Within Groups	13.313	30	.444		
	Total	21.543	34			
Takes applicants qualifications and experience into account	Between Groups	13.792	4	3.448	6.165	.001
	Within Groups	16.779	30	.559		
	Total	30.571	34			
Considers conflict of interest as a negative factor	Between Groups	14.625	4	3.656	6.805	.001
	Within Groups	16.118	30	.537		
	Total	30.743	34			
Conforms to good governance during the selection of board members	Between Groups	2.128	4	.532	.501	.735
	Within Groups	31.872	30	1.062		
	Total	34.000	34			
Shares information with all the board of directors	Between Groups	6.048	4	1.512	3.278	.024
	Within Groups	13.838	30	.461		
	Total	19.886	34			

Does not have a nomination committee	Between Groups	14.586	4	3.646	4.695	.005
	Within Groups	23.300	30	.777		
	Total	37.886	34			
The Minister appoints a candidate	Between Groups	1.706	4	.427	.460	.765
	Within Groups	27.836	30	.928		
	Total	29.543	34			
The Minister appoints a candidate with SOE governance	Between Groups	4.967	4	1.242	1.999	.120
	Within Groups	18.633	30	.621		
	Total	23.600	34			

APPENDIX 5: ANOVA CORPORATE GOVERNANCE SCORECARD

		Sum Squares	of df	Mean Square	F	P- val- ue.
Directors and chair- persons appointment	Between Groups	69.883	6	11.647	2.028	.095
	Within Groups	160.803	28	5.743		
	Total	230.686	34			
The board consists of a sufficient director mix	Between Groups	18.083	6	3.014	.769	.601
	Within Groups	109.803	28	3.922		
	Total	127.886	34			
The CEO appointment done in accordance	Between Groups	18.825	6	3.138	.936	.485
	Within Groups	93.860	28	3.352		
	Total	112.686	34			
Board effectiveness in terms of conduct	Between Groups	29.954	6	4.992	6.073	.000
	Within Groups	23.017	28	.822		
	Total	52.971	34			
Business and corpo- rate values and ethics are in place	Between Groups	41.431	6	6.905	5.735	.001
	Within Groups	33.712	28	1.204		
	Total	75.143	34			
Code of conduct is in place	Between Groups	48.596	6	8.099	3.807	.007
	Within Groups	59.576	28	2.128		
	Total	108.171	34			
Organisational struc- ture is consistent with corporate objectives	Between Groups	25.194	6	4.199	4.829	.002
	Within Groups	24.348	28	.870		
	Total	49.543	34			
Directors rewards are performance based	Between Groups	17.947	6	2.991	1.737	.149
	Within Groups	48.224	28	1.722		
	Total	66.171	34			
There is an effective internal audit in place	Between Groups	47.960	6	7.993	2.257	.067
	Within Groups	99.183	28	3.542		
	Total	147.143	34			
There is an effective and independent ex- ternal audit	Between Groups	15.984	6	2.664	1.933	.110
	Within Groups	38.588	28	1.378		
	Total	54.571	34			

Accounting policies and practices are in place	Between Groups	29.045	6	4.841	2.828	.028
	Within Groups	47.926	28	1.712		
	Total	76.971	34			
Assessment of profits budgets and targets is done annually	Between Groups	31.868	6	5.311	2.753	.031
	Within Groups	54.017	28	1.929		
	Total	85.886	34			
Financial reporting assessment and audit is done annually	Between Groups	18.837	6	3.140	.969	.464
	Within Groups	90.706	28	3.239		
	Total	109.543	34			
Timeous disclosure of information to shareholders	Between Groups	22.661	6	3.777	2.408	.053
	Within Groups	43.910	28	1.568		
	Total	66.571	34			
Shareholders and investors are involved in key decisions	Between Groups	10.459	6	1.743	.612	.718
	Within Groups	79.712	28	2.847		
	Total	90.171	34			
There is a comprehensive appraisal of the business	Between Groups	7.570	6	1.262	.574	.748
	Within Groups	61.573	28	2.199		
	Total	69.143	34			
Whistle blowing is encouraged	Between Groups	66.492	6	11.082	2.580	.041
	Within Groups	120.251	28	4.295		
	Total	186.743	34			
There is a good relationship with the business and community stakeholders	Between Groups	17.812	6	2.969	2.154	.078
	Within Groups	38.588	28	1.378		
	Total	56.400	34			
There are effective organisation systems and procedures in place	Between Groups	41.902	6	6.984	2.354	.058
	Within Groups	83.069	28	2.967		
	Total	124.971	34			