



**POLYTECHNIC OF NAMIBIA**

**HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS**

**An Analysis of Board Effectiveness in a Non-Profit Organisation: A Case Study of  
the National Social Marketing Programme**

**By**

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**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE  
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### **DECLARATION OF ORIGINAL WORK**

I, Sibeso Juliet Mudabeti declare that this thesis is my own unaided work. Any assistance that I have received has been duly acknowledged in the thesis. It is submitted in partial fulfilment of the requirements for the degree of Master in Leadership and Change Management at the Polytechnic of Namibia. It has not been submitted before for any degree or examination at this or any other University.

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## **DEDICATION**

There are a number of people I would like to dedicate this thesis to my late father, Boniface Siambango. To my mother, Agnes Mwilima who has been a source of encouragement and inspiration to me throughout my life.

To my dear husband, Sinvula for his practical and emotional support. You have made me understand that nothing is impossible with God. I also dedicate this thesis to my children, Michael, Earle Jr and Kahundu for the sacrifice during the many hours in my absence while I was doing my studies.

## **ACKNOWLEDGEMENT**

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Finally I would like to thank NaSoMa Board of Directors for allowing me to conduct this study and allowing me time from my work to study.

## ABSTRACT

This study focused on the analysis of board effectiveness in a non-profit organization. The aim of the study was to find out factors that influence the effectiveness of boards; in particular to examine the relationship between board inputs, processes, structures and board effectiveness. The secondary objectives were to determine the factors that influence board effectiveness at NaSoMa; to evaluate the impact of weak board effectiveness at NaSoMa and to come up with strategies that will improve board effectiveness at NaSoMa.

The research adopted a mixed method approach which utilizes both qualitative and quantitative approach. It is descriptive in nature and exploratory. The research is rooted on positivist philosophy. Data analysis was done in two stages. The first analysis involved cross tabulations of the collected data. The second part involved computation of the data into SPSS software package in order to examine the degree of association between the independent variables and between them and overall effectiveness using One Way Anova. Frequencies were generated and interpreted through use of figures and tables. Empirical evidence was conducted through the Cronbach's Alpha at coefficient of 0.70. to determine reliability statistics. The Cronbach's Alpha was good at coefficient value of .736, which means that the research instrument used in this research was valid and reliable at 74%.

The major findings of this study are that NaSoMa board is significantly too small. The absence of board committees' weakens the board effectiveness. The result shows that NaSoMa board of directors does not have formal sub-committees. It also emerged that the board and management provide strategic direction the organization. The results showed that communication between the board, management and stakeholders is very good. The results show that the board maintains good relationship with management. The board and management are capable of monitoring organizational performance and taking

action when required. It also emerged that the board supports and advises management on strategic issues.

It is recommended that the board should improve on accountability. NaSoMa should increase its board size if it is to make any sense. NaSoMa should introduce board committees in order to make the board function effectively.

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## CHAPTER ONE: INTRODUCTION

### 1. Introduction

Corporate governance is at the heart of how organizations are managed. The day to day management of making sure that the company realizes its goals. It is therefore imperative that the board of directors be effective in the affairs of the company. An effective Board of Directors is at the heart of the governance structure of a well-functioning and well-governed corporation, acting as the ultimate internal monitor. Ideally the Board guides long-term corporate strategy, puts the key agents in place to implement it and monitors performance against the strategy set out. Consequently, bad company performance and governance begins with a Board not fulfilling its key responsibilities (Achieving Effective Boards, 2011).

Private and public companies are yet to make significant improvements in corporate governance and a correlation between management and board of directors exists. According to a report compiled by Deloitte's Junius Mungunda, an Associate Manager at the world renowned accounting firm, most Namibian companies do not have enough representation of qualified board members while public institutions are dominated by political appointments, a situation that is compromising efficiency (Deloitte report, 2013).

According to Motinga (2010) the size of a board and intensity positively impacts performance. Furthermore, he argues that the range of expertise or merit appointments as well as dominance by a CEO of a company plays a crucial role in managing a company.

He also says that board meeting frequency does not necessarily enhance performance but that a higher frequency implies a crisis. It is thus important to look at the effectiveness of boards of directors in Namibia.

This study looks at The National Social Marketing Programme (NaSoMa)'s board of directors. NaSoMa was established by the Ministry of Health and Social Services (MoHSS) in the year 2000 to improve access to high quality socially marketed condoms at affordable prices and to prevent HIV transmission through Behaviour Change Communication programmes. Today it focuses on marketing its Cool Ryder, Sense and Femidom condoms, general promotion of condom use, training commercial sex workers and on general behaviour change communication among young people.

NaSoMa is an independent institution, which is registered as a charity organisation under Section 21 (Not for Gain) of Namibia's Companies Acts".

NaSoMa aims to complement the distribution of free condoms by MoHSS (the Smile condom) with premium quality, socially marketed male and female condoms.

### **1.1. Background**

Tricker (2012) argued that Board of directors are an important element in running a company. As for not-for-profit boards are responsible for the stewardship of the organization. Their role is to guard the mission of the organization and maintain high standards of accountability. Earning and maintaining the public trust is a key indicator that the board has fulfilled its governance role. Good governance is critical in ensuring that non-profit organizations are effective and able to fully maximize their resources.

Tricker (2012) further argues that the board acts as trustee of the organization's assets and ensures that the company is well managed and remains fiscally sound. In doing so, the board must exercise proper oversight of the organization's operations and maintain the legal and ethical accountability of its staff and volunteers.

In addition to its legal responsibilities, the board acts in a fiduciary role by maintaining oversight of the nonprofits finances. Board members must evaluate financial policies, approve annual budgets, and review periodic financial reports to ensure that the organization has the necessary resources to carry out its mission and remains accountable to its donors and the general public (Tricker, 2012).

## **1.2 Statement of the Problem**

The NaSoMa board is responsible for the stewardship of the organization. The role of the board is to guard the mission of the organization and maintain high standards of accountability. Earning and maintaining the public trust is a key indicator that the board need to fulfil through good corporate governance practice. Good governance is critical in ensuring that non-profit organizations are effective and able to fully maximize their resources. NaSoMa is a non-profit organization which has a board of directors in place. The board of directors is supposed to discharge its mandate of fiduciary duty to its shareholders and stakeholders through effective practices. The effectiveness of NaSoMa board of directors is not known and this research aims to find out the board`s effectiveness. This research is carried out to determine the effectiveness of NaSoMa board of directors.

## **1.2. Research Questions**

The research revolved around the following research questions:

- i. What factors influence board effectiveness of NaSoMa in Namibia?
- ii. What is the impact of weaknesses in board effectiveness at NaSoMa in Namibia?
- iii. What strategies can be used to improve board effectiveness at NaSoMa?

## **1.3. Research objectives**

The aim of the study is to find out factors that influence the effectiveness of the board; in particular to examine the relationship between board inputs, processes, structures and board effectiveness.

- To determine the factors that influence board effectiveness at NaSoMa
- To evaluate the impact of weak board effectiveness at NaSoMa.
- To identify strategies that will improve board effectiveness at NaSoMa.

## **1.4. Significance of the study**

This study provided insights into the state of corporate governance are in NaSoMa. The study will also enlighten policy makers on some factors that hinder or decreases effectiveness of boards so that remedial action can be taken to remedy the situation. The results can contribute to the literature on corporate governance non-profit organizations that will help future researchers doing studies on board effectiveness and performance.

### **1.5. Limitations and delimitations of the study**

The study will not cover all Non-profit boards in Namibia but will be limited to NaSoMa, a non-governmental organization operating in Namibia. The challenge of the study is scarcity of literature and research done on board effectiveness in Namibia. This remains one of the major limitations of the study. The major limitation of the research is that the study is done only on the single organization and this limits the generalisation of this study. The other trivial limitations are that the researcher is a full time employee and will need to balance work and carrying out the research. This is a limitation since time is a limited resource. The researcher does not have funding to carry out the research; this will limit the movement of the research in data collection.

### **1.6. Ethical Considerations**

The researcher adhered to the following general principles: the protection of vulnerable persons, they will be informed of the purpose of the study. The research participants were informed of their right to withdraw at any time of the research and were informed of the right to confidentiality. This means that their private details of the respondents were not made public and their right to anonymity preserved. The researcher sought for consent to participate in the research from the respondents as well as NaSoMa.

## CHAPTER TWO: LITERATURE REVIEW

### 2. Introduction

According Hendrikse & Hefer-Hendrikse (2012), the relationship between the board of directors and corporate governance is very fundamental. The effectiveness of any company is directly linked to the efficacy of its board. The board should always operate in the best interest of the company, the shareholders and the stakeholders. As for SOEs, the board of directors should serve government interests balanced with the company's mandate. The symptoms of non-performing board are the inability to match conformance with performance (Hendrikse & Hefer-Hendrikse, 2012). There are certain aspects that need to be considered by the board in order for it to be effective, namely:

- a) Conformance and performance activities
- b) Outward looking (external) and inward looking (internal) issues
- c) Focused on both the present (short term) and future (long term) issues

Another major task of the board is to advise on and evaluate strategic decisions proposed by the management (Jensen, 1993). If heterogeneous boards are more independent, then such boards prevent the CEO from undertaking bad projects. Likewise, heterogeneous boards should be better able to evaluate the quality of strategic transactions if their access to information and resources is superior to that of more homogeneous boards. Furthermore, if the benefit of director heterogeneity is derived through diversity of human capital, then boards that are diverse, especially along the function dimension will function better. These boards perform better at identifying,

negotiating, and closing strategic deals successfully. A potential drawback of diversity could come from failure to agree on the quality of the transaction proposed, leading to indecision and underinvestment in such projects. Jensen (1993) concluded that, it is unfortunate that any cost of diversity arising from underinvestment is difficult to measure.

Boards should also establish a consistent method for receiving, reviewing, and utilizing the data received. Boards use many data points to monitor company performance, including financial and non-financial metrics, and industry and peer information (Deloitte, 2010).

The board sits at the top of the organisational hierarchy with significant autonomy and allowing for accountability to shareholders or other key stakeholders dependent on organisational structure (Outline of Board Evaluation, 2010). Hence, the primary purpose of a board evaluation is to penetrate the inner workings of the boardroom in order to assess the extent to which the board is capable of delivering good governance and appropriate direction to the enterprise, both in the short and longer-term.

## **2.1. Definition of Corporate Governance**

According to Solomon (2007) corporate governance is seen as a process of supervision and control intended to ensure that the company's management acts in accordance with the interest of shareholders. The definition is limited in that it caters only for the interest of shareholders. Corporate governance accrues benefits to multiple stakeholders.



## **2.2. Theories of Corporate Governance**

Various theories of corporate governance abound. For the purposes of this research, the researcher limited the review of the theories to the two fundamental theories of agency theory and dilemma and stewardship theory. The selection of the theories is by choice rather than design. Theories like the stakeholder theory, resource dependency theory, systems theory and many more could have been reviewed.

### **2.2.1. Agency theory**

In agency theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the residual claimants, the owners, and fall below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen & Meckling, 1976).

Agency theory specifies mechanisms which reduce agency loss (Eisenhardt, 1989). These include incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial plans with company expectations.

### **2.2.2. Stewardship Theory**

Stewardship theory was developed as a counter strategy to the agency theory (Davis, Schoorman & Donaldson, 1997). According to Olson (2008), stewardship theory and the agency theory both focus on the leadership philosophies adopted by the owners of

an organization. He states that in nearly all organizations, an owner or principal runs and manages the business and eventually passes responsibility of the organization to a manager or agent who looks after and runs the organization.

Olson (2008), points out to a critical decision the owner has to make as to how much authority and control he/she gives to the managers. The agency and stewardship theory of management explore this decision and examines the set of assumptions that the owner has regarding the manager, as well as, the effect those assumptions have on their decision making.

### 2.2.3. Comparison between Principal-agency theory and Stewardship Theory

Agency theory argues that shareholder interests require protection by separation of incumbency of roles of board chair and CEO. Stewardship theory argues shareholder interests are maximized by shared incumbency of these roles. Results of an empirical test fail to support agency theory and provide some support for stewardship theory.

**Table 2.0: Agency theory and Stewardship theory Comparison**

	Agency theory	Stewardship theory
Owner	Principal	Principal
Managers as	Agents	Stewards
Approach to governance	Economic	Sociological and psychological
Model of man behaviour	Individualistic Opportunistic Self-serving	Collectivistic Pro-organisational Trustworthy
Managers motivated by	Their own	Principal's objectives

	objectives	
Manager's and principal's interests	Diverge	Converge
Structure that	Monitor and control	Facilitate and empower
Owners' attitude	Risk aversion	Risk propensity
Principal manager relationship based on	Control	Trust
<b>Psychological mechanisms</b>		
Motivation	Lower order needs Extrinsic needs	Higher order needs Intrinsic needs
Social comparison	Other managers	Principal
Identification	Little value commitment	Great value commitment
Power	Institutional	Personal
<b>Situational mechanism</b>		
Management philosophy	Control oriented	Involvement oriented
How to deal with increasing uncertainty and risk	Greater controls More supervision	Training and empowering people Redesigning jobs to be more challenging and motivating.
Risk orientation	Control mechanisms	Trust
Time frame	Short term	Long term
Objective	Cost control	Performance enhancement
Cultural differences	Individualism Large power distance	Collectivism Small power distance

*Source: Alfonso Vargas Sanchez (2001), based on Davis, Schoorman and Donaldson (1997).*

### 2.3. Board Effectiveness – Perspectives and Approaches

Effective leadership and governance are the result of ensuring that highly qualified people serve in leadership positions and they embrace their responsibilities

and continually improve their performance. Effective governing boards are committed to assessing how well they perform their governance responsibilities and to using the results of the assessment to enhance board effectiveness (Smith, 2009).

According to Dutra (2012) as cited in Rigsby (2013:13) “The definition of board effectiveness has shifted dramatically over the past decade especially aftermath the global financial crisis and numerous corporate scandals, a director now confronts not only complex oversight accountability, but also personal risk and liability. Clearly, this is a job not for the faint of heart.” This statement clearly shows that the effectiveness of boards of directors is now more challenging than it was many years ago.

According to Rigsby (2012) there exist five prominent challenges facing board of directors. Namely, lack of clarity in terms of roles & responsibilities, poor process management, lack of alignment & agreement on company strategy, poor team dynamics and board compositions. More so, some board of directors have characteristics that make them be classified as high performance. These are a clear vision and purpose, highly efficient and strong process, strategically aligned risk compared to rewards, a strong team dynamics and talent-centric (Rigsby, 2013).

Assessing board performance involves looking at the board as a unit. While individual trustee behaviour contributes to effective board functioning, the focus of a board self-evaluation is not on individuals, but on how they work together to govern the district. The evaluation focuses on board policies and practices and the role of the board in representing the community, setting policy direction, working with the CEO, and monitoring institutional effectiveness (Smith, 2006).

Another important aspect of board evaluation is that there are different types of board assessments. There are external reviews that can be conducted by subject matter experts. These experts evaluate the Board of Directors (BOD) overall effectiveness and provide rating and guidance. Another way is self-assessment that can be conducted by the BOD (with or without professional support) to determine the level of effectiveness of the BOD. There is an also quantitative assessment which includes financial performance, analyst reports and recommendations, dividend history and external recognition (Rigsby, 2012).

There are many aspects that one can look at when assessing the effectiveness of board of directors. When assessing the quality of BOD, one can look at the board qualifications and its composition, the board structure, the company ethics and code of conduct, the board collaboration and interaction as well as the individual fiduciary duties and responsibilities (Rigsby, 2012). One of the very crucial components of BOD is their qualifications.

Traditional evaluations of corporate governance often focus on externally observable aspects of boardroom structure, such as whether there exists a split between the chief executive and the chairman, the formal independence of directors, and the use of board committees. However, such measurable boardroom features may not necessarily be the most important indicators of board effectiveness. Often, it is less tangible factors, such as the standard of chairmanship, the working relationship between directors, the balance of power and the knowledge base of individual

directors which determine the extent of the board's contribution to good governance and organisational success (Outline Board Evaluation, 2010).

There has been a wide concern about the performance of boards. This has led to a growing 'practitioner oriented' literature offering prescriptive advice. This growth has been particularly apparent in the US, where notable examples include O'Connell (1985), Houle (1989), Carver (1990), Bowen (1994), Ducca (1996), Block (1998) and the many publications from the National Centre for Non-profit Boards.

Some of these approaches have also been influential in the UK, in particular Carver, but there have also been various practical handbooks on governance based on UK experience, for example Kirkland (1994), Adirondack (1999), and Nunan (1999).

Although these studies do not promote one model of an effective board there is a great deal of similarity between the different prescriptions. In his review of the field, Herman (1989) draws out what he saw then as a number of widely agreed prescriptive standards for boards. These include various board processes such as the need to systematically assess the composition of boards and the skills needed, systematic and rigorous board recruitment, information and training for new board members, processes that encourage board member participation, regular processes to review board performance and board member commitment of time.

He also identified what are the board's chief tasks or functions, including: selecting and monitoring the chief executive, setting the organisation's mission, developing strategy, approving policies and budgets, ensuring the organisation has the necessary resources. His general summary would seem to still hold true today. There are many advantages of assessing BOD, for boards enjoying a strong and respected

leadership, and a high level of trust between board members, board evaluation is likely to be a positive and rewarding experience. Equally, it must be recognised that the impact of board evaluation on a dysfunctional board could be unsettling (Outline Board Evaluation, 2010).

## **2.4. Functions of the Board**

Hendrikse & Hefer-Hendrikse (2012) argue that the Board must look inwards at the enterprise and outwards to the company's external situation, focusing on the past, present and the strategic future. If the CEO and the management team are responsible for formulating the strategy for the company, what is the role of the Board of Directors? This shows that the Board pursue functions of management rather than that of leadership. There is no simple answer to this question. Directors are called directors because they direct: their primary duties are to ensure that their enterprise is heading in the right direction.

If a Board does not have a shared view of the direction for the company, their corporate vision, the Board will not be able to develop an effective corporate strategy. Strategies will remain nothing more than statements of intent or dreams until they are turned into operational plans. To make strategies operational, companies need policies, procedures, plans and projects. This provides the Board the criteria against which the Board can monitor management's performance and fulfil their duty to supervise executive management. Policies can be thought of as the rules, systems and procedures that are laid down by the Board to guide and to supervise executive management and its activities. The level and detail of reporting

required will be determined by the constitution of the company, the laws under which it is incorporated and the demands of the regulating authority.

The interplay between the Board and the Management raises a crucial aspect of corporate governance. Boards have considerable freedom to delegate responsibilities to management. The board is an important driver of the strategy of the company. A board should be focused on developing a strategy with the CEO and then supporting management in their implementation of the strategy. The board then performs a role of review and compliance with the strategy and then from time to time or in moments of crisis, determining if the company's current strategy is appropriate given the company's circumstances at that time.

## **2.5. Balancing the Board's Performance and Conformance Roles**

Every Board faces a challenge to strike a reasonable balance between strategy formulation and policy making. The responsibility for determining the Board's agenda, ensuring that sufficient time is allocated to each of the four functions and balancing these activities, lies with the Board Chairman. He or she will seek advice from the company secretary and the chief executive and in a professionally led Board; every Director will have the opportunity to suggest items that the Board should discuss and to express concerns about the balance of the Board's deliberations. Adequate time should be left for the board to deliberate on the company strategy and for it not to be captured, conforming to the process of meetings and agendas.



## 2.6. The Board Process

Existing literature classifies corporate governance mechanism into two groups. First one is external mechanism which comprises of outside monitoring by debt holders and market for corporate control (Agrawal & Knoeber, 1996). The second one is 'Internal Corporate Governance' which is based on two structures. One of it is ownership structure which is based on ownership concentration and the other which is based on dispersed ownership. Whereas leadership structure investigates how internal structure (Board size & composition, CEO tenure & duality & compensation packages) influences the firm value (Fama, 1980). Most empirical evidence demonstrates the impact of ownership structure on firm performance. However, a little evidence exists regarding the impact of leadership structure on firm performance.

Ever since, pioneer study by Berle and Means (1932) the implication for the impact of separation and control in large public corporations has gained recognition in corporate governance literature. They advocate that the investors in corporation surrender their money to the controllers of corporations with the expectation of effective utilization of these resources in their best interests. They point out the resulting disparity of agency costs as, "the owners most emphatically will not be served by a profit seeking controlling group". Their study, therefore, conveys the idea of different governance structures with respect to ownership concentration and their impact on firm performance.

Allen and Gale (2002) argue that effective corporate governance mechanism leads to effective corporate control over resources in organizations. It makes managers

accountable to stakeholders for allocation of organizational resources. Such mechanism influences the managerial actions towards corporate value maximization.

Among various, the prime objective of corporate governance is to restrict the opportunistic managerial behaviour. It moderates agency problems and facilitates strategic decision making process. It is an internal instrument that bridges the gap between the interests of management and various stakeholders.

Internal corporate governance mechanism comprises of ownership structure and leadership structure. The leadership structure comprises of the role of board of directors and chief executive in formulating company decisions. Further, it takes into account how board size, board composition, CEO tenure, duality and compensation affect organization structure decisions.

Since it is the management that controls the organizational resources, formulates operating and financial strategies and protects interests of scattered shareholder's therefore leadership structure of a firm is of great enormity in corporate strategy formulation (Baysinger and Butler, 1985; Friend and Lang, 1988)

## **2.7. Board Size**

Board of Directors acts as agents of the corporations and trustees of scattered shareholders. They are guardians of shareholders' wealth. Several studies investigated the impact of board size on firms' performance. Existing literature reveals mixed results on the issue. There is no consensus among researchers on ideal board size in a firm.

Pfeffer J (1973) and Pfeffer and Salancik (2007) reported a positive relationship between leverage and board size on the ground that the more the members in the board composition are, more will be their political, social and technical skills. Therefore, a firm can easily access the financial markets which will enhance the firm's performance. The study of Anderson, Mansi, and Reeb (2004) reports that large board size tends to motivate the managers to smaller portion of debt which eliminates the cost and enhances firm performance. Yermack (1996) investigated the impact of board size on firm value. He argued that a large board size adversely affects the firm performance because of complex communication and delayed decision making process. Empirical results of their study showed that standard deviation from mean for board size should be less than two. Lipton and Lorsch (1992) supported the fact that large board size is a cause of high monitoring expenses which adversely impact the firm performance.

## **2.8. Board Composition**

It is believed that outside directors possess more managerial skills and are endowed with an independent sight on financial and non-financial matters. Existing literature enlightens mixed results about the impact of board composition on firm performance. Fama (1980) and Fama and Jensen (1983) argued that representation of outside directors in board of directors enhances monitoring capability. This monitoring capability positively influences managerial actions of both opportunistic executive directors and other managers who make strategic decisions.

It is believed that outside directors put more pressure on managers to enhance firm performance in order to protect the stakeholders' interest. A firm with a large number of outside directors tend to have low financial leverage which consequently causes the market value of equity to be high (Baysinger & Butler, 1985). Wen, Rwegasira, and Bilderbeck (2002) argued that the presence of more outside directors in board composition results in active monitoring of managerial actions which causes managers to enhance firm performance. Therefore, managers of such firms prefer low leverage. Firm with larger proportion of outside directors perform well (Brickley, Coles, and Terry, 1994). If it is assumed that larger proportion of outside directors puts more pressure to pursue more performance, it means that an organisation performance is positively related to outside directors.

## **2.9. CEO Compensation**

Existing literature reveals a positive relationship between company performance and managerial compensation. Murphy and Jensen (1998) find that compensation packages bring alignment in managers' and shareholders' interests. Their results indicate that against every \$1,000 increase in shareholders' wealth, Chief Executive Officer's (CEO) compensation increases by \$ 3.25. They argue that the results are significant but not strong. Hence, compensation policy seems to be inconsistent with principal-agent model. Dow and Raposo (2005) argued that CEO compensation is positively related to complex and challenging tasks. High compensation influences CEO decision making potentials. It has been observed that firm with highly paid CEO performs well. Matsumura and Shin (2005) argued that handsome compensation to CEO enhances short term value maximization but it is at the cost of stakeholders'

resources. Core, Holthausen, and Larcker (1999) found a negative relationship between firm performance and chief executive officer salary.

## **2.10. Conclusion**

The collapse of Enron and other corporate scandals in the twenty first century are the main boomers of decreasing investor's faith only on capital markets and internal managerial structure. Government bodies and regulators took steps to control such issues and consequently imposed corporate governance principals to enhance the accountability and transparency of organizations processes. Corporate governance structure implementation is very necessary for the protection of stakeholders and investors interests. Corporate governance structure is studied in many developed and in few developing countries by considering different variables of governance. Little research is conducted with the perspective of Non Profit organisations like NaSoMa in Namibia by considering the Board effectiveness. Literature reviewed shows that outside or independent directors in organization are more likely to provide impartial views and estimations; they pick up a company's performance through their objective opinions which in turns improves board effectiveness. In addition they do not have to pander to other management personnel to retain their own jobs, so the organization may have at least one outside director as a member of board.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3. Introduction**

This chapter focuses on research methodology where all steps necessary to carry out the research successfully are discussed. The research methodology is a blue print that gives the various steps that need to be followed in carrying out the research. This chapter remains the corner stone of the research. The chapter describes the research method which will be used, the selection of the sample, data collection and data analysis, reporting methods and ethical considerations for this study.

#### **3.1. Research Design**

The research adopts a quantitative method approach. It is descriptive in nature and exploratory. The research is rooted on positivist philosophy. Saunders (2012) argued that positivist approaches seek to identify measure and evaluate any phenomena and to provide rational explanation for it. He further argues that this explanation will attempt to establish causal links and relationships between the different elements (or variables) of the subject and relate them to a particular theory or practice. The research utilizes adaptive approach which is suitable to a mixed method approach. The research focuses on NaSoMa A case study offers an opportunity to study a particular subject, e.g. one organisation, in depth, or a group of people, and usually involves gathering and analysing information; information that may be both qualitative and quantitative (Collins & Hussey, 2003).

### **3.2. Population of the Study**

The population of the study is based on an organization called NaSoMa. The target population for the study was NaSoMa board of directors and the four management members.

### **3.3. Sampling Method**

The researcher used convenience sampling in identifying respondents for the research. According to Dunn (2009) convenience sampling is used to select a sample based on suitability. The researcher identified respondents that could give valuable information to the study. In this context, the researcher focused on all board members and the executive management.

### **3.4. Data Collection Methods**

The data was collected through the use of questionnaires that were administered to the respondents in person by the researcher. A questionnaire is an instrument delivered to a number of people in order to collect statistical information (Cooper & Schindler, 2006). The questionnaire addressed issues that emerged from the statement of the problem in this study.

### **3.5. Data analysis**

Data analysis was done in three stages. The first analysis involved cross tabulations of the collected data. The second part involved computation of the data into SPSS software package in order to examine the degree of association between the independent variables

and between them and overall effectiveness using One Way Anova. The third step in the analysis of data involved the use of stepwise logistic regression computed in order to assess which factors ‘best explains’ variations in board effectiveness.

### 3.6. Validity and Reliability

Validity addresses the issue of whether the researcher is actually measuring what is actually intended. The validity was ensured in this research in that the relevant experts were consulted and opinions from area and business cluster experts are used in establishing the research instrument, the content validity was taken into consideration in this regard. The validity of this study was established by the researcher before conducting the research by ensuring that the research instrument was relevant to the participants that took part in the study. The reliability with regards to this study includes the fact that the respondents were influenced by the researcher and the opinions of the respondents ensured the content validity and that the questions asked are suitable (Saunders & Lewis, 2003). Empirical evidence was conducted through the Cronbach’s Alpha at coefficient of 0.70 in-order to determine reliability statistics. Figure 3.1 below shows that the Cronbach’s Alpha at coefficient value of .736, which means that the research instrument used in this research was valid and reliable at 74%.

**Scale: ALL VARIABLES**

**Case Processing Summary**

		N	%
Cases	Valid	10	100.0
	Excluded <sup>a</sup>	0	.0
	Total	10	100.0



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

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.736	37

Source: Survey Data

### **3.7. Ethical Considerations**

In line with research ethics, permission was first sought by the researcher to do the study at NaSoMa. Consent forms were sent to the respondents as well as NaSoMa to complete before engaging into the research. The researcher observed ethical issues such as explaining the academic purpose of the study to the participants, confidentiality of the information that the researcher may be exposed to during the process of literature review or data collection; and also to utilize information to be collected for the intended academic purpose. To ascertain the authenticity of the study to the respondents, the researcher provided an introduction letter stating the purpose of the research study.

## **CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS**

### **4. Introduction**

This study focused on the analysis of board effectiveness in a non-profit making organization. The study examined the board process in order to determine its effectiveness. The chapter focuses on the presentation analysis of data collected. In discussing the research findings, a comparison of the results obtained during the study to the literature reviewed in Chapter 2, was also undertaken with a view to identify similarities and departures from the knowledge gained from other authors.

#### **4.1. Objectives of the Research**

The aim of the study is to find out factors that influence the effectiveness of boards; in particular to examine the relationship between board inputs, processes, structures and board effectiveness. The secondary objectives in this study are to:

- To determine the factors that influence board effectiveness at NaSoMa
- To evaluate the impact of weak board effectiveness at NaSoMa.
- To come up with strategies that will improve board effectiveness at NaSoMa.

The aim of collecting primary data was to establish the respondents' views on the effectiveness of the board process at NaSoMa and use the data gathered to determine patterns and ultimately draw conclusions about the board effectiveness at NaSoMa. Capturing of the data was done on the SPSS computer statistical programme and the responses based on the Likert- scale type of questions were coded as follows:

- Strongly Agree 5
- Agree 4
- Strongly Disagree 3
- Disagree 2
- Neutral 1

Dichotomous questions with a yes and no response have been also factored in. Yes has been coded 1 and No has been coded 2.

#### **4.1.1. Primary Data Analysis**

The aim of collecting primary data was to establish the respondents' views on the effects of board effectiveness at NaSoMa and use the data gathered to determine patterns and ultimately draw conclusions on board effectiveness at NaSoMa. Capturing of the data was done on the SPSS IBM 20 computer statistical programme in order to produce frequencies.

#### **4.1.2. Response Rate**

A response rate of 100% was achieved. The high response rate was attributed to the researcher's effort in making follow ups of the questionnaires and making constant telephone calls prior to the dispatch of the questionnaires. The covering letter accompanying the questionnaires assisted in explaining that the study was not only beneficial to the researcher's academic requirements but that the recommendations from the study may also assist NaSoMa in enhancing board effectiveness. The cover letter and questionnaire samples are attached to the appendices.

**Frequency Table 4.1: Gender****N= 10**

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	3	30.0	30.0	30.0
	Female	7	70.0	70.0	100.0
	Total	10	100.0	100.0	

Source: Survey Data

Table 4.1 above reflects that 70% of the respondents who participated in this research were female whilst 30% were male, representing 100% response rate. The response reflected above supports the general assumption that women are more than men in Namibia.

**Frequency Table 4.2: Age Group****N= 10**

		Age Group			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-30 Years	2	20.0	20.0	20.0
	31-35 Years	5	50.0	50.0	70.0
	36-40 Years	1	10.0	10.0	80.0
	46-50 Years	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

Source: Survey Data

The results derived from this research shows that the NaSoMa board has board members and executive management who are in their middle ages. Table 4.2 above reflects that out of the participants who participated in this research, 20% are between the ages of 40-50 years old, 10% are between 36-40 years old, 50% are between 31-35 years old whilst the remaining 20% are between 25-30 years

old respectively. The result reflects that NaSoMa board and executive management is composed of fairly young people. The results imply that the board has a major weakness in terms of experience.

**Frequency Table 4.3: Nationality****N= 10**

		<b>Nationality</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Namibian	9	90.0	90.0	90.0
	Other	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

**Source: Survey Data**

Table 4.3 above depicts that 90% of the respondents are Namibians whilst only 10% of the respondents belong to other nationalities. The results show that NaSoMa is populated by Namibians and has insignificant number of other nationals.

**Frequency Table 4.4: Level of Education****N= 10**

		<b>Highest Qualifications</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree	3	30.0	30.0	30.0
	Honours	3	30.0	30.0	60.0
	Masters	4	40.0	40.0	100.0
	Total	10	100.0	100.0	

Source Survey Data

Table 4.4 above shows that 40% of the respondents possess Masters Qualifications. The other 30% has an honours degree. Only 30% of the

respondents have a first degree. The results show that NaSoMa has a well-educated board of directors as well as senior executive management.

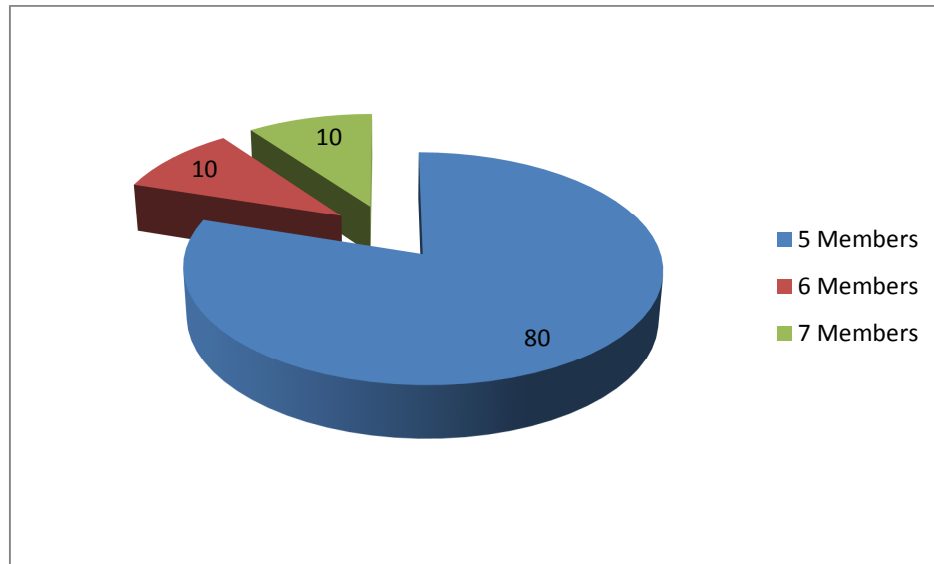
**Frequency Table 4.5: Schedule of Meetings**

**N= 10**

		<b>Meetings</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Once a week	1	10.0	10.0	10.0
	Once a quarter	9	90.0	90.0	100.0
	Total	10	100.0	100.0	

Source: Survey Data

Table 4.5 above reflects that 90% of the respondents believed that NaSoMa board of directors hold meetings more than once a quarter. Only 10% of the respondents believed that NaSoMa board of directors hold meetings once a quarter. The results indicate that NaSoMa's board of directors is very active since it holds meetings more than once a quarter. It can also imply that the organization is crowded with problems and as a result they hold meetings so frequently.



**Figure 4.1: NaSoMa Board Size (N= 10)**

**Figure 4.1: Board size**  
**Source: Survey Data**

Figure 4.1 above shows that respondents agreed that NaSoMa board size constitute 4 members. The other 10% said that board size is made up of 6 members. The remaining 10% agreed that board of NaSoMa constitute only 7 members. Literature reviewed about board size shows that the issue of board size remains an area of academic discourse to-date. Other scholars like Lipton & Lorsch (1992) and Jensen (1993) believe that large boards which go beyond seven or eight people are less effective and difficult to control. On the other hand, Carter and Lorsch (2004) believe that a maximum number of board members should be ten members. Based on the Cadbury report of 1992, the report suggests that the board size should be of sufficient size with balanced skills and experience appropriate to the requirements of the business with flexible changes. Literature reviewed suggests that a smaller board is usually ineffective. It is believed that there is no clear agreement on what the board size should be.

**Frequency Table 4.6: Board Attendance**

**N= 10**

		<b>Board attendance</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very good	2	20.0	20.0	20.0
	Good	8	80.0	80.0	100.0
	Total	10	100.0	100.0	

Source: Survey Data



Table 4.6 above shows that 80% of the respondents said that the board attendance is very good. The remaining 20% of the respondents argued that the board attendance is very good. The results reflect that NaSoMa board attendance of meetings is 100% on an average of being good. However, attendance of meetings does not translate to automatic performance.

**Frequency Table 4.7: Formal Sub-Committees** **N= 10**  
**Sub Committees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	2	20.0	20.0	20.0
No	8	80.0	80.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

Table 4.7 above shows that 80% of the respondents said that NaSoMa board of directors does not have formal sub-committees. The remaining 20% of the respondents argued that the board has formal sub-committees. The results show that the board of NaSoMa has a weakness since the board functions through the use of committees. It is difficult to understand how the board functions given that they do not have sub committees. Literature shows that board committees are created in order to enable board performance and effectiveness.

**Frequency Table 4.8: Written Job Description** **N= 10**  
**Job Description**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	2	20.0	20.0	20.0
No	8	80.0	80.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

80% of the respondents said that the board does not have a job description. Whilst 20% of the respondents agreed that the board has a job description. The board usually have terms of reference which are equivalent to the job description. In the absence of job description or terms of reference, it is difficult to assume how the board functions at NaSoMa.

**Frequency Table 4.9: Sharing of Common Vision** **N= 10**  
**Common vision**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	10	100.0	100.0	100.0

Source: Survey Data

All the respondents at 100% said that the board does not have a common vision that it shares with management. It is important to note that there is separation between the board and management. The response is in support of the separation of the two.

**Frequency Table 4.10: Board` Roles** **N= 10**  
**Understanding of roles**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	9	90.0	90.0	90.0
Valid No	1	10.0	10.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

The board performs a variety of roles. Table 4.10 above shows that 90% of the respondents agreed that the board performs its duties and that they clearly understand their roles and responsibilities. Only 10% of the respondents disagreed and believed that the board does not have clear roles and responsibilities.

**Frequency Table 4.11: Board Performance Review** **N= 10**

**Periodical review**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	5	50.0	50.0	50.0
Valid No	5	50.0	50.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

Table 4.11 above shows that 50% of the respondents said that the board and management periodically review how they work together. The other 50% of the respondents believed that the board and management do not periodically review how they work together. In the absence of performance review, it becomes difficult to understand how the board for NaSoMa functions.

**Frequency Table 4.12: Board Communication with Stakeholders****N= 10****Communication board and management**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very good	6	60.0	60.0	60.0
Valid Good	4	40.0	40.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

Table 4.12 above shows that 60% of the respondents said that the communication between the board, management and stakeholders is very good. The remaining 40% of the respondents also believed that the communication between the board, management and stakeholders is good. The results showed that the overall perception of the respondents is that there is good communication between the board, management and the stakeholders.

**Frequency Table 4.13: Working Relationship between board and management N= 10**

<b>Misunderstanding board and management</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	2	20.0	20.0
	No	5	50.0	70.0
	3.00	3	30.0	100.0
	Total	10	100.0	100.0

Source: Survey Data

The respondents who participated in this survey (50%) argued that they are no misunderstanding between the board and management. 20% of the respondents believed that there is misunderstanding between the board and management. The other 30% of the respondents did not express their opinion since they knew nothing.

**Frequency Table 4.14: Conflict Management N= 10**

<b>Solving Conflict</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	5	50.0	50.0
	No	5	50.0	100.0
	Total	10	100.0	100.0

Source: Survey Data

The respondents expressed mixed opinion when asked whether the board and management are able to resolve conflict between them constructively. 50% of the respondents agreed that the board are able to resolve conflict between them constructively. The remaining 50% expressed other opinion when they said that the board and management are unable to solve conflict between them constructively.

**Frequency Table 4.15: Notice for Meetings****N= 10****Board adequate notice**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	100.0	100.0	100.0

Source: Survey Data

All the respondents (100%) agreed that the board has adequate notice of important issues to be discussed at board meetings.

**Frequency Table 4.16: Board Agenda****N= 10****Structured agenda**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	9	90.0	90.0	90.0
Valid No	1	10.0	10.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

The respondents who participated in this survey (90%) said that the board meetings have clearly structures agenda. Only 10% of the respondents believed that the board does not have clearly structured agenda.

**Frequency Table 4.17: Discussion of Important Items****N= 10****Prioritized Items**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	100.0	100.0	100.0

Source: Survey Data

All the respondents agreed that the board prioritize important items on board agenda. This implies that NaSoMa board discusses serious board issues that impact the board.

Frequency Table 4.18: Board Meeting Duration

N=10

**Board meeting**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	7	70.0	70.0	70.0
Valid No	3	30.0	30.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

Table 4.18 above reflects that 70% of the respondents agreed that the board meetings are run on too long. The remaining 30% of the respondents disagreed that the meetings are run too long. The results show that board meetings at NaSoMa are well conducted.

**Frequency Table 4.19**

**N=10**

**Actions agreed**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	6	60.0	60.0	60.0
Valid No	4	40.0	40.0	100.0
Total	10	100.0	100.0	

Source: Survey Data

Frequency table 4.19 above shows that 60% of the respondents said that the board and management make it clear on responsibilities for following up actions agreed by the board. This means that board members are given responsibilities to make follow ups on outstanding issues after the board meeting. Only 40% of the respondents did not agree on the fact that the board and management delegate responsibilities to board members to make follow up on outstanding issues after meeting.

**Frequency Table 4.20: Decision Making****N= 10**

<b>Trouble Reaching Conclusion</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	100.0	100.0	100.0

Source: Survey Data

All the respondents who participated in this research agreed that the board does not have problems in making decisions during meeting. This shows that the board is effective in a way.

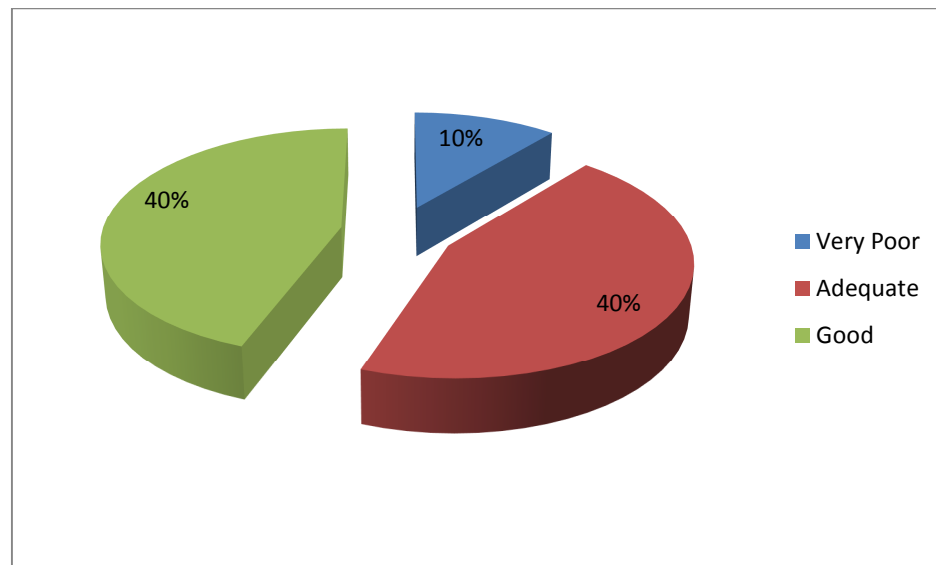
**Frequency Table 4.21: Crafting Organization Mission****N= 10**

<b>Setting Mission</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poor	10	100.0	100.0	100.0

Source: Survey Data

The respondents (100%) agreed that the board and management are not good in setting the organization mission statement. This is a serious issue since the mission statement provides direction to the organization. It means that if the mission statement is poor and the board is unable to set it, then corporate culture also suffers. Setting of mission statement by the board is one of its fundamental duties in corporate governance.

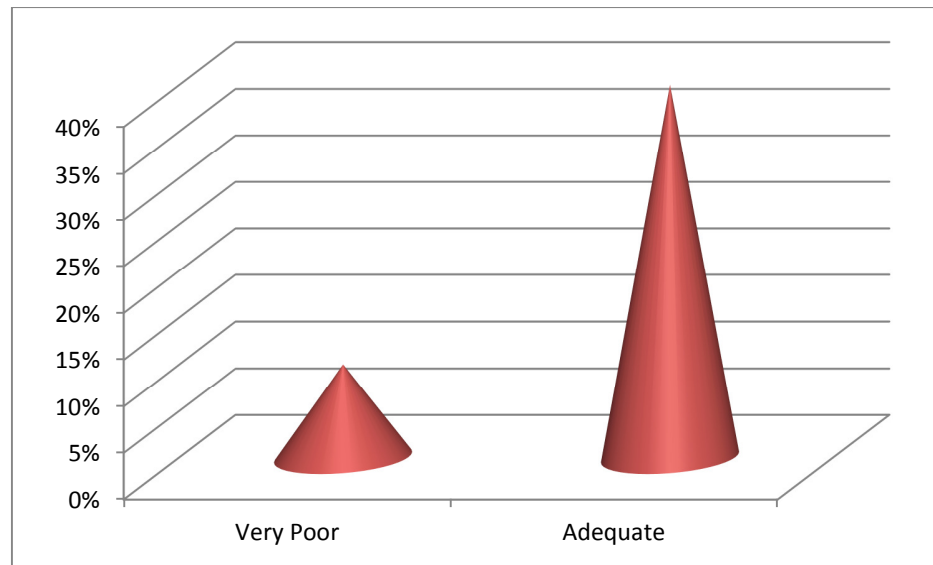
**Figure 4.2: Providing Organization Strategic Direction****N=10**



Source: Survey Data

The above Figure 4.2 shows that 60% of the respondents said that the board and management revise and decide on the strategic direction the organization need to take. This was supported by 20% of the respondents who also agreed that the board and management revise and decide on the strategic direction the organization need to take. 10% of the respondents also said that the board`s actions towards strategic decision making is very good. However, the remaining 10% of the respondents disagreed and said that the board and management strategic decision making is poor. The results show that the board and management strategic decision making is good.



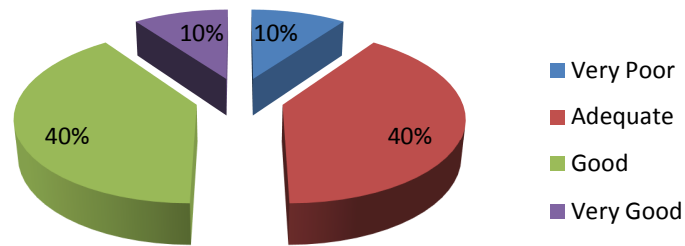


**Figure 4.3: Financial Management**

**N=10**

Source: Survey Data

Figure 4.3 above shows that 50% of the respondents agreed that the board and management oversee the financial management of the organization through the Executive Director. This was supported by 40% of the respondents who said that the financial management of the organizations` finances was good. Only 10% of the respondents disagreed and said that the financial management of the organization is poor. The results show that the board discharges its duties of overseeing the financial management of the organization.

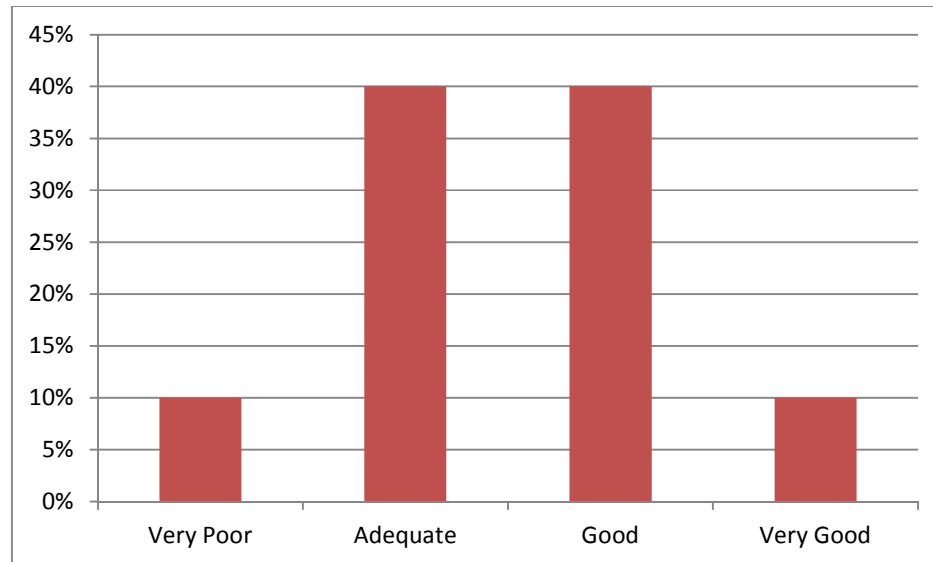


**Figure 4.4: Monitoring Organizational Performance**

**N=10**

Source: Survey Data

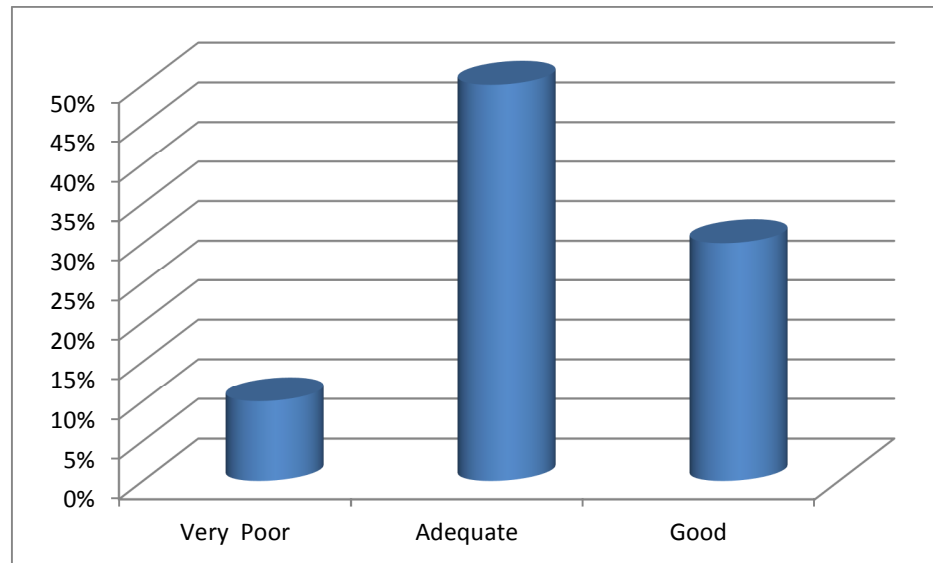
The results depicted in Figure 4.4 above shows that 40% of the respondents agreed that the board and management are capable of monitoring organizational performance and taking action when required. The same sentiments were supported by 20% of the respondents who also agreed that the monitoring of organization performance at NaSoMa by the board and management is good. The other 10% of the respondents said that the monitoring of organization performance at NaSoMa by the board and management is very good. Only 10% of the respondents disagreed and said the monitoring of organization performance at NaSoMa is very poor. They were also supported by 20% of the respondents who also said that the monitoring of organization performance by the board and management at NaSoMa is poor. Organization performance is an important variable for any organization as it enhances performance. NaSoMa board need to re-evaluate the way they monitor organization performance.



**Figure 4.5: Selection of the Executive Director**

Source: Survey Data

40% of the respondents who participated in this research said that the board select and monitor the organization Executive Director and senior staff is good. This was also supported by 40% of the respondents who said that the selection and monitoring of the ED by the board is good. The other 10% of the respondents said that the selection and monitoring of the ED by the board is very good. Only 10% of the respondents said the selection and monitoring of the ED and senior staff by the board is very poor. The overall impression derived from this study shows that the board is effective when it comes to selection and monitoring of ED and senior staff.

**Figure 4.6: Advisory Role****N= 10**

Source: Survey Data

Figure 4.6 above reflects that 70% of the respondents said that the board supports and advise management. The same sentiments were supported by 20% of the respondents who believed that the support and advises to management is adequate. Only 10% of the respondents argued differently and said that the board`s support and advise to management is very poor. The result shows that the board actually supports and advise management on strategic issues that are forward looking to the organization.

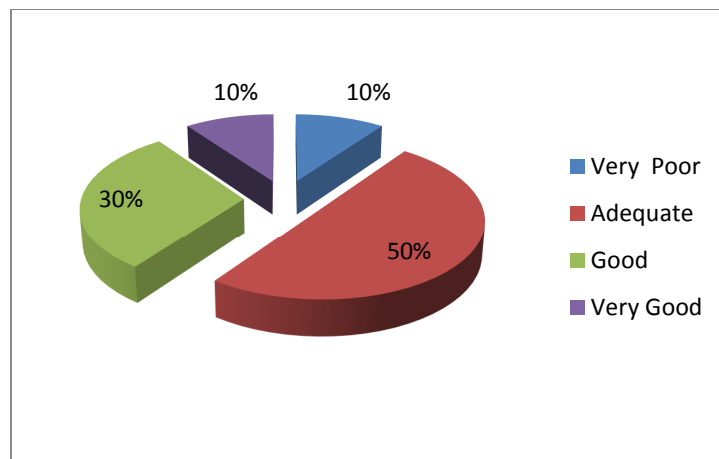


Figure 4.7: Board Recruitment

N=10

Source: Survey Data

The result showed in Figure 4.7 above shows that 70% of the respondents said that the board recruits new board members. The other 20% of the respondents believed that the recruitment of new board members is adequate. Whilst 10% of the respondents said that the recruitment of new board members is very good. The remaining 10% of the respondents believed that recruitment of new board members into the board is poor. This shows that the board inducts into the board new blood.

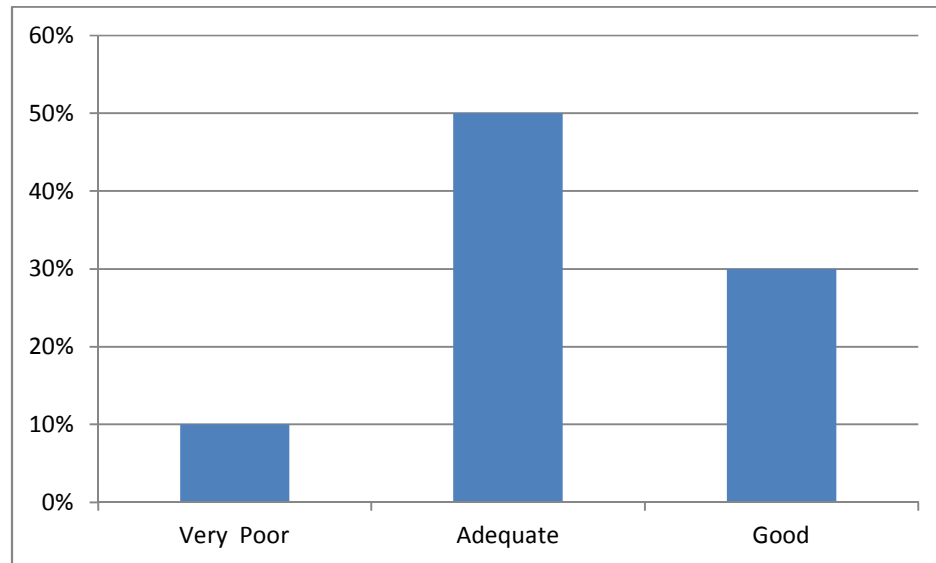


Figure 4.8: Board Evaluation

N=10

Source: Survey Data

Figure 4.8 above shows that 60% of the respondents said that the board reviews its performance and ensures that it works well. The sentiments are supported by 30% of the respondents who said that the board performance review of the board is adequate and that it works well. Only 10% of the respondents felt that the board performance review is poor. The respondent believed that the board does not work well.

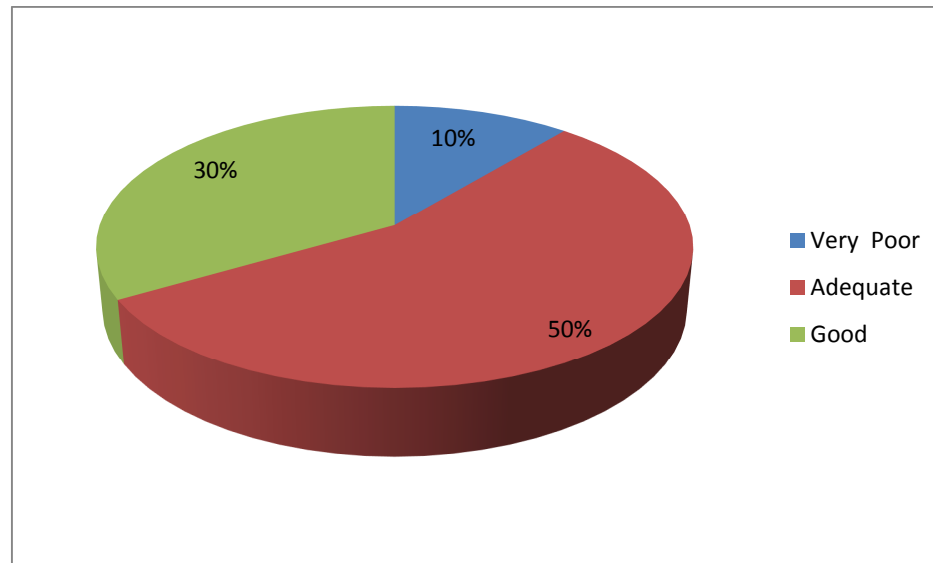


Figure 4.9: NaSoMa Legal Obligations

N=10

Source: Survey Data

The results on figure 4.9 above show that 40% of the respondents said that NaSoMa fulfils its legal obligations and that it is adequate. However, the other 40% of the respondents said that the organization's fulfilment of obligations is poor. The remaining 20% of the respondents said that the organization's fulfilment of obligations is very poor. The results depicted in table 4.9 reflect that NaSoMa does not fulfil its obligations.

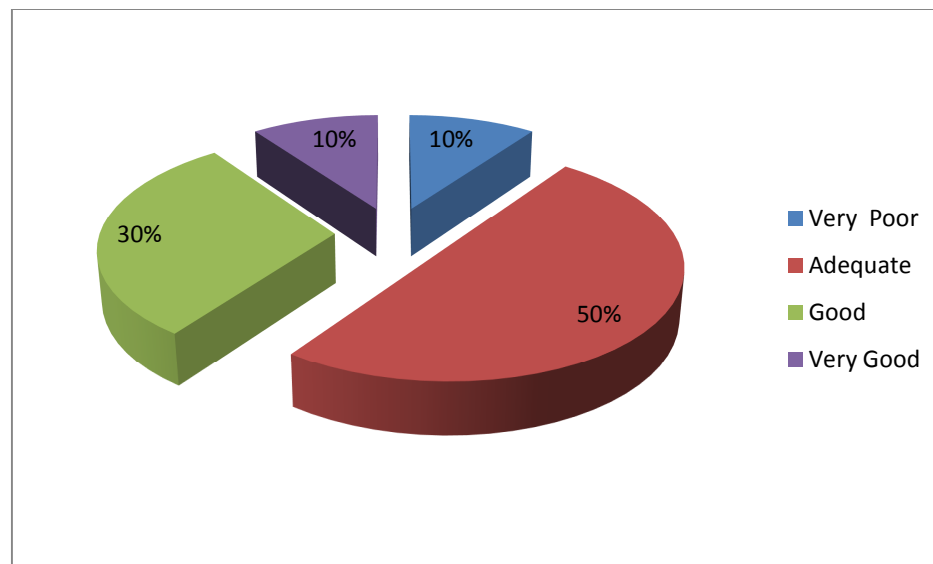
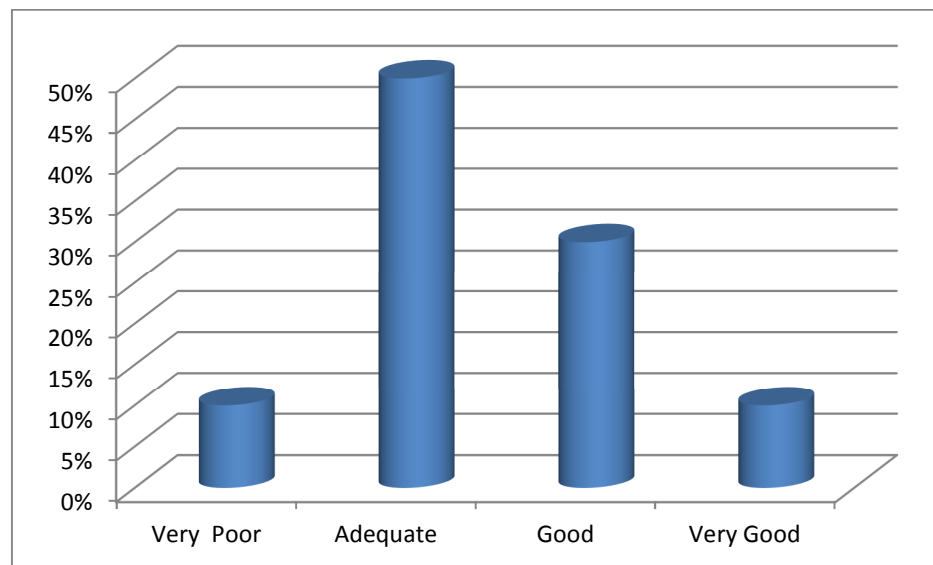


Figure 4.10: Board Accountability to Shareholders N=10

Source: Survey Data

Figure 4.10 show that 30% of the respondents said that board accountability to shareholders is very poor. This was supported by the other 30% of the respondents who also said that board accountability to respondents is poor. This gives a total of 60% of respondents who said that board accountability to stakeholders is poor. However, 20% of the respondents said that board accountability to respondents is adequate. This was supported by 20% of the respondents who said that board accountability to stakeholders is good. The results showed that, NaSoMa board should improve on issues of accountability.

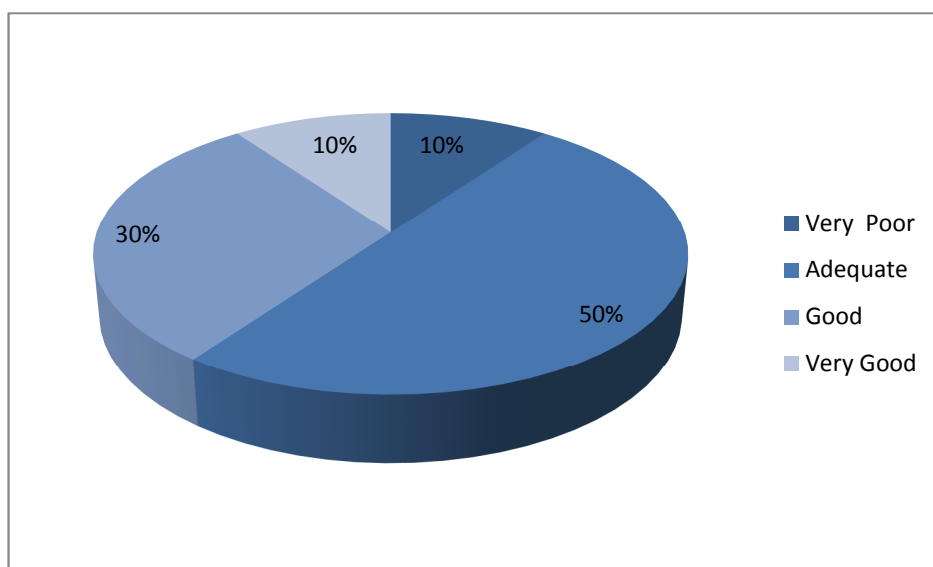


**Figure 4.11: Stakeholder Representation****N= 10**

Source: Survey Data

Figure 4.11 above depicts that 40% of the respondents believed that the board represents the interests of the stakeholders in the organization. They said that the representation is good. This was supported by the other 40% of the respondents who also said that board's representation of interest of the stakeholders in the organization is very good. The results showed that 80% of the respondents are in agreement that the board's representation of the interests of the stakeholders in the organization are good. 10% of the respondents also agreed that the board's representation of the interest of the stakeholders in the

organization is adequate. However, 10% of the respondents believed that board representation of the stakeholders' interest in the organization is poor.



**Figure 4.12: Board Control**

**N= 10**

Source: Survey Data

30% of the respondents depicted in Figure 4.13 above said that the board is in control of the situation since they are able to take charge when things go wrong. They believed that the board is good in taking care of the situation. Their sentiments were supported by 50% of the respondents who believed that the board is adequate when it comes to taking charge when things go wrong. 10% of the other respondents also believed that the board take charge when things go wrong and they said that the board is very good. The

remaining 10% of the respondents felt that the board does not take charge when things go wrong in the organization.

**Frequency Table 4.22: Board Synergies** **N=10**

		<b>Linkages</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Adequate	5	50.0	50.0	50.0
	Good	5	50.0	50.0	100.0
	Total	10	100.0	100.0	

Source: Survey Data

Frequency table 4.22 above show that 50% of the respondents agreed that the board synergy with other organization which NaSoMa deals with is good. This is supported by the 50% of the respondents who also believe that the board synergy with other organizations in business is adequate. The results show that NaSoMa has established work relations with other organizations whom they are linked to in business.

**Frequency Table 4.23: Board Externally Representation** **N=10**

		<b>Representation</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very poor	1	10.0	10.0	10.0
	Adequate	3	30.0	30.0	40.0
	Good	4	40.0	40.0	80.0
	Very good	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

Source: Survey Data

Frequency table 4.23 above reflects that 40% of the respondents believed that board external representation of the organisation is good. The same sentiments are supported by 20% of the respondents who also said that board representation of the organization on external issues is very good. 30% of the other respondents also believed that board representation of the organization external is adequate. However, the remaining 10% of the respondents said that the board` external representation of the organization is very poor. The results depicted in table 4.23 above show that the board`s representation of the organization on external issues is good on average

## CHAPTER FIVE: DISCUSSION OF FINDINGS

### 5. Introduction

In this chapter, the steps taken in carrying out this research are re-visited. This study focused on the analysis of board effectiveness in a non-profit organization. Critical thematic areas emerged in this study and are linked to literature review.

#### 5.1. Discussion of Major Findings

Generally there is much that needs to be done in order to improve the effectiveness of NaSoMa board of directors. The thematic themes that emerged in this research revolve around how NaSoMa board of directors runs the organization and create linkages with the outside world. The overall opinion of the respondents who participated in this research indicated that NaSoMa board of directors is effective. The results indicate that NaSoMa board of directors is very active since holds meetings more than once a week. It can also imply that the organization is crowded with problems and as a result they hold meetings so frequently.

On the issue of the size of the board, the result shows that NaSoMa board size constitute 4 members. Literature reviewed about board size shows that the issue of board size remains an area of academic discourse to-date. Other scholars like Lipton & Lorsch (1992) and Jensen (1993) said that large boards which go beyond seven or eight people are less effective and difficult to control. On the other hand, Carter and Lorsch (2004) believed that a maximum number of board members should be ten members. Basing on the Cadbury report of 1992, the report suggests that the board size should be of sufficient

size with balanced skills and experience appropriate to the requirements of the business with flexible changes. Literature reviewed suggests that a smaller board is usually ineffective. It is believed that there is no clear agreement on what the board size should be. The results therefore show that board size can be any number depending on the size and nature of the organization.

On the issue of board attendance, 80% of the respondents said that the board attendance is very good. The results reflect that NaSoMa board attendance of meetings is 100% on average and is good. Literature reviewed concludes that if board attendance to meetings is good, it means that organization issues are frequently discussed and issues are resolved.

Literature reviewed indicates that the board function through the use of committees. In this research, 80% of the respondents said that NaSoMa board of directors does not have formal sub-committees. The results show that the board of NaSoMa has a weakness since the board functions through the use of committees. It is difficult to understand how the board functions given that they do not have sub committees. Literature reviewed showed that boards are constructed by the owners of business. In turn board creates committees in order to enable board performance and effectiveness. Boards therefore exist as drivers of the organization.

The results also show that the board has specific roles and that it understand its reasons for creation. Understanding of one`s individual roles improves board effectiveness. However, the respondents (100%) indicated that the board and management are not good in setting the organization mission statement. This is a serious issue since the mission statement provides direction to the organization. It means that if

the mission statement is poor and the board is unable to set it, then corporate culture also suffers. Setting of mission statement by the board is one of its fundamental duties in corporate governance. Surprisingly, 80% of the respondents said that the board and management revise and decide on the strategic direction the organization need to take. This means that board and management strategic decision making is good.

The result shows that 70% of the respondents agreed that the board and management are capable of monitoring organizational performance and taking action when required. Organization performance is an important variable for any organization as it enhances performance. NaSoMa board need to re-evaluate the way they monitor organization performance. The results showed that 60% of the respondents said that communication between the board, management and stakeholders is very good. The results showed that the overall perception of the respondents is that there is good communication between the board, management and the stakeholders.

The respondents expressed mixed opinion when asked whether the board and management are able to resolve conflict between them constructively. 50% of the respondents agreed that the board are able to resolve conflict between them constructively whilst the remaining 50% disagreed.

The results show that 90% of the respondents agreed that the board and management oversee the financial management of the organization through the Executive Director. This shows that the board discharges its duties of overseeing the financial management of the organization effectively. The result further indicates that 70% of the respondents agreed that the board and management are capable of monitoring organizational performance and taking action when required.

Organization performance is an important variable for any organization as it enhances performance. NaSoMa board is in the right direction when it comes to the way they monitor organization performance.

The results further show that 90% of the respondents who participated in this research said that the board select and monitor the Executive Director and senior staff. The overall impression derived from this study shows that the board is effective when it comes to selection and monitoring of ED and senior staff. Literature reviewed emphasis the need for the separation of duties between the Chairperson of the board and the Chief Executive Officer. This is fundamentally, and is indicative of the monitoring of the ED by the board. The results also further show that 90% of the respondents said that the board supports and advises management. The result shows that the board actually supports and advise management on strategic issues that are forward looking to the organization. The results further show that 90% of the respondents said that the board inducts into the board new blood and thereby bringing in new knowledge and ideas, vital to the growth of the organization.

On the issue of accountability, 60% of the respondents said that board accountability to shareholders is very poor. The results showed that, NaSoMa board should improve on issues of accountability. On issues of creation of synergy, 100% of the respondents agreed that the board synergy with other organization which NaSoMa deals with is good. The results show that NaSoMa has established work relations with other organizations whom they are linked to in business. Creation of synergies in business is very important since it opens up the business to new dimensions.



## CHAPTER 6: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 6. Introduction

In this chapter, the systematic steps taken in carrying out this study are highlighted. Important thematic areas emerged in this research and are summarised in this chapter. The research managed to shade some light into the functions of the board of directors at NaSoMa. This study focused on the analysis of board effectiveness in a non-profit organization.

#### 6.1. Summary of Major Findings

The major findings of this study are summarised as follows:

- NaSoMa board is significantly too small. The absence of board committees' weakens the board effectiveness.
- 80% of the respondents said that NaSoMa board of directors does not have formal sub-committees.
- The results reflect that NaSoMa board attendance of meetings is 100% on average and is good.
- 100% of the respondents indicated that the board and management are not good in setting the organization mission statement.
- 80% of the respondents said that the board and management revise and decide on the strategic direction the organization need to take.

- 70% of the respondents agreed that the board and management are capable of monitoring organizational performance and taking action when required.
- The results showed that 60% of the respondents said that communication between the board, management and stakeholders is very good.
- 50% of the respondents agreed that the board are able to resolve conflict between them constructively whilst the remaining 50% disagreed.
- The results show that 90% of the respondents agreed that the board and management oversee the financial management of the organization through the Chief Executive Officer.
- The result further indicates that 70% of the respondents agreed that the board and management are capable of monitoring organizational performance and taking action when required.
- The results further show that 90% of the respondents who participated in this research said that the board select and monitor the Chief Executive Officer and senior staff.
- The results also further show that 90% of the respondents said that the board supports and advises management. The result shows that the board actually supports and advise management on strategic issues that are forward looking to the organization.
- The results further show that 90% of the respondents said that the board inducts into the board new board members and thereby bringing in new knowledge and ideas, vital to the growth of the organization.

- 60% of the respondents said that board accountability to shareholders is very poor.
- 100% of the respondents agreed that the board synergy with other organization which NaSoMa deals with is good.

## **6.2. Conclusion**

The conclusions based on the research study are:

- NaSoMa board size is very small and the absence of board committees inhibits the effectiveness of the board.
- Lack of clear establishment of a vision by the board implies that the organization is not future oriented. This is a major weakness of the board since it fails to discharge one of its major obligations.

## **6.3. Recommendations**

The major recommendation for this study is to;

- NaSoMa board should improve on issues of accountability. Weaknesses in accountability issues can lead to corrupt activities.
- NaSoMa should increase its board size if it is to make any meaningful impact.
- NaSoMa should introduce board committees in order to make the board function effective.

#### **6.4. Directions for Future Research**

- Research is a continuous process. This research study recommends that further research should be undertaken in the area of relationship between board effectiveness and funding as this is not covered in this study.
- Similar research may be conducted in areas of board evaluation which is not covered by this research.
- A further research with a widening of scope to cover a larger population would be recommended.

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## Appendix 1



### POLYTECHNIC OF NAMIBIA

### HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

### AN ANALYSIS OF BOARD EFFECTIVENESS IN NON PROFIT

### ORGANISATION: A CASE STUDY FOR NaSoMa QUESTIONNAIRE

Interviewee/ Respondent reference number: \_\_\_\_\_

#### SECTION A: Demographic Data

**Instructions: Please circle the best possible answer from the following:**

1. I am:

Sex	Circle
Male	1
Female	2

2. In which age group are you?

Age	Circle
25 – 30	1
31 – 35	2
36 – 40	3
41 – 45	4
46 – 50	5

51 and above	6
--------------	---

3. What is your nationality?

Nationality	Circle
Namibian	1
Other	2

Others (please specify)

---

4. Highest qualification

1. Grade 12
2. Diploma
3. Degree
4. Honours
5. Masters
6. Doctorate
7. Other

5. Work experience

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**SECTION B: GENERAL INFORMATION**

6. How often are meetings held?
Once a week
Once a month
Once a year
Other (please specify)

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7. Structures

The size of the board is:

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8. The board attendance is:
Very good
Good
Bad
Very bad
Other (please specify)

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9. Does the board have formal sub-committees?
Yes
No

If No, please provide reasons.

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10. Do the board members have written job description?
Yes
No

If no please provide reasons.

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11. Does the board have induction or training programme for new board members?
Yes
No

If no, please provide reasons.

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**Common vision**

12. Do the board and management share a common vision on <b>what</b> the organisation is trying to achieve
Yes
No

If no, please provide reasons.

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13. Do the board and management share a common vision on <b>how</b> it should go about achieving its goals
Yes
No

If no, please provide reasons.

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**Clear roles and responsibilities**

14. Does the board have a clear understanding of its roles and responsibilities?
Yes
No

If no, please provide reasons.

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**Regular review**



15. Does the board and management periodically review how they are working together
Yes
No
If no, please provide reasons
_____
_____
_____
_____
_____

**Communication**

16. How is communication between the board, management and stakeholders?
Very good
Good
Moderate
Bad
Very bad
Other (please specify)
_____
_____
_____
_____
_____

17. There are misunderstandings between the board and management.
Yes
No
If yes, please provide reasons
:_____
_____
_____
_____
_____

**Managing conflict**

18. The board and management are able to solve conflict between themselves constructively
Yes
No
If no, please provide reasons.
_____
_____

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19. Board members are able to resolve conflict amongst themselves constructively
Yes
No

If no please provide reasons.

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**Meeting Practices**

20. The board has adequate notice of important issues to be discussed at board meetings
Yes
No

If no please provide reasons

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21. Board meetings have clearly structured agenda
Yes
No

If no please provide reasons

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22. Important items are prioritized on board agendas
Yes
No

If no please provide reasons

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\_\_\_\_\_

\_\_\_\_\_

. Board meetings run on too long
Yes
No

If yes, please provide reasons

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

24. It is clear who has responsibility for following up actions agreed by the board
Yes
No

If no, please provide reasons.

: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

25. The board has trouble reaching conclusions
Yes
No

If yes, please provide reasons.

\_\_\_\_\_

.....

.....

.....

**26. Please rate the effectiveness of your board in the following areas using the scales provided**

	Very poor	Poor	Adequate	Good	Very good
27. Setting the organisation's mission and values					
28. Revising and deciding the organisation's strategic direction					
Setting organisational policies					
29 .Overseeing the financial management of the organisation					

30. Monitoring organisational performance and taking action when required					
32. Selecting and monitoring the organisation's CEO or senior staff					
33. Supporting and advising management					
34. Recruiting new board members					
35. Reviewing board performance and ensuring it works well					
36. Ensuring that organisation fulfils its legal obligations					
37. Ensuring accountability to the stakeholders					
38. Representing the interests of the stakeholders in the organisation					
39. Taking charge when things go wrong					
40. Acting as a link with important groups your organisation deals with					
41. Representing the organisation externally					

**Thank you very much for taking part in this survey.**

```

FREQUENCIES VARIABLES=sex age group nationality highest qualifications
meetings board size board attendance subcommittees job description
common vision board management common vision understanding of roles
periodical review communication board and management misunderstanding
board and management solving conflict solving conflict amongst board
adequate notice structured agenda prioritized items board meeting
actions agreed trouble reaching conclusion setting mission org
strategic direction financial management organizational performance
Selecting monitoring supporting advising recruiting new board members
reviewing board performance legal obligations accountability
stakeholders interest taking charge linkages representation
/ORDER=ANALYSIS.
    
```

## Frequencies

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	Cases Used	Statistics are based on all cases with valid data.

<p>Syntax</p>	<p>FREQUENCIES VARIABLES=sex agegroup  nationality highestqualifications meetings  boardsize boardattendance subcommittees  jobdescription commonvision  boardmanagementcommonvision  understandingofroles periodicalreview  communicationboradandmanagement  misunderstandingboardandmanagement  solvingconflict solvingconflictamongst  boardadequatenotice structuredagenda  prioritizeditems boardmeeting actionsagreed  troublereachingconclusion settingmission  orgstrategicdirection financialmanagement  organizationalperformance  selectingmonitoring supportingadvising  recruitingnewboardmembers  reviewingboardperformance legalobligations  accountability stakeholdersinterest takingcharge  linkages representation  /ORDER=ANALYSIS.</p>
<p>Resources</p>	<p>Processor Time 00:00:00,05  Elapsed Time 00:00:00,11</p>

[DataSet0]

**Statistic**

s

				sex	agegroup	nationality	highestqualific ations	meeti
				Valid	10	10	10	10
N				Missing	0	0	0	0

**Frequency Table**

		sex			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	3	30.0	30.0	30.0
	Female	7	70.0	70.0	100.0
	Total	10	100.0	100.0	

agegroup				
	Frequency	Percent	Valid Percent	Cumulative Percent

	25-30 Years	2	20.0	20.0	20.0
	31-35 Years	5	50.0	50.0	70.0
Valid	36-40 Years	1	10.0	10.0	80.0
	46-50 Years	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

**nationality**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Namibian	9	90.0	90.0	90.0
Valid	Other	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

**highestqualifications**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Degree	3	30.0	30.0	30.0
	Honours	3	30.0	30.0	60.0
Valid	Masters	4	40.0	40.0	100.0
	Total	10	100.0	100.0	

**meetings**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Once a week	1	10.0	10.0	10.0
Valid	Other	9	90.0	90.0	100.0
	Total	10	100.0	100.0	

**boardsize**

		Frequency	Percent	Valid Percent	Cumulative Percent
	5 members	8	80.0	80.0	80.0
Valid	6 members	1	10.0	10.0	90.0
	7 members	1	10.0	10.0	100.0



Total	10	100.0	100.0
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**boardattendance**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very good	2	20.0	20.0	20.0
Valid Good	8	80.0	80.0	100.0
Total	10	100.0	100.0	

**subcommittees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	2	20.0	20.0	20.0
Valid No	8	80.0	80.0	100.0
Total	10	100.0	100.0	

**jobdescription**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	2	20.0	20.0	20.0
Valid No	8	80.0	80.0	100.0
Total	10	100.0	100.0	

**commonvision**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	10	100.0	100.0	100.0

**boardmanagementcommonvision**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	100.0	100.0	100.0

**understandingofroles**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	9	90.0	90.0	90.0
Valid No	1	10.0	10.0	100.0
Total	10	100.0	100.0	

**periodicalreview**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	5	50.0	50.0	50.0
Valid No	5	50.0	50.0	100.0
Total	10	100.0	100.0	

**communicationboradandmanagement**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very good	6	60.0	60.0	60.0
Valid Good	4	40.0	40.0	100.0
Total	10	100.0	100.0	

**misunderstandingboardandmanagement**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	2	20.0	20.0	20.0
Valid No	5	50.0	50.0	70.0
Valid 3.00	3	30.0	30.0	100.0
Total	10	100.0	100.0	

**solvingconflict**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	5	50.0	50.0	50.0
Valid No	5	50.0	50.0	100.0
Total	10	100.0	100.0	

**solvingconflictamongst**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	100.0	100.0	100.0

**boardadequatenotice**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	100.0	100.0	100.0

**structuredagenda**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	9	90.0	90.0	90.0
Valid No	1	10.0	10.0	100.0
Total	10	100.0	100.0	

**prioritizeditems**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	100.0	100.0	100.0

**boardmeeting**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	7	70.0	70.0	70.0
Valid No	3	30.0	30.0	100.0
Total	10	100.0	100.0	

**actionsagreed**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	6	60.0	60.0	60.0

Yes	4	40.0	40.0	100.0
Total	10	100.0	100.0	

**troublereachingconclusion**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	100.0	100.0	100.0

**settingmission**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Poor	10	100.0	100.0	100.0

**orgstrategicdirection**

	Frequency	Percent	Valid Percent	Cumulative Percent
Poor	1	10.0	10.0	10.0
Adequate	6	60.0	60.0	70.0
Valid Good	2	20.0	20.0	90.0
Very good	1	10.0	10.0	100.0
Total	10	100.0	100.0	

**financialmanagement**

	Frequency	Percent	Valid Percent	Cumulative Percent
Poor	1	10.0	10.0	10.0
Adequate	5	50.0	50.0	60.0
Valid Good	4	40.0	40.0	100.0
Total	10	100.0	100.0	

**organizationalperformance**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very poor	1	10.0	10.0	10.0

Poor	2	20.0	20.0	30.0
Adequate	4	40.0	40.0	70.0
Good	2	20.0	20.0	90.0
Very good	1	10.0	10.0	100.0
Total	10	100.0	100.0	

**selectingmonitoring**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very poor	1	10.0	10.0	10.0
Adequate	4	40.0	40.0	50.0
Valid Good	4	40.0	40.0	90.0
Very good	1	10.0	10.0	100.0
Total	10	100.0	100.0	

**supportingadvising**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very poor	1	10.0	10.0	10.0
Adequate	2	20.0	20.0	30.0
Valid Good	7	70.0	70.0	100.0
Total	10	100.0	100.0	

**recruitingnewboardmembers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very poor	1	10.0	10.0	10.0
Adequate	2	20.0	20.0	30.0
Valid Good	6	60.0	60.0	90.0
Very good	1	10.0	10.0	100.0
Total	10	100.0	100.0	

**reviewingboardperformance**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very poor	1	10.0	10.0
	Adequate	3	30.0	40.0
	Good	6	60.0	100.0
	Total	10	100.0	

**legalobligations**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very poor	2	20.0	20.0
	Poor	4	40.0	60.0
	Adequate	4	40.0	100.0
	Total	10	100.0	

**accountability**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very poor	3	30.0	30.0
	Poor	3	30.0	60.0
	Adequate	2	20.0	80.0
	Good	2	20.0	100.0
	Total	10	100.0	

**stakeholdersinterest**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poor	1	10.0	10.0
	Adequate	1	10.0	20.0
	Good	4	40.0	60.0
	Very good	4	40.0	100.0
	Total	10	100.0	

**takingcharge**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very poor	1	10.0	10.0	10.0
Adequate	5	50.0	50.0	60.0
Valid Good	3	30.0	30.0	90.0
Ver good	1	10.0	10.0	100.0
Total	10	100.0	100.0	

**linkages**

	Frequency	Percent	Valid Percent	Cumulative Percent
Adequate	5	50.0	50.0	50.0
Valid Good	5	50.0	50.0	100.0
Total	10	100.0	100.0	

**representation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very poor	1	10.0	10.0	10.0
Adequate	3	30.0	30.0	40.0
Valid Good	4	40.0	40.0	80.0
Very good	2	20.0	20.0	100.0
Total	10	100.0	100.0	