POLYTECHNIC OF NAMIBIA

HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

An Exploration of Corporate Governance and Performance of a State-Owned-Enterprise: A Case study of TransNamib in Namibia

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Declaration of original work

I, Ishmael Mubwandarikwa 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 fulfillment of the requirements for the degree of Master of 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

This project is dedicated to my God, my father, departed mother, and my family. I dedicate it to them because they supported me during the time I was working on this project.

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Firstly, I wish to thank my Almighty Father in Heaven and the Lord Jesus Christ for being with me and granting me grace, guidance and strength throughout my studies.

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DEFINITIONS OF TERMS

Corporate governance - the structure and process by which the public corporations control agency problems

Corporate social responsibility - represents concerns with the needs and goals of society which go beyond the economic needs. Insofar as the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving the social order.

Corporation - an artificial being that is invisible and exists only in contemplation of the law

Control - the tools and methods that organizations use to keep on track in terms of achieving their objectives

SOEs - public entities, which are meant to provide strategic public services

LIST OF ABBREVIATIONS

- SOE – State owned enterprise
- NAD – Namibian dollar
- CACG - Commonwealth Association for Corporate Governance Guidelines
- OECD - Organization for Economic Development
- CEO – Chief Executive Officer
- ROA – return on assets
- ROE – return on equity

ABSTRACT

Weaknesses in corporate governance are one of the primary problems which TransNamib is facing currently. Therefore, the study concentrated on investigating the impact of corporate governance on the performance of TransNamib. The major objectives of the study were to determine elements of corporate governance that impact on performance at TransNamib; to evaluate the corporate governance process at TransNamib and to establish governance factors that limit performance at TransNamib.

In conducting this research four research questions were answered. The data collection instrument used was the self-administered questionnaire, which was targeted to the board of directors, the shareholder and the executive management of TransNamib. In-depth interviews were also conducted targeting the executive management. The research applied both qualitative and quantitative methods. The estimations and data analysis were done using the IBM 20 SPSS statistical software. The main tests that were used in the current study are the frequency tables and the one-way ANOVA test. The questionnaire instrument reliability and validity were tested using the Cronbach's Alpha coefficient. The qualitative data collected was organized and summarized by using descriptive statistical methods such as averages, tables and percentages. In addition, qualitative data were interpreted and directly linked to the relevant research questions. The results obtained were compared with what theory says and some appropriate recommendations were made. The recommendations were made with the view of assisting TransNamib improve in areas where it is lacking. The study recommends that an improvement on the corporate governance process within the company has to be enhanced.

CHAPTER 1: INTRODUCTION

1.1 Background of the study

Public enterprises are perceived as catalytic to the provision of public amenities such as education, health, transport, housing, water, electricity, and credit, as well as creating and sustaining employment to impoverished citizens. Murray (2000) echoed similar sentiments by saying that this independent process alleviates social inequalities, high rates of poverty and unemployment, which pose formidable challenges while at the same time, governments seek to maintain investor confidence and growth in the economy (p. 61). The existence of public enterprises, according to Gcabashe (2005) play a vital role by contributing to the reconstruction and transformation of both the society and the economy (p. 23). To achieve their objectives, public enterprises need to be efficient, well- governed and in a position to deliver what they are mandated to do by government The Organisation for Economic Cooperation and Development (OECD, 2004) described corporate governance as a system by which business organisations are directed and controlled. Therefore, this research seeks to assess the relationship between governance and performance of a state-owned enterprise (SOE), specifically, TransNamib in Namibia.

1.2 TransNamib as an SOE Namibia

TransNamib Holdings Limited is wholly-owned parastatals of the Government of the Republic of Namibia established in terms of the National Transport Services Holding Company Act, no. 28 of 1998 (TransNamib, 2004, p.14). TransNamib is the national transport logistic provider in Namibia that utilizes a combination of rail and road transport, which, according to TransNamib (2004) facilitates the reliable and cost-effective movement of clients' valuable cargo in the SADC region (p. 24). TransNamib has its headquarters in Windhoek, and it serves both the Namibian and regional markets and has a vast range of commercial depots in all key centres in Namibia and South Africa (TransNamib, 2004).

In terms of leadership as a state owned enterprise, TransNamib has an Executive Management team (EXCO) under the leadership of the Chief Executive Officer that ensures that the company successfully achieves its strategic objectives. The governance at TransNamib is by the board of directors who are responsible for the preparation and fair representation of the company's financial statements that are prepared in accordance with the International Financial Reporting Standards (TransNamib, 2004, p. 7). The work of the Board of Directors focuses on strategic issues, business orientation, financing and reporting thereof (TransNamib, 2004, p. 3).

However, TransNamib has had some challenges related to governance and performance. The challenges are economic viability and long-term survival associated with operating losses and escalating debt, which, according to Dierks (2006) managerial governance is the root of the situation where the management support systems and internal controls disintegrated in the past. It is against this background that the current study which tries to evaluate the situation is carried out to explore corporate governance and corporate performance at TransNamib.

1.3 Problem Statement

The major problem is that the government of Namibia is directly investing massive sums of money into public enterprises with the hope of making a return on their investment, while most of the country's public enterprises declare huge losses continuously. At the beginning of every financial year, the state owned enterprises get substantial budgetary votes from government coffers, prompting an outcry from the taxpayers. For example, the Government transferred N$2.8 billion to state owned enterprises, while N$2.7 billion was budgeted for parastatals for the 2012-13 financial years" ("SOEs gobbled up N$15bln", 2012, p. 1). According to Johannes !Gawaxab, the managing director of Old Mutual's Africa Operations "the financial performance of state owned enterprises since 2001 has been disappointing in most instances, with government expenditure and lending to state owned enterprises growing in leaps and bounds" ("SOEs gobbled up N$15bln", 2012, p. 1). Furthermore, the Deputy Minister of Finance, Honourable Schlettwein stated, "the overall performance of state owned enterprises with regard to revenue they earn for the state, is poor and in need of drastic improvements" while making a presentation of performance about state owned enterprise in Namibia (Republic Of Namibia, 2010). The deafening silence of the Board of Directors when state owned enterprises are making perpetual losses motivated the current research which wants to establish how corporate governance may influence corporate performance in public enterprises in

Namibia. Thus, the study is set to investigate the impact of corporate governance on corporate performance of Namibia's public entities.

1.4 Research Questions

How effective are corporate governance processes at TransNamib?

Do weaknesses in corporate governance impact on TransNamib performance?

What are the governance factors that limit corporate performance at TransNamib?

1.5 The Research Objectives

The objectives of the study are:

To determine elements of corporate governance that impact on corporate performance at TransNamib.

To evaluate corporate governance processes at TransNamib.

To establish governance factors that limit corporate performance in TransNamib.

To recommend strategies for improving corporate governance in TransNamib in Namibia.

1.6 Delimitation/Limitations

Namibia has many state owned enterprises of which TransNamib is one of them. This research does not cover all the state owned enterprises in Namibia but it focuses on TransNamib. There are several aspects associated with governance in organisations, but the study only covers the relationship between corporate governance and corporate performance. Due to the large number of state owned enterprises, the time and financial constraints, this study purposively focused on TransNamib which continuously experiences internal problems and make headlines in local newspapers. The challenge faced in this study is that there is not enough literature on Namibia to inform an academic inquiry and make intelligent observations about the performance of Namibia's public enterprises. This fact emerges as a limitation of this study.

1.7 Significance of the Study

The findings of the study establish whether or not public enterprises are meeting the set standards of good corporate performance as well as reveal the challenges and constraints which inhibit the public enterprises from being efficient and effective in their performance. The study contributes significantly towards resolving the protracted problem pertaining to poor performance of state owned enterprises which is thought to be a result of poor governance in Namibia. Lastly, this research has a strong scholarly significance in that it contributes to the body of literature on governance and performance of state owned enterprises.

1.8 Outline of the Thesis

Chapter 1: Introduction

The chapter introduces the thesis by discussing the background of the study, describing the problem statement, outlining the research question and objectives, and justifying the contribution of the study. This gives an overview of the general background of the study to the reader. A chapter summary rounds off the chapter to prepare the reader for the next chapter.

Chapter 2: Literature Review

The chapter deals with literature review. This chapter is divided into appropriate headings and sub-headings that provide a comprehensive account of the theoretical knowledge of corporate governance and its impact on corporate performance. A chapter summary rounds off the chapter and prepares the reader for the next chapter.

Chapter 3: Research Methodology

The chapter presents the approach and methodology used in the research that includes the research approach, the research design, sampling, data collection, data analysis and ethical considerations. Finally, a chapter summary rounds off the chapter and prepares the reader for the next chapter.

Chapter 4: Results

The results of the survey are presented in this chapter. It includes the presentation of findings in both tables and graphic form for the test items in the questionnaire. The validity and reliability of the results are also discussed in this chapter. A chapter summary paragraph rounds off this chapter and prepares the reader for the next chapter.

Chapter 5: Discussions

The chapter discusses the results of findings and links them to literature review where applicable. A chapter summary paragraph rounds off this chapter and prepares the reader for the next chapter.

Chapter 6: Conclusions and Recommendations

The chapter presents conclusions drawn from findings, reviews the research objectives and questions, and provides recommendations for action and further research.

1.9 Conclusion

This chapter looked at with the background to the problem, the problem statement, the aim of the study and objectives. The problem identified in the statement of the problem is poor financial performance of SOEs in Namibia. This is thought to be a result of poor governance. The significance of the study is discussed in this chapter, which indicates that the study helps in resolving the protracted problem pertaining to poor performance of SOEs which is thought to be a result of poor governance in Namibia. The next chapter focuses on the literature related to the corporate governance and its impact on corporate performance of SOEs.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature related to the corporate governance and its impact on corporate performance of state owned enterprises. The chapter covers the definitions of corporate governance, theories of corporate governance and elements of corporate governance, corporate performance measurements and the influence of governance on corporate performance.

2.2 Definition of Corporate governance

Solomon (2007) defines corporate governance as a process of supervision and control intended to ensure that the company's management acts in accordance with the interest of shareholders (p. 55). This definition is somehow very limited in that it caters only for the interest of shareholders. According to Echanis (2002), corporate governance refers to both the structure and process by which the public corporations control agency problems. The exercise of this control entails addressing issues such as how suppliers of finance assure themselves of getting a return on their investment (Shleifer & Vishny, 1997); how to determine the various uses of organisational resources; and how to resolve conflicts among participants in organisations (Daily & Cannella, Jr., 2003). Another issue of importance is what mechanisms can be instated through which outside investors protect themselves against expropriation by the insiders (La Porta, 2000). Corporate governance is guided by codes of best practices. This study considers four codes of best practices, namely the King II Report, the

Commonwealth Association for Corporate Governance (CACG) Guidelines, and the Organization for Economic Development (OECD) Guidelines and the Good Governance Standard for Public Services (2004).

2.3 The King Report and Corporate governance

The King Committee on Corporate Governance (1992) was formed under the auspices of the Institute of Directors in South Africa to consider corporate governance's increasing interest around the world. The King Report (2002) goes beyond the financial and regulatory aspects of corporate governance in advocating an integrated approach to good governance in the interests of a wide range of stakeholders. The King Report attaches considerable importance to the fundamental principles of good financial, social, ethical and environmental practice. In adopting a participative corporate governance system of enterprises, the King Committee in 1994 successfully formalized the need for companies to recognize that they no longer act independently from the societies and the environments in which they operate (King Report, 2002). Namibia is inextricably linked historically, geographically and economically to South Africa, and also due to the fact that the Namibian dollar (NAD) is pegged to the South African Rand, the King II Report and the associated South African Guidelines on Corporate Governance are highly relevant, if not binding to the Namibian public sector.

The King Report (2002) makes an elaboration on its definition of corporate governance by describing corporate governance as a system that is concerned with holding the balance between economic and social goals and between individual and communal goals, the aim being to align as nearly as possible the interests of individuals, corporations and society. The King Report‘s definition of corporate governance is widely encompassing. In the ultimate, the corporate governance framework is meant to encourage the efficient use of resources and equally to report accountability for the stewardship of those resources.

The King Committee on Corporate Governance (2002) points to several characteristics and elements of good corporate governance which are the core determinants of corporate governance, with a profound impact on corporate performance of any enterprise. The elements of good corporate governance according to King II Report (2002) are as follows:

- Discipline being described as a commitment by a company‘s senior management to adhere to behaviour that is universally recognised and accepted to be correct and proper;
- Transparency is explained as the ease with which an outsider is able to make a meaningful analysis of a company‘s actions, its economic fundamentals and what the non-financial aspects pertinent to that business are;
- Independence is the existence of mechanisms which have been put in place to minimise or avoid potential conflicts of interest that may exist. The entity should be autonomous with a mechanism of self-governing and also having a clear distinction between the entity and its owners;

- Accountability is whereby individuals or groups in a company make decisions and take actions on specific issues and need to be accountable for their decisions and actions; being answerable and liable for its actions;
- Responsibility, with regard to management, pertains to behaviour that allows for corrective action and for penalising mismanagement.
- Fairness is when the systems that exist within the company must be balanced by taking into account all those that have an interest in the company and its future, especially the interests of the minority shareowners;
- Social responsibility is when a well-managed company will be aware of and respond to social issues, placing a high priority on ethical standards.
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The characteristics of good corporate governance, according to the King II Report, (2002) are associated with the system and components of good governance that include the board, procedures and reporting. They include the following:

i. Boards and Directors

The board is the focal point of the corporate governance system which is ultimately accountable and responsible for the performance and affairs of the company. The board delegates authority to board committees or management and does not in any way mitigate or dissipate the discharge by the board and its directors of their duties and responsibilities.

ii. Board Composition

The King II Report (2000) advises that companies should be headed by an effective board that can both lead and control the company, a board which comprises a balance of executive and non-executive directors, preferably with a majority of non-executive directors, of whom a sufficient number should be independent of management so that shareowner interests, including minority interests, can be protected.

iii. Board Chairperson and Chief Executive Officer

The King II Report (2002) encourages a clearly accepted division of responsibilities at the head of the company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

iv. Directors

The board should ensure that there is an appropriate balance of power and authority on the board, such that no one individual or block of individuals can dominate the board‘s decision-taking. Non-executive directors should be individuals of calibre and credibility, and have the necessary skill and experience to bring judgment to bear, independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance. Executive directors should be encouraged to hold other non-executive directorships only to the extent that these do not interfere with their immediate management responsibilities.

v. Remuneration

Levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the board.

vi. Board Meetings

The board should meet regularly, at least once a quarter if not more frequently as circumstances require, and should disclose in the annual report the number of the board and committee meetings held in the year and the details of attendance of each director.

vii. Board Committees

Board committees are an aid to assist the board and its directors in discharging their duties and responsibilities, and boards cannot hide behind these committees.

viii. Board and Director Evaluation

The board, through its nomination committee or similar board committee, should regularly review its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess the effectiveness of the board.

ix. Risk Management

The Board should also measure the risk‘s potential impact on the company, decide on the level of risk which can be tolerated by the company, put in place measures, processes and procedures to address and control the risk and communicate the risk management policy to all employees. The board is responsible for the total process of risk management, as well as for forming its own opinion on the effectiveness of the process.

x. Application and Reporting

A comprehensive system of control should be established by the board to ensure that risks are mitigated and that the company's objectives are attained. Any significant control failings or weaknesses identified should be covered in the reports, including the impact that they have had, or may have had, on the company and the actions being taken to rectify them.

2.4 Commonwealth Association for Corporate Governance (CACG) – Guideline

The Commonwealth Association for Corporate Governance (CACG) (1988) is a voluntary association of 53 independent countries, co-operating and consulting in the common interests of their people. The Commonwealth's fundamental values are set out in the Harare Declaration of 1991 which states the need to recognize the importance and urgency of economic and social development. This enables the satisfaction of basic needs and aspirations of the vast majority of the peoples of the world and seeks the progressive removal of the wide disparities in living standards amongst its members. Namibia, being a member of the Commonwealth, is obliged to adhere to the Commonwealth Association for Corporate Governance (CACG) guidelines.

The CACG guidelines have 15 principles of corporate governance. These principles are primarily at boards of directors of business enterprises, be they public, private, family-owned or state-owned. Ten of these principles and objectives are referred to in this study and are:

- Exercise leadership and integrity in judgement when directing the corporation to achieve continuing prosperity for the corporation;
- Ensure that through managed and effective processes, board appointments are made that provide a mix of proficient directors who are able to add value and bring independent judgement to bear on the decision-making processes;
- Determine the corporation's purpose, values, and also determine the strategy for it to achieve its purpose, and to implement its values in order to ensure that it survives and thrives;
- Ensure that procedures and practices are in place to protect the corporation's assets and reputation. To monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
- Ensure that the corporation complies with all relevant laws, regulations and codes of best business practice;
- Ensure that the corporation communicates with shareowners and other stakeholders effectively. Serve the legitimate interests of the shareowners of the corporation and account to them fully;
- Identify the corporation‘s internal and external stakeholders and agree on policies on how the corporation should relate to them. Ensure that no one person has unfettered power, and that there exists an appropriate balance of power of authority on the board;
- Regularly review processes and procedures to ensure the effectiveness of the corporation‘s internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times;
- Regularly assess its performance and effectiveness as a whole and that of individual directors;
- Appoint the CEO and at least participate in the appointment of senior management; ensure the motivation and protection of intellectual capital

intrinsic to the corporation; ensure that there is adequate training in the corporation for management and employees and a succession plan for senior management.

2.5 The Good Governance Standard for Public Services

The Independent Commission on Good Governance in Public Services (2004) was established by the Office for Public Management and the Chartered Institute of Public Finance and Accountancy, in partnership with the Joseph Rowntree Foundation, London. The role of the Commission is to develop a common code and set of principles for good governance across public services which should lead to good management, good performance, good stewardship of public money, good public engagement, and ultimately, good outcomes. The commission further states that the governors of public entities are challenged immensely and that these public enterprises have people responsible for governance through leading, directing and controlling the organisations they serve. Their responsibility is to ensure that they address the purpose and objectives of these organisations in the public interest and bring about positive outcomes for the people who use the services, as well as providing excellent value for taxpayers who fund these services. They have to balance the public interest with their accountability to government and ensure that appropriate executive leadership is in place.

The Good Governance Standard for Public Services (2004) is intended for use by all organisations and partnerships that work for the public, using public money. The Standard comprises six core principles of good governance, each with its supporting principles. The principles of good governance, according to the Good Governance Standard for Public Services include:

I. Focusing on the organisation's purpose and outcomes for citizens and service users.
II. Making sure that users receive a high quality service.
III. Making sure that taxpayers receive value for money.
IV. Performing effectively in clearly defined functions and roles
V. Being clear about the functions of the governing body
VI. Being clear about the responsibilities of non-executives and the executive, and make sure that those responsibilities are carried out.
VII. Being clear about relationships between the governors and the public.
VIII. Promoting values for the whole organisation and demonstrating the values of good governance through behaviour.
IX. Putting organisational values into practice.
X. Behaving in ways that uphold and exemplify effective governance.
XI. Good governance means taking informed, transparent decisions and managing risk
XII. Being rigorous and transparent about how decisions are taken.
XIII. Making sure that an effective risk management system is in operation.
XIV. Taking informed and transparent decisions and managing risk
XV. Developing the capacity and capability of the governing body to be effective.

2.6 SOEs as Corporate Organisations

A corporation, state-owned or privately-owned, is an artificial being that is invisible and exists only in contemplation of the law (Mitchell, Cunningham, & Solomon, 1996). It is treated as a person and has a persona and an identity. It is capable of suing and being sued. No two corporate entities are identical, but the principles of governing them are universal. However, the peculiarities that exist due to different situations such as legal frameworks in each country allow customization of corporate governance approaches.

According to Mitchell et al. (1996), a corporation, being the mere creature of law, possesses only those properties which the charter of its creation confers upon it, either expressly, or as incidental to its sheer existence. These are best calculated to affect the object for which it was created, which enables a corporation to manage its own affairs, and to hold property, without the perplexing intricacies, the hazardous and endless necessity of perpetual conveyances for the purpose of transmitting it from hand to hand.

Alchian and Demsetz (2002) argued that the firm is an entity which brings together a team of people which is more productive when working together. Informational problems associated with monitoring of effort analysis of team production in the activities of a corporation is an extension and clarification of earlier work by Coase (1937) who contended that the firm emerges because extra output is provided by team production but that the success of this depends on being able to manage the team to monitor problems (Alchian & Demsetz, 2002). Such monitoring as is therefore necessary, however, can only be encouraged effectively if the monitor is the recipient of the activity‘s residual income, otherwise the monitor him or herself would have to be monitored, ad infinitum, meaning it is repeated again and again in the same way. The objects for which a corporation is created are universally accepted as such. Mitchell et al. (1996) further state that most eleemosynary institutions, the objectives of running a corporation would be difficult, perhaps unattainable without the aid of a charter of incorporation. Charitable or public-spirited individuals, who desire making permanent appropriations for charitable or other useful purposes, find it impossible to affect their design securely and certainly, without an incorporating act. They apply to the government, they state their beneficent object, and offer to advance the money necessary for its accomplishment, provided the government confers on the instrument which is to execute their designs, the capacity to execute them. The proposition is then considered approved. The benefit to the public is considered as ample compensation for the faculty it confers when the corporation is created.

Furthermore, Mitchell et al. (1996) state that if the advantages to the public constitute a full compensation for the faculty it gives, there can be no reason for exacting further compensation, by claiming a right to exercise over this artificial being, a power which changes its nature, and touches the fund, for the security and application of which it was created.

In their conclusion, Mitchell et al. (1996) did not mention that the incorporating Act neither gives nor prevents this control; that the incorporating Act changes the character of a private institution. On the other hand, economists have long been concerned with the incentive problems that arise when decision-making in firms is the province of managers who are not the firm‘s security holders. One outcome has been the development of behaviour and managerial theories of the firm which reject the classical model of an entrepreneur, or owner-manager, who single-mindedly operates the firm to maximize profits, in favour of theories that focus on the motivations of a manager who controls but does not own and who has little resemblance to the classical economic man. In contrast, the striking insight is in viewing the firm's factors of production as having contractual obligations to each other. In effect, the firm is viewed as a team whose members act from self-interest, but realizes that their destinies depend, to some extent, on the survival of the team in its competition with other teams. This insight, however, is not carried far enough. In the classical theory, the agent who personifies the firm is the entrepreneur who is taken to be both manager and residual risk bearer. Although his title sometimes changes, for example, Alchian and Demsetz (2002) call him the employer; the entrepreneur continues to play a central role in the firm of the property-rights literature. As a consequence, this literature fails to explain the large modern corporation in which control of the firm is in the hands of managers who are not owners but agents. This leads to the discussion on the principal agency theory as one of the theories of corporate governance.

2.7 Theories of Corporate Governance

The theories of corporate governance discussed in this section include the Principal Agency theory, Steward theory, Resource Dependency theory and Stakeholder theory. The theories of stewardship, stakeholder and agency are all essentially Eurocentric theories.

2.7.1 The Principal agency theory

The principal-agency theory stems from the principal-agency problem arising from the fact that the aim of corporate governance is to align, as much as possible, the interests of individuals, corporations and society. McGuigan, Kretlow and Moyer (2006) described the principal-agency problem as a situation where there is conflict between the interest of the stockholders and that of management (p. 77). According to the theory, the objective of the firm is to maximise shareholder wealth through allocative, productive and dynamic efficiency, i.e. the objective of the firm is to maximise profits. The criteria by which performance is judged in this theory can simply be taken as the market value (i.e. shareholder value) of the firm. Therefore, managers and directors have an implicit obligation to ensure that firms are run in the interests of shareholders. The underlying problem of corporate governance in this theory stems from the principal-agent relationship arising from the separation of beneficial ownership and executive decision-making. It is this separation that causes the firm's behaviour to diverge from the profit maximising ideal. This happens because the interests and objectives of the principal (the investors) and the agent (the managers) differ when there is a separation of ownership and control. Since the managers are not the owners of the firm they do not bear the full costs, or reap the full benefits, of their actions. Therefore, although investors are interested in maximising shareholder value, managers may have other objectives such as maximising their salaries, growth in market share, or an attachment to a particular investment project.

2.7.2 The Stewardship theory

Theory states that, "managers are good stewards of the corporations and diligently work to attain high levels of corporate profit and shareholders returns" (Donaldson & Davis, 1994). The stewardship theory of management is a counter strategy to the agency theory. According to Olson (2008), the stewardship theory of management and the agency theory have both focused on the leadership philosophies adopted by the owners of an 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. Oslon (2008) and Hendry (2002) highlighted lack of focus on the competence of the manager in the agency theory and the need to invest in training to improve the skills the manager has. While the agency theory has its origins in economics, the stewardship theory has emerged from the fields of psychology and sociology. The stewardship theory is based upon the assumption that the manager will make decisions in the best interest of the organization, putting collectivist options above self-service options. This type of person is motivated by doing what‘s right for the organization because he/she believes that he/she will ultimately benefit when the organization thrives. The stewardship theory attests to the fact that the steward manager maximizes the performance of the organization, working under the premise that both the steward and the principal benefit from a strong organization (Oslon, 2008).

2.7.3 Comparison between Principal-agency theory and Stewardship theory

	Principal-agency theory	**Stewardship theory**
Owner	Principal	Principal
Managers as	Agents	Stewards
Approach to governance	Economic	Sociological and psychological
Model of man's behaviour	Individualistic Opportunistic	Collectivists Pro-organisational

	Self-serving	Trustworthy
Managers motivated by	Their own objectives	Principal's 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
Psychological mechanisms		
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
Situational mechanism		
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).*

As depicted in the above table, the owner-manager relationship depends on the behaviour adopted respectively by both the owners and the managers (Davis et al., 1997). Usually, managers choose to act as agents or as stewards in accordance with certain personal characteristics and their own perceptions of particular situational factors. Principals choose to create a relationship of one type or the other depending on their perceptions of the same situational factors and of their manager‵s psychological mechanisms.

The stakeholder view of a firm, on the other hand, is different from that of management and principal owners. The stakeholders ‘view is that investors, employees, suppliers, customers and stakeholder in general all contribute and receive benefits from a firm. In addition, other parties may be involved in relationships, such as unions, trade associations, government and even political groups (Donaldson & Preston, 1995). The various views on corporate governance can also be related to different cultural contexts, intellectual backgrounds and interests of scholars.

Workers in the field or participants in corporate governance come from different academic disciplines. There is often little, or incomplete, integration between the various disciplines. Corporate governance is a relatively new discipline. This, in a way, explains the rarely articulated overlap between corporate governance and other disciplines. In some cases, the overlap is absolutely not recognized.

2.7.4 The Resource-Dependency Theory

According to Pfeffer (2003) the Resource Dependence Theory (RDT) was originally developed to provide an alternative perspective to economic theories of mergers and board interlocks and to understand precisely the type of inter-organisational relations that have played such a large role in recent market failures (p. 87). The motivation of those running the organisation was to ensure the organization's survival and to enhance their own autonomy while also maintaining stability in the organization's exchange relations. These were the drivers behind many of the organization's observed actions. There are three core ideas of the RDT: (1) the social context matters, (2) the organizations having strategies to enhance their autonomy and pursue interests, and (3) the emphasis on power as a hallmark of the resource dependence theory that distinguishes it from other approaches, such as transaction cost economics. Pfeiffer (2003) points out that the basic story of exchange-based power in the theory was derived from Emerson's 1962 parsimonious account that the power of A over B comes from the control of resources that B values and that are not available elsewhere (p. 87). In this account, power and dependence are simply the face of each other; that B is dependent on A to the degree that A has power over B and that power is not zero-sum as A and B can each have power over each other, making them interdependent.

2.7.5 The Institutional Theory

According to Scott (2001), the roots of institutional theory run through the formative years of the social sciences, enlisting and incorporating the creative insights of scholars ranging from Marx & Weber, Cooley & Mead, to Veblen &

Commons (p. 29). Institutional theory mirrors trends generally present in theorizing about social structure and action from the classical to contemporary theorists (Alexander, 1983, p. 92). It considers the processes by which structures, including schemas; rules, norms, and routines, become established as authoritative guidelines for social behaviour. It enquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse.

2.7.6 The Stakeholder Theory

The Stakeholder Theory states that, “The firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities” (Clarkson, 1994, p. ???). The problem with the traditional stakeholder model of the firm is that it is difficult, if not impossible, to ensure that corporations fulfil these wider objectives. According to this stakeholder theory, corporate governance is primarily concerned with how effective different governance systems are in promoting long term investment and commitment amongst the various stakeholders. According to Solomon (2007), the Stakeholder theory has developed gradually since 1970 and was presented by Freeman (1984) who proposed a general theory of the firm, incorporating corporate accountability to a broad range of stakeholders. This theory would explain firm behaviour by integrating observed social performance with observed economic performance. The economic model uses a subset of the contract and agency theory to explain and predict firm behaviour, managers’ act as agents for stockholders/principals.

2.8 Elements of Corporate Governance

2.8.1 Leadership and Board Effectiveness

Under the umbrella of board effectiveness, lie several factors, but empirical studies have made use of board structure and composition with size, independence and performance as the key parameters. A board of limited size is expected to be performing more than bigger ones due to better communication and decision making thus improving performance. However, this consensus has not been reached unanimously as Brown and Caylor (2004) suggest a positive link. However, it is argued that efficiency goes concurrently with the independence of the board as evidenced by Brown and Caylor (2004) in their studies while others (Haniffa & Hudaib, 2006) have documented that multiple directorship does not have a positive impact on performance.

An effective governing Board and/or executive management capabilities of steering the affairs of the organization are a necessity. In addition, effective framework requires clear identification and articulation of responsibility and a real understanding and appreciation of the various relationships between the organization, stakeholders and those who are entrusted to manage resources and deliver the required outcomes. Executive management must also have a collective ability to provide leadership; to communicate a coherent set of governance principles throughout the organization, and to ensure the operation of checks and balances which good corporate governance demands. Executives leading by example are perhaps the most effective way to encourage accountability and improve performance (Haniffa & Hudaib, 2006).

2.8.2 Accountability

The accountability of professional management to the ejected board is a central issue in the quality of governance. The principles of corporate governance require those involved identifying and articulate their responsibilities and their relationships, consider who is responsible for what, to whom, and by when; knowledge and relationship that exist between stakeholders and those entrusted to manage resources; and deliver the required outcomes. It provides a way forward to those, whether in the public or private sectors, who find themselves in somewhat different relationships than they had previously experienced.

2.8.3 Directors' Remuneration

The general belief upheld is that higher levels of managerial compensation will encourage directors to perform their role more effectively though higher performance is expected, the findings are not conclusive as some (Conyon & Schwalbac, 2000) have found the existence of such a relationship while others have failed to find empirical support for such a relationship. For instance, Duffhues and Kabir (2008) argued that this predominant insight of a link between the two variables does not always hold good as they did not report any significant relationship between executive pay and corporate performance.

2.8.4 Audit Quality

It is widely accepted that there exists conventional wisdom that a higher quality level of audit forms part of a good governance mechanism. Indeed, auditors and audit committee play a crucial role in overseeing the financial management of the company's improving performance consequently. Most empirical works (Ho, 2005) carried out have revealed positive findings whilst some, like Brown and Caylor (2004), have concluded that although there is a link between audit quality, governance and financial performance, the significance of the relationship lies between audit quality and dividend yield and not with operating performance!

2.8.5 Transparency and Disclosure (Openness)

The administration of entities should be characterized by openness and transparency in their relations with members (Harvey, 1995). This requirement translates specifically into an obligation upon a society's elected director. It is incumbent upon company directors provide stakeholders with complete confidence regarding the decision-making processes. Being open, through meaningful consultations with stakeholders and communication of complete, accurate and transparent information, leads to effective and timely action, thus enhancing scrutiny. Such transparency is also necessary to ensure that public bodies are fully accountable and is, therefore, central to good governance. Greater disclosure and transparency enhance the reliability of financial information reported, closing the gap on information asymmetry and leading to higher quality of earnings forecasts by investors. Based on the premise that better corporate disclosure and transparency lead to better performance, Loh (2002) unraveled a list of potential benefits springing from a higher level of transparency. This not only leads to better corporate performance, but increases management trustworthiness, widens the investor base and improves access to capital.

2.8.6 Social Responsibility

Corporate social responsibility is becoming a growing need of any organisations as they find them having a level of interaction between different stakeholders and with the society at large. Consequently, ethical behaviour on their part would send the correct signal to the different stakeholders and impact on performance. For instance, Ho (2005) depicted in his survey a better performance standard than for firms without these fundamentals.

2.8.7 Integrity

Integrity based on honesty and objectivity as well as high standards of property and profit in the awarding of Public funds and the management of an organization's affairs is dependent on the effectiveness of the control framework and the personal standards and professionalism of the individuals within the organization. This is reflected in the organization's decision-making practices and procedures and in the quality and credibility of its performance reporting.

2.8.8 Commitment

Too much emphasis has been placed on the form rather than the substance of corporate governance in both the public and private sectors. Effective corporate governance is more than just putting in place structures, such as committees and reporting mechanisms, to achieve desired results. Rather, it requires a strong commitment by all participants to effectively implement all elements of corporate governance. An effective framework is people oriented, involving the company management, a greater emphasis on corporate values and ethical conduct, risk management, relationships with clients and quality service delivery.

2.8.9 Integration

The real challenge is not simply to define the various elements of effective corporate governance, but to ensure that they are holistically integrated into a coherent corporate approach by individual requisitions which are well understood and applied throughout the organization. When effectively implemented, corporate governance should provide the integrated strategic management framework necessary to achieve, outcomes of performance standards required to fulfill organizational goals and objectives.

2.9 The Legal framework for SOE Governance in Namibia: State-owned Enterprises, Governance Act No. 2, 2006

According to the Labour Resource and Research Institute (LaRRI, 2003), the Namibian Government set up public enterprises expecting them to be self-sustaining, but many failed to live up to the Government's expectation and had to be bailed out repeatedly. LaRRI (2003) gives an example of Air Namibia, which received N$ 350 million (US $37 million) in 2001 to prevent bankruptcy. The management and boards of Air Namibia and TransNamib were consequently replaced in trying to find a lasting solution to the poor performance and incompetence of the parastatal. The other public entities, especially those that have a monopoly, are said to have achieved better financial results with the exception that they ended up burdening consumers with enormous price increases. LaRRI (2003) gives an example of NamWater, being the sole provider of bulk water to municipalities and which increased water prices annually by 20% and have continued doing so for a period of 5 years. The article also points to Telecom Namibia, the provider of telecommunication services, which has increased the rates for local calls by 80% and the example of NamPost, the provider of postal services, which also increased its rates by over 40% in 2001.

Conversely, the widespread concern according to ALRN (2002) is that the output of publicly-funded or subsidized entities, in terms of productivity and service delivery, does not justify the amount of financial and human resources which the Government (as shareholder) invests into these entities. Sixteen years after independence, Namibia is still characterized by poor performance of SOEs even after the promulgation of the legal framework which guides the governance and performance of SOEs in 2006. As of today, the SOE governance in Namibia is dictated by the legal framework outlined in the State-owned Enterprises Governance Act (2006). The State-owned Enterprise Governance Act was promulgated in 2006, following the publication of a report on the -Governance Framework for State-owned Enterprises in Namibia five years earlier. The Act was established to set the parameters through which the SOEs will be governed. However, up-to-date, the State-owned enterprises governance Act is not fully functional. The Act stipulates, inter alia, that the Council is to establish generally accepted common principles of corporate governance and good practice governing State-Owned Enterprises. The Council further sets out to develop common policy frameworks for the operations of state-owned enterprises, including policy on issues relating to human resources and asset performance. To this end, criteria for the performance measurement and evaluation of SOEs are to be developed, as well as the appropriate means for monitoring their performance. This means that as much as the State-owned enterprises Act, 2006 has been promulgated, there is a slow process of good governance of the public enterprises as long as there are no rules and regulations put in place. The essence of this law was to pave the way for the sale of equity to the private sector as part of SOE restructuring (LaRRI, 2003).

The State-owned Enterprises Governance Act makes provision for the efficient governance of SOEs and the monitoring of their performances. The Act makes provision for the restructuring of State-owned enterprises and has established the State-owned enterprises governance council by defining its powers, duties and functions and to making provision for incidental matters

(Republic of Namibia, 2006). The Act is divided into eight parts and has established a State-owned Enterprises Governance Council (SOGC), whose functions are to establish a generally accepted common principle of corporate governance and good governing of SOEs as well as common policy frameworks for the operations of public enterprises. This includes structuring of policy on issues relating to human resources, assets and finance. The council is also responsible for determining the criteria for the performance measurement and evaluation of State-owned enterprises by developing appropriate means for monitoring public enterprises' performance. The council also should determine directives in relation to the governance agreements to be entered into by a portfolio Minister with the board of a State-owned enterprise.

The State-owned Enterprises Governance Act (2006) further states that the State-owned Governance Council is tasked with the setting up of the remuneration levels of board members, chief executive officers and other senior management staff of State-owned enterprises; and benefits for employees of State-owned enterprises generally. The Act determines the number of members to be appointed to the boards of State-owned enterprises, and advice the portfolio Ministers on the appointment of such members in accordance with sections 14 and 15 of the Act. The council is there to facilitate the provision of programs for the training and development of members of the board and management staff of State-owned enterprises on corporate governance and efficient management practices. It has to receive and consider, for approval, submissions made by state-owned enterprises on the annual distribution of profits and the declaration of dividends in terms of section 25 of the Act. Furthermore the council submits to the Cabinet proposed restructuring plans or proposals for performance of a function by state-owned enterprises as identified by Cabinet for restructuring under Part VI of the Act.

2.10 Corporate Performance Measurements

Performance measurements help in achieving and fostering controls. According to Kaplan and Atkinson (1998), control refers to the tools and methods that organisations use to keep on track in terms of achieving their objectives. According to Harrington (1991), there are financial and non-financial measurements which are fundamental tools of control and management (p. 82). Financial measurement for corporate performance using accounting ratios is common in the corporate governance literature, in particular, return on capital employed, return on assets, and return on equity. Similarly, economic value added can be as an alternative to purely accounting- based methods to determine shareholder value by evaluating the profitability of a firm after the total cost of capital, both debt and equity are taken into account. Other measures of financial performance in profit making organizations are capital adequacy, asset quality, management, earnings and liquidity which are commonly known as CAMEL Model.

2.11 Corporate governance and financial performance: An Empirical Perspective

Two broadly defined theories co-exist in the corporate governance literature. One stresses the discipline of the market were a looming threat of a potential hostile takeover or leveraged buyouts of a firm, is motivation enough for managers to ensure full efficient utilisation of factors of production. In situations where managers neglect to invest in those projects that add value to the firm and its shareholders, but divert recourses to their own benefit, the financial markets act to restore good governance. A number of mechanisms have been suggested, such as removing senior managers in poorly performing firms, demanding cash flow payments in the form of debt service and linking executive compensation to performance, including equity and options.

Klapper and Love (2004) found a high positive association between better governance and operating performance using firm level data of 14 emerging stock markets with return on assets as a proxy for operating performance, although affirming that this may vary among countries. Similarly, Brown and Caylor (2004) reported a positive relationship between the quality of corporate governance and their measures of profitability. Furthermore, Selvaggi and Upton (2008) claimed that good corporate governance enhances firms' performance in the United Kingdom, and also found strong causality between the two variables.

Empirical researches on corporate governance use either market-based measures or accounting-based measures to assess firm performance. Klein (1998) uses return on assets (ROA), and Lo (2003) uses return on equity (ROE) as an operating performance indicators. Brown and Caylor (2005) use return on equity and return on assets as their two operating performance measures. We can measure the operating performance of a firm through the return on assets ratio, which shows the amount of earnings generated from investing capital assets (Epps & Cereola, 2008).

Managers are directly responsible for the operations of business, thus the onus is on them to effective and efficiently utilise the firms' assets. The return on assets ratio therefore motivates, and ensures efficient management of the firm which enables users to assess how well a firms' corporate governance mechanism is in that the firm. The return on assets is defined as net income before interest expense for the fiscal period divided by total assets for that same period. One of the primary reasons for operating a corporation is to generate income for the benefit of the common stockholders (Epps & Cereola, 2008). Return on equity is a measure that shows an investor how much profit a company has generated from the money he or she has invested. The return on equity is defined as the income before interest expense for the fiscal period divided by total shareholders' equity for that same period. Both the return on assets and the return on equity can be reliable measures for the assessment of the performance of TransNamib. Poor performance may also mean the poor provision of services to the public which contradicts the purpose the state-owned enterprise's mandate.

Rogers (2006) conducted a study entitled: *"Corporate governance and financial performance of selected commercial banks in Uganda".* The study explored the relationship between the core principles of corporate governance and financial performance in commercial banks of Uganda. This finding indicates that corporate governance predicts 34.5 % of the variance in the general financial performance of commercial banks in Uganda. However the significant contributors on financial performance included openness and reliability. Openness and reliability are elements of corporate governance which measure stakeholder trust in the company.

Chiang (2005) conducted a study entitled: *"An empirical study of corporate governance and corporate performance*". This study explored the relationship among indicators of corporate governance, including transparency and operating performance measures, and whether or not the indicators could be predictors of operating performance. The results indicated that corporate transparency had a significant positive relationship with operating performance, and it was one of the most critical indicators for evaluating corporate performance. This study concluded that companies with good corporate governance also had a significant positive relationship with operating performance.

Bocean and Barbu (2007) conducted a study entitled: *"corporate governance and firm performance".* The purpose of this paper was to develop the understanding of corporate governance and its effects on corporate performance and economic performance. In doing so, it addressed some of the underlying factors that promote efficient corporate governance, and examined some of the economic implications associated with various corporate governance systems. The study provides a framework for understanding how corporate governance can affect corporate performance. The study found that corporate governance insider ownership, outside ownership concentration (which destroys market value), and direct ownership do matter as far as economic performance is concerned. Three main approaches to firm level performance were found in social science research: a research based on market prices, accounting ratios and total factor profitability.

2.12 Conceptualisation of key terms (Conceptual framework)

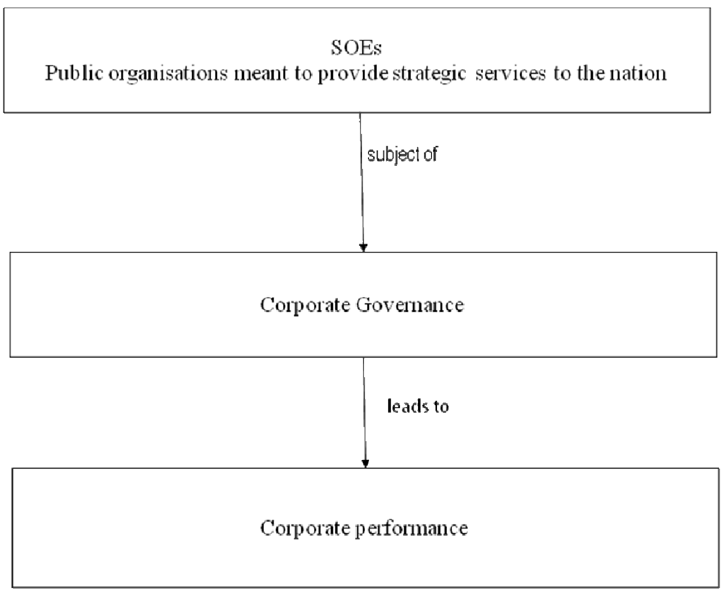

Figure 1: Conceptualisation of key terms

The conceptualization of key terms as depicted in Figure 1 shows that state owned enterprises as public entities are meant to provide strategic services that require good governance which in turn results in the desired corporate performance. The creation of a board of directors is to monitor the performance of the firm (Kosnik, 1990). Indeed, Black (2001) argues that larger effects of corporate governance practices on firm performance are likely to be found in developing countries because these countries often have weaker rules and larger variations between firms in corporate governance practices. It is, therefore, predicted that if the Board of Directors performs its duties effectively through good governance, the value of the firm is predicted to increase, and the wealth of shareholders would be enhanced accordingly. Therefore, it is the scope of this study to explore the relationship between corporate governance and corporate performance of state-owned-enterprises in Namibia.

2.13 Conclusion

This chapter reviewed literature related to corporate governance and its impact on corporate performance of state owned enterprises. The chapter covered the definitions of corporate governance, theories of corporate governance, and elements of corporate governance, corporate performance measurements and the influence of governance on corporate performance. Empirical evidence shows that there is a relationship between corporate governance and corporate performance.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The chapter deals with the methodology of the study, which includes the research approach, the method and the research process, common philosophical assumptions were reviewed and presented. The interpretive paradigm was identified in the framework of the study. Furthermore, the chapter discusses the design used in the study, including strategies, instruments, and data collection and analysis methods while explaining the stages and processes involved in the study.

3.2 Research Design

The study is both qualitative and quantitative research which explored the impact of corporate governance on the performance of an state owned enterprise in Namibia. The research adopts a mixed approach which puts more emphasis on the quantitative approach. In the context of quantitative approach, a non-experimental research design was used for the research. Maree (2007, p. 152) states that non-experimental designs are mainly used in descriptive studies in which the units that have been selected to take part in the research are measured on all the relevant variables at a specific time.

However, the interpretive research strategy was used that employs a descriptive qualitative approach. Myers (2009) argued that the promise of interpretive research is that access to reality (whether given or socially constructed) is only through social constructions such as language, consciousness and shared meanings. Interpretive paradigm is underpinned by observation and interpretation, thus to observe is to collect information about events, while to interpret is to make meaning of that information by drawing inferences or by judging the match between the information and some abstract pattern. This approach allows the description of the situation qualitatively. Interpretivism research strategy enables the researcher to gain new insights about a particular phenomenon, develop new concepts or theoretical perspectives about the phenomenon and discover the problems that exist with the phenomenon (Leedy and Ormrod, 2010, p. 136). In this case, the phenomenon explored is corporate governance to find out its impact on corporate performance within an SOE in Namibia. Leedy and Ormrod (2010) further stated that a qualitative approach focuses on phenomena that occur in natural settings and involve studying these phenomena in all their complexity (p. 135). Akpo (2006) also stated that a qualitative research focuses on meaning, experience and understanding and gives the researcher an opportunity to interact with individuals or groups whose experiences the researcher wants to understand.

By using descriptive research strategy, the researcher intended to describe and interpret the characteristics of the existing corporate governance phenomenon. The researcher sought to discover answers to questions relating to the fundamental characteristics that define the research subject of corporate governance and its impact on corporate performance. Saunders, Lewis, and

Thornhill (2003) indicate that the object of descriptive research is to portray an accurate profile of persons, events or situation (p. 97).

Collis and Hussey (2003) defined research design as a science or art of planning procedures for conducting studies so as to get the most valid findings (p. 113). Akpo (2006) states that the design of the research provides answers to the research questions (p.113). Expo (2006) further explained that the research design spells out the type of the research that would be suitable, the persons or situations from which to collect the data, the type of data needed, and how to collect and analyse the data (p. 113). Leedy and Ormrod (2010, p. 137) identified five common qualitative research designs, namely case study, ethnography, phenomenological study, grounded theory study and content analysis. For the purpose of this qualitative research, a case study will be used that focuses on TransNamib where corporate governance is a cause of concern. The case study is an interpretive methodology that looks in depth at one organisation which is TransNamib an state owned enterprise in Namibia.

3.3 Population

Blanche et al (2006) concludes that the population selected should be those to whom the research question applies to. The population therefore for this study comprised of all the members of the board of directors of TransNamib, all the executive management and the owners (Government of Namibia) of TransNamib. The research did not cover all the public enterprises in Namibia but focused on one entity, TransNamib. TransNamib was chosen on the basis that it is continuously experiencing internal problems and making headlines in local newspapers. The study examined the relationship that existed between corporate governance and performance.

3.4 Sample Size

Sampling techniques were considered for validity purposes. According to Shavelson (1988), he defined validity as the extent to which data is ascertained of its reliability. A sample is said to be a subset of the whole population which is actually investigated by a researcher and whose characteristic is generalized to the entire population (Bless, et al, 2006). Akpo (2006) concludes that a sample is a selected group of elements of the defined population. However, there are no hard and fast numbers that represent the correct number of participants in a qualitative study. Qualitative studies can be carried out with a single participant or, when studying multiple contexts, may have as many as 60 or 70 participants (Gay et al. 2009, p. 139). The authors further argued that, there are two general indicators used to determine whether a sample is of sufficient size, namely representativeness and redundancy of information. Redundancy of information can only be ascertained after collection of field data, this is at the data analysis stage.

The sample size of this study comprised of all the board members of the Board of Directors of TransNamib, all the executive management and the owners of TransNamib. Sampling leads to much better control over data collection, and it minimizes on costs. A sampling frame which is a true representative of the whole population was selected using the convenience sampling technique. A sample of

15 respondents was used in this study, and this sample was made up of members who had an impact on corporate governance process at TransNamib.

3.5 The Research instrument

Face-to-face interviews supported by the use of a structured questionnaire were conducted in this study. Interviews were conducted by appointment after seeking the consent of all the participants. In cases where the participants were unable to respond to the questionnaires in the presence of the researcher, questionnaires were left with the participants. The questionnaire was administered in the form of an interview except in cases where the participants were not at ease to respond in the presence of the researcher. Detailed sets of questionnaires are attached as an appendix in this research. The questionnaires show the type of information which was elicited from the respondents. A total of 15 questionnaires were administered on a lead basis by the researcher, considering the complexity of the area of study. The questionnaire was designed in such a manner that it incorporated all the key aspects of the research objects.

3.6 Data Collection Methods

Primary data for analysis was collected from TransNamib executives responsible for corporate governance, and these included the TransNamib Board of Directors and the Executive Management team (EXCO) who are responsible for corporate governance at TransNamib. The primary data was collected by means of a structured questionnaire and face-to-face interviews conducted through an interview guide. Secondary data was collected from annual reports which provided the year's activities, financial statements and an outlook for the future (Rice, 2009, p. 72). The researcher analysed audited Annual Reports for the 5-year period of (2008 – 2012) for TransNamib through the use of various statistical analyses.

3.7 Data Analysis

IBM 20 SPSS (Statistical Package for the Social Sciences) statistical software was used to check on the significance level of the variables at .05 through One-Way Anova. 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 and the rest of the variance called the within group or error variance (Kothari, 2011, pp. 256-264). The qualitative data collected was organized and summarized by using descriptive statistical methods such as averages, tables and percentages (Waigama, 2008). Also, qualitative data were interpreted and explained against the relevant research questions.

3.8 Validation procedures

Reliability and validity techniques were determined through Cronbach's Alpha Coefficient. The instrument was further referred to two experts in order to seek expert opinion. Reliability techniques refers to whether the data collection techniques and analytical procedures would produce consistent findings replicated in other occasions by different researchers (Saunders et al., 2012, p.

192). The results of this study are reported in such a transparent as to allow others to judge for themselves and also be able to replicate the study. Reliability remains a key characteristic of the research quality of this thesis, but it is not sufficient to ensure a good quality research (Saunders et al., 2012, p. 192). Cronbach's Alpha was used to measure the reliability and validity of the research instrument as depicted below in figure 2.

Case Processing Summary

		N	%
Cases	Valid	**15**	**100.0**
	Excluded	**0**	**.0**
	Total	**15**	**100.0**

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

Figure 2: Reliability Test Corporate Governance Research Instrument

Reliability Statistics

Cronbach's Alpha	N of Items
.788	**23**

Source: Survey Data

Figure 3: Reliability Statistics

If the Cronbach's Alpha coefficient is 0.7 the survey is regarded to be a good research instrument which is reliable. According to the Cronbach's Alpha test depicted in Figure 3.1, the coefficient 0.788 indicates that the research instrument is reliable and valid.

3.9 Ethical considerations

Welman, Kruger and Mitchell (2005) stated that ethical behaviour is paramount in research, as in any other field of human activity (p. 181). Welman et al. (2005) further explained that the principles underlying 'research ethics' are universal and concern issues such as honesty and respect for the rights of individuals (p. 181). In respect of this, the researcher observed the research ethics throughout this study. Leedy and Ormrod (2010) also stated that researchers should not expose research participants to unnecessary physical or psychological harm (p. 101). Furthermore, Leedy and Ormrod (2010), further stated that researchers must keep the nature and quality of participants' performance strictly confidential (p. 102). This means that ethical issues of participants' rights and privacy need to be considered in a research. The information gathered in the study remains confidential and identity anonymous. The researcher applied for permission from the relevant authorities to conduct the study and approval was obtained before the study was carried out.

3.10 Scope, plan, time scales

The study was carried out within a six month period as of June 2013 up to November 2013 when the final thesis report was submitted to the university, appendix (i) refers.

3.11 Conclusion

This chapter dealt with the methodology employed in this research thesis. The research approach, the method and the research process have been described and explained. The type of the research has been described as qualitative approach, and the adoption of quantitative research type has been justified. The methods of collecting data by means of questionnaires have been explained. Finally, the need for ethical consideration when collecting data has also been explained.

CHAPTER 4: DATA PRESENTATION

4.1 Introduction

This study focused on the impact of weaknesses of corporate governance on TransNamib. The study identified the following critical variables that are extracted from appendix 5. The variables have an impact on corporate governance process in TransNamib and are discussed in chapter 5.

- Board of Directors
- Procedures and practices
- Regular performance assessment
- Timely, accurate disclosure
- Effective performance management system

This chapter focuses on the presentation of findings of data collected. The aim of collecting primary data was to establish the respondents' views on the impact of corporate governance weaknesses in TransNamib and use the data gathered to determine patterns and ultimately draw conclusions about the impact of corporate governance on TransNamib. Capturing of the data was done using the statistical package for the social sciences (SPSS). The responses were based on the Likert- scale type of questions which were coded as follows:

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

Dichotomous questions with Yes and No responses were factored in. Yes, was coded 1 and No was coded 2.

4.2 Primary Data Presentation

The aim of collecting primary data was to establish the respondents` views on the effects of weaknesses in corporate governance in TransNamib, and use the gathered data to determine patterns and ultimately draw conclusions on the effects of weak corporate governance in TransNamib. The capturing of the data was done on the SPSS, IBM 20 computer statistical programme.

4.2.1 Response Rate

A response rate of 100% was achieved. 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. 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 TransNamib in their endeavours to embrace effective corporate governance strategies and reap the benefits associated with good corporate governance processes. The cover letter and questionnaire samples are attached to the appendices.

Table 1: Gender **N= 15**

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	**7**	**46.7**	**46.7**	**46.7**
	Female	**8**	**53.3**	**53.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

Table 4.1 above shows that out of the respondents who participated in the survey, 53.3% were female whilst 46.7% were male, representing 100% response rate. The response reflected above support the general assumption that women are more than men in Namibia.

Table 2: Age Category **N= 15**

Age category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29 years	**4**	**26.7**	**26.7**	**26.7**
	30-39 years	**2**	**13.3**	**13.3**	**40.0**
	40-49 years	**5**	**33.3**	**33.3**	**73.3**
	50-60 years	**4**	**26.7**	**26.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results derived from this research show that the majority of employees at TransNamib are in their late twenties. Table 4.2 above reflects that out of the participants who participated in this research, 33.3% are between the ages of 40-49 years old, 26.7% are between 50-60 years old, 26.75% are between 20-29 years old whilst the remaining 13.3% are between 30-39 years old respectively. This means that more than 50% of the respondents are over 50 years of age.

Table 3: Marital Status **N= 15**

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	**6**	**40.0**	**40.0**	**40.0**
	Married	**6**	**40.0**	**40.0**	**80.0**
	Widowed	**1**	**6.7**	**6.7**	**86.7**
	Separated	**1**	**6.7**	**6.7**	**93.3**
	Divorced	**1**	**6.7**	**6.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results depicted in Table 4.3 show that 40% of the respondents interviewed are married, and another 40% are single, whilst the widowed, separated and divorced are at 6.7% each. The empirical evidence suggests that TransNamib has a balanced workforce, which is somehow responsible.

Table 4: Academic Qualifications **N= 15**

Academic qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First Degree	**10**	**66.7**	**66.7**	**66.7**
	Master` Degree+	**5**	**33.3**	**33.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The responses indicated in Table 4.4 above reflects that 66.7% of the respondents have managed to acquire a first degree whilst 33.3% have qualifications which are above the first degree. The results reflect that TransNamib has a well-balanced and educated workforce.

Table 5: Job Category **N= 15**

Job category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	General worker	**1**	**6.7**	**6.7**	**6.7**
	Skilled worker	**5**	**33.3**	**33.3**	**40.0**
	Supervisor	**5**	**33.3**	**33.3**	**73.3**

	Manager	**3**	**20.0**	**20.0**	**93.3**
	Other	**1**	**6.7**	**6.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results depicted in table 4.5 shows that TransNamib has a top heavy structure which is characterized by skilled workers and management. The results also show a remarkably lean bottom structure with a minimum number of general workers. Literature reviewed indicates that managers are people who work through others and in this case, it becomes extremely difficult to imagine how a company like TransNamib carries out its duties with such a small number of employees below the management level. Table 4.5 reflects that 33.3% of the respondents who participated in this research are skilled workers, another 33.3% are supervisors, 20% are managers, 6.7% fall in the other category and 6.7% are general hands. These results show that more than 50% of the respondents hold supervisory and management positions at TransNamib.

Table 6: Period of Employment N= 15

Period of employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	**6**	**40.0**	**40.0**	**40.0**

	2-3 Years	**1**	**6.7**	**6.7**	**46.7**
	4-5 Years	**2**	**13.3**	**13.3**	**60.0**
	6-10 Years	**1**	**6.7**	**6.7**	**66.7**
	11 Years+	**5**	**33.3**	**33.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results depicted in table 4.6 show that TransNamib has a very young workforce which can be an indication of higher rate of labour turnover in the company. Forty percent (40%) of the respondents have less than one year working experience in the company. This is a serious weakness when it comes to strong corporate culture and may explain the reasons why the company is not performing well. In addition, 33.3% of the respondents have over 11 years working experience with TransNamib. The other 13.3% have between 4-5 years working experience. The results also show that the other 6.7% has between 2-3 years working experience whilst 6.7% has between 6-10 years working experience, respectively

Table 7: Leadership Style **N= 15**

Perfect leadership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**6**	**40.0**	**40.0**	**40.0**

	Neutral	**7**	**46.7**	**46.7**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results reflected in table 4.7 shows that the majority of respondents interviewed doubt the quality of the leadership style of the top executive in TransNamib. The results indicate that 40% of the respondents interviewed agreed that the company has perfect leadership, whilst 46.7% remained neutral and the other 13.3% strongly disagree. Literature reviewed showed that leadership plays a prominent role in providing direction to an organization.

Table 8: Board of Directors **N= 15**

Board of directors brings value

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**9**	**60.0**	**60.0**	**60.0**
	Strongly Agree	**1**	**6.7**	**6.7**	**66.7**
	Neutral	**1**	**6.7**	**6.7**	**73.3**
	Disagree	**3**	**20.0**	**20.0**	**93.3**
	Strongly Disagree	**1**	**6.7**	**6.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The majority of respondents interviewed (60%) acknowledge the importance of the board of directors in providing direction and sustainability of the company. This was supported by 6.7% who also strongly agree that the board of directors provided value to the company. The respondents agreed that the board brings value to the decision-making process of the organisation. However, 20% of the respondents disagreed with the assumption and the other 6.7% also strongly disagree. Additionally, the other 6.7% of the respondents remained neutral.

Table 9: Implementation of Corporate Values N= 15

Achievement and implementation of corporate values

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**2**	**13.3**	**13.3**	**13.3**
	Neutral	**6**	**40.0**	**40.0**	**53.3**
	Strongly Disagree	**7**	**46.7**	**46.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results show that 46.7% of the respondents who participated in this survey strongly disagree that TransNamib achieves and implements its corporate values for survival of the company. They also show that 40% of the respondents remained neutral whilst 13.3% agreed that the company achieves and implements its corporate values for survival. Corporate values are a fundamental cornerstone of a strong corporate culture within an organization. This means that the respondents generally think that disagree that TransNamib achieves and implements its corporate values for survival of the company.

Table 10 Procedures and Practice N= 15

Procedures and practice in place

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**9**	**60.0**	**60.0**	**60.0**
	Strongly Agree	**2**	**13.3**	**13.3**	**73.3**
	Disagree	**4**	**26.7**	**26.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results show that 60% of the respondents agreed that TransNamib has put procedures that protect company assets and reputation. There are good company policies that protect a company`s position in the market and enhances excellent reputation and growth. This was supported by 13.3% who strongly agree that the procedures to protect company assets and reputation are in place. The remaining 26.7% of the respondents disagreed and believe that the company has no procedures in place to protect the company assets and reputation. This only implies that more needs to be done to protect the company assets and reputation.

Table 11: Comply with relevant laws **N= 15**

Corporation complies with relevant laws

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**6**	**40.0**	**40.0**	**40.0**
	Neutral	**6**	**40.0**	**40.0**	**80.0**
	Disagree	**3**	**20.0**	**20.0**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

Although corporate governance is not law, it is not clear whether TransNamib complies with relevant laws with 40% of the respondents agreeing and the other 40% remained neutral. However, 20% of the respondents disagreed and felt that TransNamib does not comply with relevant laws.

Table 12: Communication Process **N= 15**

Effective communication

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**8**	**53.3**	**53.3**	**53.3**
	Strongly Agree	**1**	**6.7**	**6.7**	**60.0**
	Neutral	**2**	**13.3**	**13.3**	**73.3**
	Disagree	**2**	**13.3**	**13.3**	**86.7**

	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

Table 4.12 shows that 53.3% of the respondents agreed that there is effective communication between TransNamib and its shareholders. This was supported by 6.7% of the respondents who strongly agree that there is effective communication between TransNamib and its shareholders. Only 13.3% of the respondents disagree that there is effective communication between TransNamib and its shareholders. The viewpoint was supported by the other 13.3% of the respondents who also strongly disagreed that TransNamib has an effective communication system between shareholders and the board of directors. Corporate governance makes emphases on timely corporate disclosure and TransNamib appears to be on the right track, given the responses of the respondents who participated in this survey.

Table 13: Balance of Power in TransNamib N= 15

Balance of power and authority

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**5**	**33.3**	**33.3**	**33.3**
	Strongly Agree	**2**	**13.3**	**13.3**	**46.7**

	Neutral	**5**	**33.3**	**33.3**	**80.0**
	Disagree	**1**	**6.7**	**6.7**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

It is not clear whether there is a balance of power and authority in TransNamib. Table 4.13 reflects that 33.3% of the respondents agreed that there is a balance of power in TransNamib. This premise was supported by 13.3% of the respondents who strongly agreed that there is a balance of power and authority in TransNamib. Another 33.3% of the respondents remained neutral since they did not want to comment on the issue. The remaining 13.3% of the respondents strongly disagreed that there is a balance of power in TransNamib. This position was supported by the other 6.7% of the respondents who also disagreed that there is a balance of power and authority in TransNamib. This seems to suggest that there is a concentration of power, since the government as the only shareholder. Such ownership concentration compromises the balance of power in a company. This is a serious weakness in TransNamib which leads to unfettered powers by the owner who eventually make the decision they like.

Table 14: Internal Control Systems N= 15

Effective internal system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**3**	**20.0**	**20.0**	**20.0**
	Strongly Agree	**1**	**6.7**	**6.7**	**26.7**
	Neutral	**3**	**20.0**	**20.0**	**46.7**
	Disagree	**5**	**33.3**	**33.3**	**80.0**
	Strongly Disagree	**3**	**20.0**	**20.0**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The results show that 33.3% of the respondents disagree that there are effective internal control systems in TransNamib. This is supported by the other 20% of the respondents who strongly disagreed that there is an effective internal control system in the company. In addition, more than 53% of the respondents disagreeing with the fact that there is an effective internal control system in TransNamib. This shows that the corporate governance of TransNamib is extremely weak since the whole governance process is compromised. Internal control system of an organization is essentially pivotal in increasing company performance.

Table 15: Measurement of Company Performance N= 15

Effective tools of performance management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**1**	**6.7**	**6.7**	**6.7**
	Neutral	**3**	**20.0**	**20.0**	**26.7**
	Disagree	**7**	**46.7**	**46.7**	**73.3**
	Strongly Disagree	**4**	**26.7**	**26.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The issue of performance management is poor in TransNamib, and 46.7% of the respondents disagree that the company has an effective tool for measuring the performance of employees. This was supported by the other 26.7% of the respondents who also felt that the company does not have effective tools for measuring the performance of employees. This is a serious situation that compromises the progress of the company. If management cannot monitor the performance of the company, then they may not know whether the company is in the right direction or not. Usually, the quality of services suffers, and this is a common characteristic of the operations of TransNamib.

Table 16: Performance Assessment N= 15

Regular performance assessment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**3**	**20.0**	**20.0**	**20.0**
	Strongly Agree	**1**	**6.7**	**6.7**	**26.7**
	Neutral	**3**	**20.0**	**20.0**	**46.7**
	Disagree	**3**	**20.0**	**20.0**	**66.7**
	Strongly Disagree	**5**	**33.3**	**33.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The information that's presented in Table 4.16 is supported here by 33.3% of the respondents who strongly disagreed that the company carries out regular assessment of employees. 20% of the respondents also disagreed with this position. Only 20% of the respondents agreed that the company carries out a regular performance assessment of the employees. This position was supported by a small 6.7% who strongly agreed that the company carries out performance assessment. The other 20% of the respondents chose to remain neutral. The results showed that both the company board of directors and the Chief Executive Officer are ineffective when it comes to the assessment of employee performance. This is a serious and worrying situation, given the strategic position of the company in Namibia.

Table 17: Overall Company Performance N= 15

	Excellent organization performance	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**2**	**13.3**	**13.3**	**13.3**
	Neutral	**4**	**26.7**	**26.7**	**40.0**
	Disagree	**7**	**46.7**	**46.7**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

Given the responses portrayed by the earlier respondents, it is evident that majority (46.7%) of the respondents disagreed that the company has an excellent performance. This was supported by the other 13.3% who strongly disagreed with the premise that the company has an excellent performance. The cumulative figure of the respondents showed that 86.7% disagreed with the position that the company has an excellent performance. It is not surprising to get such a response given the earlier responses concerning company performance.

Table 18: Timely Disclosure of Financial Performance N= 15

Assurance of timely, accurate disclosure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**4**	**26.7**	**26.7**	**26.7**
	Neutral	**6**	**40.0**	**40.0**	**66.7**
	Disagree	**3**	**20.0**	**20.0**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

The study results show that 40% of the respondents chose not to comment on the issue of disclosure. This was supported by the other 20% who also disagreed that there is no timely financial disclosure in the company. In addition, 13.3% also strongly disagreed with the position on timely disclosure of financial performance in the company. This gives a cumulative figure of 86.7% respondents who disagreed that there is timely disclosure of the financial performance of the company. Now, if there is no timely disclosure of financial performance of the company, this means that there is no transparency in the company, and this could lead to corrupt practices within the company. Transparency is one of the pillars of effective corporate governance in a system.

Table 19: Clear Procedures of Financial Reporting N= 15

Financial reports procedures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**5**	**33.3**	**33.3**	**33.3**
	Strongly Agree	**2**	**13.3**	**13.3**	**46.7**
	Neutral	**1**	**6.7**	**6.7**	**53.3**
	Disagree	**3**	**20.0**	**20.0**	**73.3**
	Strongly Disagree	**4**	**26.7**	**26.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

Table 4.19 depicts that 33.3% of the respondents agreed that the company follows clear procedures in preparation of financial reports for the shareholders. This was supported by 13.3% of the respondents who strongly agreed that the company follow clear procedures in preparation of financial statements for the shareholders. However, 26.7% of the respondents strongly disagreed with this position, and another 20% of the respondents also disagree with this premise. Additionally, 6.7% of the respondents remained neutral. Table 4.19 shows a cumulative 73.3% of the respondents who disagreed that the company does not follow clear procedures in preparing financial reports for the shareholders.

Table 20: Audit and Risk Committee N= 15

	Audit and risk committee				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	**1**	**6.7**	**6.7**	**6.7**
	Neutral	**4**	**26.7**	**26.7**	**33.3**
	Disagree	**1**	**6.7**	**6.7**	**40.0**
	Strongly Disagree	**9**	**60.0**	**60.0**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

It is surprising to note that 60% of the respondents strongly disagreed that the company has an Audit and Risk Committee. This position was supported by 6.7% who also disagreed that the company has an Audit and Risk Committee functioning. The results show a cumulative 100% of the respondents who strongly agreed that the company has an Audit and Risk Committee available. This is a serious situation since processes can be compromised. This finding supports the earlier findings that indicate that the company has a poor performance management system and does not provide timely financial reports to the shareholder. Such a situation weakens corporate governance in a company.

Table 21: Internal Control System **N= 15**

		Frequency	Percent	Valid Percent	Cumulative Percent
		Adequate documentation of internal controls			
Valid	Agree	**5**	**33.3**	**33.3**	**33.3**
	Strongly Agree	**2**	**13.3**	**13.3**	**46.7**
	Neutral	**3**	**20.0**	**20.0**	**66.7**
	Disagree	**3**	**20.0**	**20.0**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

Table 4.21 shows that 33.3% of the respondents agreed that there is adequate documentation of internal controls in the company. This position was supported by 13.3% of the respondents who also strongly agreed that there is adequate documentation of internal controls within the company. In addition, 20% of the respondents remained neutral, whilst the other 20% of the respondents disagreed with the fact that there is adequate documentation of internal control systems in TransNamib. However, 13.3% of the respondents strongly disagreed that there is adequate documentation of internal control systems in TransNamib.

Table 22: Resolving Internal Audit Issues N= 15

	Resolve internal audit issues	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**5**	**33.3**	**33.3**	**33.3**
	Strongly Agree	**1**	**6.7**	**6.7**	**40.0**
	Neutral	**5**	**33.3**	**33.3**	**73.3**
	Disagree	**2**	**13.3**	**13.3**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Source: Survey Data

Given the findings discussed earlier, the cumulative response depicted in Table 4.22 indicates that 86.7% of the respondents disagreed that the TransNamib resolves audit related issues since earlier responses showed weaknesses in the audit and risk committee. These findings support the absence or non-functionality of the audit committee in the company.

4.3 Conclusion

Chapter four summarizes the findings that emerged from the data collection. This chapter leads to chapter five where an analysis of the findings is discussed.

CHAPTER 5: DISCUSSION OF THE FINDINGS

5.1 Introduction

This study focused on the impact of weaknesses of corporate governance on TransNamib. The identified critical variables that impact on corporate governance process in TransNamib as depicted in appendix 5 and summarized in table 5.1 below were:-

- Board of Directors
- Procedures and practices
- Regular performance assessment
- Timely and accurate disclosure
- Effective performance management system

This chapter focuses on the discussion of the findings of the study, particularly the identified critical variables. The results of the study were compared with what theory says. Table 23 summarizes the critical variables that emerged from the findings. The variables are derived from appendix 5 in this research, which shows a complete one- way Anova analysis derived from IBM SPSS 20 software. I attach appendix 5, so that the readers track the source of the summary table

Table 23: One Way Anova Statistical Results

One Way Anova Statistics Results Summary					
Parameter	**Sum of Squares**	**df**	**Mean Square**	**F**	**p-value**
Board of directors brings value	13.671	2	6.836	4.752	.030
Procedures and principles in place	10.748	2	5.371	4.542	.034
Regular performance assessment	13.410	2	6.705	3.985	.047
Assurance of time accurate disclosure	11.005	2	5.502	4.145	.043

Source: Survey Data

5.2 Board of directors brings value

Information derived from the frequency tables appended depicts that (60%) of the respondents acknowledge the importance of the board of directors in providing direction and sustainability of the company. This was supported by 6.7% who also strongly agree that the board of directors provided value to the company. The respondents agreed that the board brings value to the decision-making process of a company. However, 20% of the respondents disagreed with the assumption and the other 6.7% also strongly disagree. The other 6.7% of the respondents remained neutral. One-way Anova statistical results, also supports these results: Sum of Squares = 13.671, degrees of freedom = 2, Mean Square =

6.836, F Value = 4.752, p-value =.030. The characteristics of good corporate governance, according to the King II Report, (2002) are associated with the system and components of good governance that include the board, procedures and reporting. They include the following:

i) Boards and Directors

The board is the focal point of the corporate governance system which is ultimately accountable and responsible for the performance and affairs of the company. The board delegates authority to board committees or management and does not in any way mitigate or dissipate the discharge by the board and its directors of their duties and responsibilities.

ii) Board Composition

The King II Report (2000) advises that companies should be headed by an effective board that can both lead and control the company, a board which comprises a balance of executive and non-executive directors, preferably with a majority of non-executive directors, of whom a sufficient number should be independent of management so that shareowner interests, including minority interests, can be protected.

iii) Board Chairperson and Chief Executive Officer

The King II Report (2002) encourages a clearly accepted division of responsibilities at the head of the company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

iv) Directors

The board should ensure that there is an appropriate balance of power and authority on the board, such that no one individual or block of individuals can dominate the board's decision-taking. Non-executive directors should be individuals of the calibre and credibility who have the necessary skill and experience required in the company. Executive directors should be encouraged to hold other non-executive directorships only to the extent that these do not interfere with their immediate management responsibilities.

v) Remuneration

Levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the board.

vi) Board Meetings

The board should meet regularly, at least once a quarter if not more frequently as circumstances require, and should disclose in the annual report the number of the board and committee meetings held in the year and the details of attendance of each director.

vii) Board Committees

Board committees are an aid to assist the board and its directors in discharging their duties and responsibilities, and boards cannot hide behind these committees.

viii) Board and Director Evaluation

The board, through its nomination committee or similar board committee, should regularly review its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess the effectiveness of the board.

5.3 Procedures and practices in place

One-way Anova statistical results also support the importance of putting procedures and practices in place as a strategic plan: Sum of Squares = 10.743, degrees of Freedom = 2, Mean Square = 5.371, F Value = 4.542, p-value =.034. Figure 4.10 above suggests that 60% of the respondents agreed that TransNamib has put procedures that protect company assets and reputation in place. These are good company policy that protect a company`s position in the market and enhances excellent reputation and growth. This was supported by 13.3% who strongly agree that the procedures to protect company assets and reputation are in place. The remaining 26.7% of the respondents disagreed and believed that the company has no procedures that are in place to protect company assets and reputation.

5.4 Regular performance assessment

One-way Anova statistical result supports the importance of carrying out a regular performance assessment in TransNamib: Sum of Squares = 13.410, Degrees of Freedom = 2, Mean Square = 6.705, F Value = 3.985, p-value =.047. The information that prevailed in Table4.16 above is supported here by 33.3% of the respondents who strongly disagreed that the company carries out regular assessment of employees. 20% of the respondents also disagreed with this position. Only 20% of the respondents agreed that the company carries out a regular performance assessment of the employees. This position was supported by a small 6.7% who strongly agreed that the company carries out performance assessment. The other 20% of the respondents chose to remain neutral. The results showed that both the company board of directors and the Chief Executive Officer are ineffective when to come to assessment of employee performance. This is a serious and worrying situation, given the strategic position of the company in Namibia.

Performance measurements help in achieving and fostering controls. According to Kaplan and Atkinson (1998), control refers to the tools and methods that organizations use to keep on track in terms of achieving their objectives. According to Harrington (1991), there are financial and non-financial measurements which are fundamental tools of control and management (p. 82).

Financial measurement for performance using accounting ratios is common in the Corporate Governance literature, in particular, return on capital employed, return on assets, and return on equity. Similarly, economic value added can be as an alternative to purely accounting- based methods to determine shareholder value by evaluating the profitability of a firm after the total cost of capital, both debt and equity are taken into account. Other measures of financial performance in profit making organizations are capital adequacy, asset quality, management, earnings and liquidity which are commonly known as CAMEL Model.

5.5 Corporate governance and financial performance: An empirical perspective

Two broadly defined theories co-exist in the corporate governance literature. One stresses the discipline of the market, claiming that the threat of hostile takeovers and leveraged buyouts in firms was sufficient to ensure full efficiency. Where managers neglect to invest in those projects that add value to the firm and its shareholders, but divert recourses to their own benefit, the financial markets act to restore good governance. A number of mechanisms have been suggested, such as removing senior managers in poorly performing firms, demanding cash flow payments in the form of debt service and linking executive compensation to performance, including equity and options.

Klapper and Love (2004) found a high positive association between better governance and operating performance using firm level data of 14 emerging stock markets with return on assets as a proxy for operating performance, although affirming that this may vary among countries. Similarly, Brown and Caylor (2004) reported a positive relationship between the quality of corporate governance and their measures of profitability. Furthermore, Selvaggi and Upton (2008) found that good corporate governance enhances firms' performance in the United Kingdom and also that there is a strong causality between the two variables. Empirical researches on corporate governance use either market-based measures or accounting-based measures to assess a firm's performance. It is noted that Klein (1998) in his work used return on assets to measure a firm's performance level, whilst Lo (2003) used return on equity as an operating performance indicator. Interestingly, Brown and Caylor (2005) used both the return on equity and return on assets as their two operating performance measures. Epps and Cereola (2008) concluded that one can measure the operating performance of a firm through the return on assets ratio, which shows the amount of earnings generated from investing capital assets.

Managers are directly responsible for the operations of the business and therefore the utilization of the firms' assets. Thus, return on assets allows users to assess how well a firms' corporate governance mechanism is in securing and motivating efficient management of the firm. The return on assets is defined as net income before interest expense for the fiscal period divided by total assets for that same period. One of the primary reasons for operating a corporation is to generate income for the benefit of the common stockholders (Epps & Cereola, 2008). Return on equity is a measure that shows an investor how much profit a company generates from the money invested from its shareholders. The return on equity is defined as the income before interest expense for the fiscal period divided by total shareholders' equity for that same period. Both the return on assets and the return on equity can be reliable measures for the assessment of the performance of TransNamib. Poor performance may also mean the poor provision of services to the public which contradicts the purpose the state-owned enterprise's mandate.

Rogers (2006) conducted a study entitled: *"Corporate governance and financial performance of selected commercial bank in Uganda".* The study explored the relationship between the core principles of corporate governance and financial performance in commercial banks of Uganda. The finding indicates that the corporate governance predicts 34.5 % of the variance in the general financial performance of commercial banks in Uganda. However the significant contributors on financial performance include openness and reliability.

Chiang (2005) conducted a study entitled: *"An empirical study of corporate governance and corporate performance*". This study explored the relationship between indicators of corporate governance, including transparency and operating performance measures, and whether or not the indicators could be predictors of operating performance. The results indicated that corporate transparency had a significant positive relationship with operating performance, and it was one of the most critical indicators for evaluating corporate performance. This study concluded that companies with good corporate governance also had a significant positive relationship with operating performance.

Bocean and Barbu (2007) conducted a study entitled: *"Corporate governance and firm performance".* The purpose of this paper was to develop the understanding of corporate governance and its effects on corporate performance and economic performance. In doing so, it addressed some of the underlying factors that promote efficient corporate governance, and examined some of the economic implications associated with various corporate governance systems. The study provides a framework for understanding how corporate governance can affect corporate performance. The study found that corporate governance insider ownership, outside ownership and direct ownership matter as far as economic performance is concerned. Three main approaches to firm level performance were found in social science research: a research based on market prices, accounting ratios and total factor profitability.

5.6 Assurance of timely, accurate disclosure

Figure 4.18 above shows that 40% of the respondents chose not to comment on the issue of accurate disclosure. This was supported by the other 20% who also disagreed that there is no timely financial disclosure in the company. In addition, 13.3% also strongly disagreed with this position on timely disclosure of financial performance in the company. This gives a cumulative 86.7% disagreement of timely financial disclosure. Now, if there is no timely disclosure of financial performance of the company, this means that there is no transparency in the company, and this could lead to corrupt practices within the company. Transparency is one of the pillars of effective corporate governance in a system.

Literature reviewed in this study supports the importance of timely disclosure of company information to shareholders and all stakeholders. The administration of entities should be characterized by openness and transparency in their relations with members (Harvey, 1995). This requirement translates specifically into an obligation upon a society's elected director. It is incumbent upon company directors provide stakeholders with complete confidence regarding the decision-making processes. Being open, through meaningful consultations with stakeholders and communication of complete, accurate and transparent information, leads to effective and timely action, thus enhancing scrutiny. Such transparency is also necessary to ensure that public bodies are fully accountable and this is central to good governance. Greater disclosure and transparency enhance the reliability of financial information reported, closing the gap on information asymmetry and leading to higher quality of earnings forecasts by investors. Based on the premise that better corporate disclosure and transparency lead to better performance, Loh (2002) unraveled a list of potential benefits springing from a higher level of transparency. This not only leads to better corporate performance, but increases management trustworthiness, widens the investor base and improves access to capital.

5.7 What TransNamib should do?

The Commonwealth Association for Corporate Governance (CACG, 1988) provides 15 principles of corporate governance. These principles are primarily at boards of directors of business enterprises, be they public, private, family-owned or state-owned. TransNamib should focus on ten of these principles which are outlined as follows:

- Exercise leadership and integrity in judgement when directing the corporation to achieve continuing prosperity for the corporation;
- Ensure that through managed and effective processes, board appointments are made that provide a mix of proficient directors who are able to add value and bring independent judgement to bear on the decision-making processes;

- Determine the corporation's purpose and values, and determine the strategy for it to achieve its purpose, and to implement its values in order to ensure that it survives and thrives;
- Ensure that procedures and practices are in place to protect the corporation's assets and reputation. To monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
- Ensure that the corporation complies with all relevant laws, regulations and codes of best business practice;
- Ensure that the corporation communicates with shareowners and other stakeholders effectively. Serve the legitimate interests of the shareowners of the corporation and account to them fully;
- Identify the corporation's internal and external stakeholders and agree on policies on how the corporation should relate to them. Ensure that no one person has unfettered power, and that there exists an appropriate balance of power of authority on the board;
- Regularly review processes and procedures to ensure the effectiveness of the corporation's internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times;
- Regularly assess its performance and effectiveness as a whole and that of individual directors;
- Appoint the CEO and at least participate in the appointment of senior management; ensure the motivation and protection of intellectual capital intrinsic to the corporation; ensure that there is adequate training in the

corporation for management and employees and a succession plan for senior management.

These are fundamental principles that can transform TransNamib into a better and vibrant company in Namibia.

5.8 Corporate Governance Interview Guide

The results of the findings derived from the interview that was conducted between the researcher and the Executive management of TransNamib is summarized in this section on a question by question basis. The interview was used as cross-check analysis of information collected through questionnaires.

5.9 Understanding corporate governance processes in TransNamib

The respondent indicated that he is experience serious problems when it comes to decision making. The respondents argued that the board of directors accepts recommendations made by the executive management, but does not take the recommendations aboard. The respondent further indicated that the board is influenced by the owner and as a result, their actions lead to compromised performance over the years, especially when it comes to issues of product prices for example. The respondent further highlighted that the owner/shareholder had a choice on which strategy to pursue. The respondent highlighted a pivotal point that the board of directors was dysfunctional since it hardly set to deliberate on governance issues, forward looking company issues and strategic focus that is the board calendar was non-existent. The findings indicated that there was visible disagreement between the chairperson of the board of directors and the executive management. With regards to communication, the respondent informed the researcher that communication was at its lowest level between the board of directors and shareholders. Findings revealed that the shareholders lack of commitment in the governance process and the running of the business. On the issue of access to information, the respondent argued that access to information by independent directors is advantageous since all boards receive information at the right time.

5.10 Research Questions

The research questions in this paper are as follows;

- How effective are corporate governance processes at TransNamib?
- Do weaknesses in corporate governance impact on TransNamib performance?
- What are the governance factors that limit corporate performance at TransNamib?

5.11 Summary of Major Findings

Generally there is much that needs to be done by TransNamib to improve the corporate governance process between the company and the shareholder particularly in areas of the functioning of the Board of Directors, implementation of procedures and practices, carrying out regular performance assessments of employees, the timely accurate disclosure of financial reports to shareholders and the putting in place of effective performance management system. The cumulative majority respondents of 86.7% pointed out that much needs to be done in order to improve the corporate governance process in TransNamib. They believed that the company needs to put systems in place that will improve corporate governance in the company. Only 13.3% disagreed. This implied that 86.7% of the respondents had a point which needed to be addressed. Generally, there is much that needs to be done by TransNamib to improve the corporate governance situation in the company, and promote company performance. The majority of the respondents, 86.7% felt that corporate governance practices in TransNamib are poor and need improvement. Only 13.3% disagreed. This means that 86.7% of the respondents had a point which needed to be addressed.

5.12 Conclusion

The major findings in the study confirmed most of the literature review in Chapter 2. The research findings confirmed that the key variables which affect company performance are:

- Board of Directors
- Procedures and practices
- Regular performance assessment
- Timely and accurate disclosure
- Effective performance management system

The next chapter would deal with recommendations and conclusion.

CHAPTER 6: SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

The chapter presents the summary of the study. The conclusions arrived at, and recommendations based on the findings of the study are provided. In order to carry out the research the researcher applied simple random sampling technique to deal with a population of the study and settled for a sample size of fifteen (15) respondents which constitute the sample of this study. Questionnaires were sent to TransNamib employees, and interviews were also conducted to establish as much data as possible from the respondents and also allow and to air their views pertaining to the subject. The reviewed literature was related to the research topic, and this enabled the researcher to identify the following variables that have a bearing on corporate governance in TransNamib

- Board of Directors
- Procedures and practices
- Regular performance assessment
- Timely and accurate disclosure
- Effective performance management system

The variables identified above were extracted from appendix 5, which reflects the one-way Anova analysis conducted for the study.

6.2 Objectives Revisited

The main objective of the study was to:

- To determine elements of corporate governance that impact on corporate performance at TransNamib.

- To evaluate corporate governance processes at TransNamib.
- To establish governance factors that limit corporate performance in TransNamib.

The findings of the study supported the objectives of the study. Critical elements or variable of the study were identified and discussed in chapter 5 above. The research answered the objectives of the study and was supported by the related literature.

6.3 Conclusion

The conclusions based on the research study are:

- Board of Directors

TransNamib must create a well-balanced, diverse, sizable board that is capable of driving the company in achieving its long-term objectives. The majority of the respondents, who participated in this survey, consider a well-structured board of directors as fundamental to improving company performance.

- Procedures and practices

It also emerged from the respondents that there is a need to put in place proper company procedures of disclosure of vital company financial information on a timely basis. TransNamib should take heed of the respondents call on improving procedures and practices.

- Regular performance assessment

Literature reviewed showed the importance of carrying out a regular performance assessment in TransNamib. The company should ensure that they put in place proper performance assessment model and incubate professionals who able to carry out the review on a timely basis.

- Timely and accurate disclosure

Disclosure of company performance in the form of timely financial reports is in line with the fundamental rights of shareholders. Literature reviewed talked about the concept of fiduciary duty where the board and the Chief Executive Officers are entrusted to oversee the running of the company on behalf of the shareholders. Stewardship requires the board to timely provide accurate disclosure of company performance. In this context, TransNamib should ensure that the company puts in place proper mechanisms that enhance timely and accurate disclosure of vital company information to both shareholders and stakeholders.

- Effective performance management system

The performance management system plays a crucial role in building cohesiveness within a company and improves on performance and adding value to shareholders. It emerged from the respondents who participated in this survey (86.7%) that TransNamib must improve on its performance management system. The company must take heed of the respondents' opinion and establish a proper performance management system within TransNamib. Within this context of the corporate governance process, effective performance management system must be improved.

6.4 Recommendations

The major recommendation of this study is to:

- Urge TransNamib to revisit the whole corporate governance process of the company and work on the identified variables that are statistically significant to this research. The variables include, improving the structure, balance, diversity and size of the board of directors of TransNamib.
- A performance management system emerged as a major concern highlighted by 86.7% of the respondents that the company needs to quickly focus on in order to improve the process.
- Timely disclosure of company information, particularly the financial reports need to be improved if the company is to create value for its shareholders. Poor disclosure of timely company information breeds corruption and defeats accountability.

6.5 Directions for Future Research

This research study recommends that further studies should be undertaken to determine other variables not covered in the scope of this study, but of relevance and contribution to the achievement of the objectives outlined.

A further research with a change of methodology and widening of scope to cover a larger population would be recommended for example, the current study focused on a State-Owned-Enterprise in the transport sector, as such the broadening of the research to cater for SOE based in other sectors can enhance the understanding of Corporate Governance and performance of SOE in a more broader scale..

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APPENDICES

APPENDIX 1: TIME FRAME

Thesis Stage	Submission Deadline	Deliverables
Research Proposal	**30 June 2013**	Final Thesis proposal
Thesis		
Stage 1 - Introduction & Literature review	**31 July 2013**	Header pages, Chapters 1 & 2 and References
Stage 2 - Design & Methodology	**31 August 2013**	All previous Chapters 1 & 2 + Chapter 3.
Stage 3 - Results	**31 October 2013**	All previous Chapters 1, 2 & 3 + Chapter 4.
Stage 4 - Discussions & Conclusions	**30 November 2013**	All previous Chapters 1 2, 3 & 4 + Chapters 5 & 6.

APPENDIX 2: PERMISSION LETTER TO CONDUCT A RESEARCH

Ishmael Mubwandarikwa

P. O. Box 24418

Windhoek

Namibia

….. August 2013

The Chief Executive Officer

TransNamib Holdings Limited

Windhoek

Dear sir/madam

RE: Request for permission to conduct a research

My name is Ishmael Mubwandarikwa, a student studying the Degree of Master of Leadership and Change Management at Polytechnic of Namibia.

I am carrying out a research to explore the relationship between corporate governance and corporate performance. This is in partial fulfillment for the award of the Degree of Master of Leadership and Change Management.

I therefore ask permission to conduct a research in your organisation in order for me to get information related to my studies where applicable? Your assistance in this regard is greatly appreciated.

Yours faithfully

Ishmael Mubwandarikwa

(Researcher)

TransNamib Holdings Ltd.
"Transporting Namibia's success"

MEMORANDUM

TO	:	ALL HEADS OF DEPARTMENT ALL MANAGERS
FROM	:	GM: HR AND ADMINISTRATION
DATE	:	15 OCTOBER 2013

RE: MR. MUBWANDARIKWA'S MINI THESIS FOR A MASTER OF LEADERSHIP AND CHANGE MANAGEMENT

Mr. Ishmael Mubwandarikwa is pursuing a Masters Degree study at the Harold Pupkewitz Graduate School, Polytechnic of Namibia. His research topic centres around corporate governance and corporate performance of a state-owned enterprise and he has selected TransNamib Holding Ltd as his Case study.

Mr. Mubwandarikwa has approached the Office of the CEO to be enabled to conduct his survey in the Company, as partial fulfilment of the requirements for his Master's study.

The student has promised to use the information gathered through the survey solely for study purposes, at the same time he has undertaken to come up with recommendations which would be to the benefit of TransNamib.

It is against this background that you are kindly requested to find time to complete the accompanying questionnaire and forward same back to Training before or on Wednesday, 23 October 2013. This would allow the student sufficient time to submit his mini thesis on time.

Thank you,

Mr. Webster Gonzo
GM: HR & Administration

APPENDIX 3: QUESTIONNAIRE

POLYTECHNIC OF NAMIBIA

School of Business

QUESTIONNAIRE ON EXPLORATION OF CORPORATE GOVERNANCE AND CORPORATE PERFORMANCE OF A STATE-OWNED-ENTERPRISE (SOE): A CASE STUDY OF TRANSNAMIB IN NAMIBIA

Introduction

My name is Ishmael Mubwandarikwa. I am a Master student at Harold Pupkewitz Graduate School at the Polytechnic of Namibia. I am pursuing a Master of Leadership and Change Management degree.

To the Respondent

Thank you in advance for taking your time to join this survey. This survey is being conducted as a partial fulfillment of the requirements for my Master dissertation with a view of understanding the impact of corporate governance on company performance in State-Owned-Enterprises (SOEs) in Namibia, with special focus on TransNamib. The survey is asking questions on corporate governance practices and company performance in TransNamib. The results will be used only for research purposes and be presented only in aggregate without being revealed by outside companies. The result of this survey will be disseminated to TransNamib. This questionnaire consists of two sections only. Your accurate and frank response is important to the success of this survey.

Questionnaire Number……………………..

SECTION A: PERSONAL DETAILS

Instructions:

Please tick the appropriate response.

1. Gender Male Female

2. Age Category 20 – 29 years 30 – 39 years

   40 – 49 years 50 – 60 years

   61 years+

3. Marital Status Single Married

   Widowed Separated

   Divorced

4. Academic Qualifications

   Grades 8 - 10 Grades 11-12

   First Degree Master's Degree +

5. Job Category General Worker Skilled Worker Supervisor

Manager

Other

Specify

6. Period of employment Less than 1 year 2 – 3 Years 4 – 5 Years 6 -10 Years

11 Years+

SECTION B: GENERAL INFORMATION

Instructions: ***Please express your view by a tick (√) or crossing the appropriate parenthesis below where necessary. Fill in your response on the space provided where applicable.***

7. TransNamib has a perfect leadership that acts in the best interest of the organisation

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

8. The Board of Directors brings value to the decision-making process

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

9. TransNamib achieves and implements its corporate values for survival and thriving

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

10. Procedures and practices are in place to protect the corporation's assets and reputation

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

11. The corporation complies with all the relevant laws, regulations and best practice codes

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

12. There is effective communication between TransNamib and its Shareholders

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

13. There is a balance of power and authority on the Board of Directors

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

14. Effective internal systems of control are in place

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

15. Effective tools of assessment for measuring performance as a whole are available

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

16. Regular performance assessment and effectiveness of Individual Directors, CEO and

Managers are in place

☐ ☐ ☐

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

17. Overall performance of the organisation is excellent

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

18. Corporate's assurance of timely and accurate disclosure of performance financial position,

Ownership and governance is in place

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

19. Procedures are followed in the preparation of financial reports to the shareholders

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

20. The Board has an audit and risk committee

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

21. There is adequate documentation of internal controls

☐ ☐ ☐

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

22. The corporation is able to resolve issues raised in the internal audit

Strongly Disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

23 **General Recommendations**

Please feel free to add any other relevant information to this survey.

………

………

………

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……………………………

Thank you very much for taking part in this survey

APPENDIX 4: INTERVIEW GUIDE

POLYTECHNIC OF NAMIBIA

School of Business

An exploration of corporate governance and corporate performance of a state-owned-enterprise (SOE): A Case study of TransNamib in Namibia

CORPORATE GOVERNANCE INTERVIEW GUIDE, SENIOR LEVEL

Interview Guide

Number……………

Introduction

My name is Ishmael Mubwandarikwa. I am doing a Master of Leadership and Change Management at Harold Pupkewitz Graduate School at the Polytechnic of Namibia.

To the Respondent

Thank you in advance for taking your time to join this survey. The survey is being conducted as a partial fulfillment of the requirements for my Master thesis with a view of understanding corporate governance processes and performance in TransNamib. The survey is asking questions about the corporate governance practices in TransNamib, regardless of the laws and regulations. Whatever you say will remain confidential.

TransNamib		
Department		
Designation		
Civil Status	Male ☐	Female ☐
SBU		
Clock	Start Time	Finish Time
Level of Cooperation	High……; Low……..	Medium…………
Date:		

SECTION A: INTRODUCTORY INFORMATION

1. To begin with, we would like to know a little bit about you. Would you please kindly tell me your length of service in the current department
2. Could you tell me your reporting structure
3. How many staff members directly report to you?
4. Were you required to meet certain requirements for this position?
5. Whom do you report to?

SECTION B: UNDERSTANDING CORPORATE GOVERNANCE PROCESSES

1. Now I would like to know more about the issues of corporate governance processes in your department. Can you please tell me more about, for example, decision making processes, interferences if any, and so forth?
2. Can you please tell me your opinion on the structure, size and composition of the TransNamib Board of Directors? Do you think it possesses the right mix of capabilities, experiences, and skills to serve TransNamib and its shareholders effectively?
3. Do you believe that independent directors of TransNamib are truly independent from the Chairperson of the board or controlling shareholders?

4. Do you think that TransNamib Board of Directors is active and makes much contribution to the running of the company and is actively involved in formulating long-term strategies?

5. Whom do you think has the strongest voice in the selection and dismissal of independent directors and removing a poorly performing CEO and selecting a new CEO?

6. How good do you think is the access to information for independent directors?

7. In your opinion, whom do you think sets the Board agenda for board meetings?

8. Does the Board spend an appropriate amount of time discussing and determining the long-term future/strategy of the company?

9. Do you think the Board clearly communicates the strategic goals and directions of the company to the CEO and management?

10. Do you think the Board provides tactical guidance to the CEO and management by reviewing their implementation plans?

11. Do you think the Board members spend sufficient time learning about the company`s business and understand it well enough to provide critical oversight?

12. Do you think the Board continuously examine management`s success/progress in achieving the company`s strategic goals using the agreed performance measurements?

13. Does the Board monitor the company`s performance with industry comparative data?

14. If you have any other comments or information concerning corporate governance processes in TransNamib, please feel free to share with me at this moment.

Thank you very much for sharing with me information on TransNamib. Thank you.

APPENDIX 5: ONE WAY ANOVA STATISTICAL ANALYSIS

ANOVA

		Sum of Squares	df	Mean Square	F	P-value
Gender	Between Groups	**.186**	**2**	**.093**	**.314**	**.736**
	Within Groups	**3.548**	**12**	**.296**		
	Total	**3.733**	**14**			
Age category	Between Groups	**4.552**	**2**	**2.276**	**1.815**	**.205**
	Within Groups	**15.048**	**12**	**1.254**		
	Total	**19.600**	**14**			
Marital status	Between Groups	**5.310**	**2**	**2.655**	**2.169**	**.157**
	Within Groups	**14.690**	**12**	**1.224**		
	Total	**20.000**	**14**			
Academic qualifications	Between Groups	**.286**	**2**	**.143**	**.563**	**.584**
	Within Groups	**3.048**	**12**	**.254**		

	Total	**3.333**	**14**			
Job category	Between Groups	**1.519**	**2**	**.760**	**.641**	**.544**
	Within Groups	**14.214**	**12**	**1.185**		
	Total	**15.733**	**14**			
Period of employment	Between Groups	**2.686**	**2**	**1.343**	**.374**	**.696**
	Within Groups	**43.048**	**12**	**3.587**		
	Total	**45.733**	**14**			
Board of directors brings value	Between Groups	**13.671**	**2**	**6.836**	**4.752**	**.030**
	Within Groups	**17.262**	**12**	**1.438**		
	Total	**30.933**	**14**			
Achievement and implementation of corporate values	Between Groups	**8.286**	**2**	**4.143**	**2.362**	**.136**
	Within Groups	**21.048**	**12**	**1.754**		
	Total	**29.333**	**14**			
Procedures and practices in	Between Groups	**10.743**	**2**	**5.371**	**4.542**	**.034**

place	Within Groups	**14.190**	**12**	**1.183**		
	Total	**24.933**	**14**			
Corporation complies with relevant laws	Between Groups	**2.910**	**2**	**1.455**	**.934**	**.420**
	Within Groups	**18.690**	**12**	**1.558**		
	Total	**21.600**	**14**			
Effective communication	Between Groups	**9.886**	**2**	**4.943**	**2.368**	**.136**
	Within Groups	**25.048**	**12**	**2.087**		
	Total	**34.933**	**14**			
Balance of power and authority	Between Groups	**3.805**	**2**	**1.902**	**.954**	**.413**
	Within Groups	**23.929**	**12**	**1.994**		
	Total	**27.733**	**14**			
Effective internal system of control	Between Groups	**.719**	**2**	**.360**	**.153**	**.860**
	Within Groups	**28.214**	**12**	**2.351**		
	Total	**28.933**	**14**			

Effective tools of performance management	Between Groups	**6.043**	**2**	**3.021**	**3.742**	**.055**
	Within Groups	**9.690**	**12**	**.808**		
	Total	**15.733**	**14**			
Regular performance assessment	Between Groups	**13.410**	**2**	**6.705**	**3.985**	**.047**
	Within Groups	**20.190**	**12**	**1.683**		
	Total	**33.600**	**14**			
Excellent organization performance	Between Groups	**3.519**	**2**	**1.760**	**1.302**	**.308**
	Within Groups	**16.214**	**12**	**1.351**		
	Total	**19.733**	**14**			
Assurance of timely accurate disclosure	Between Groups	**11.005**	**2**	**5.502**	**4.145**	**.043**
	Within Groups	**15.929**	**12**	**1.327**		
	Total	**26.933**	**14**			
Financial reports procedures	Between Groups	**2.671**	**2**	**1.336**	**.419**	**.667**
	Within Groups	**38.262**	**12**	**3.188**		

	Total	**40.933**	**14**			
Audit and risk committee	Between Groups	**2.138**	**2**	**1.069**	**.899**	**.433**
	Within Groups	**14.262**	**12**	**1.188**		
	Total	**16.400**	**14**			
Adequate documentation of internal controls	Between Groups	**11.143**	**2**	**5.571**	**3.311**	**.072**
	Within Groups	**20.190**	**12**	**1.683**		
	Total	**31.333**	**14**			
Resolve internal audit issues	Between Groups	**8.500**	**2**	**4.250**	**2.448**	**.128**
	Within Groups	**20.833**	**12**	**1.736**		
	Total	**29.333**	**14**			
Corporate governance and performance of SOE	Between Groups	**.076**	**2**	**.038**	**.031**	**.970**
	Within Groups	**14.857**	**12**	**1.238**		
	Total	**14.933**	**14**			

APPENDIX 6: FREQUENCY TABLE

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	**7**	**46.7**	**46.7**	**46.7**
	Female	**8**	**53.3**	**53.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Age category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29 years	**4**	**26.7**	**26.7**	**26.7**
	30-39 years	**2**	**13.3**	**13.3**	**40.0**
	40-49 years	**5**	**33.3**	**33.3**	**73.3**
	50-60 years	**4**	**26.7**	**26.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	**6**	**40.0**	**40.0**	**40.0**
	Married	**6**	**40.0**	**40.0**	**80.0**
	Widowed	**1**	**6.7**	**6.7**	**86.7**
	Separated	**1**	**6.7**	**6.7**	**93.3**
	Divorced	**1**	**6.7**	**6.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Academic qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First Degree	10	66.7	66.7	66.7
	Master Degree+	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Job category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	General worker	1	6.7	6.7	6.7
	Skilled worker	5	33.3	33.3	40.0
	Supervisor	5	33.3	33.3	73.3
	Manager	3	20.0	20.0	93.3
	Other	1	6.7	6.7	100.0
	Total	15	100.0	100.0	

Period of employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	6	40.0	40.0	40.0
	2-3 Years	1	6.7	6.7	46.7
	4-5 Years	2	13.3	13.3	60.0
	6-10 Years	1	6.7	6.7	66.7
	11 Years+	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Perfect leadership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	6	40.0	40.0	40.0
	Neutral	7	46.7	46.7	86.7
	Strongly Disagree	2	13.3	13.3	100.0

	Total	**15**	**100.0**	**100.0**	

Board of directors brings value

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**9**	**60.0**	**60.0**	**60.0**
	Strongly Agree	**1**	**6.7**	**6.7**	**66.7**
	Neutral	**1**	**6.7**	**6.7**	**73.3**
	Disagree	**3**	**20.0**	**20.0**	**93.3**
	Strongly Disagree	**1**	**6.7**	**6.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Achievement and implementation of corporate values

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**2**	**13.3**	**13.3**	**13.3**
	Neutral	**6**	**40.0**	**40.0**	**53.3**
	Strongly Disagree	**7**	**46.7**	**46.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Procedures and practices in place

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**9**	**60.0**	**60.0**	**60.0**
	Strongly Agree	**2**	**13.3**	**13.3**	**73.3**
	Disagree	**4**	**26.7**	**26.7**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Corporation complies with relevant laws

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**6**	**40.0**	**40.0**	**40.0**
	Neutral	**6**	**40.0**	**40.0**	**80.0**
	Disagree	**3**	**20.0**	**20.0**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Effective communication

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**8**	**53.3**	**53.3**	**53.3**
	Strongly Agree	**1**	**6.7**	**6.7**	**60.0**
	Neutral	**2**	**13.3**	**13.3**	**73.3**
	Disagree	**2**	**13.3**	**13.3**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Balance of power and authority

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	**5**	**33.3**	**33.3**	**33.3**
	Strongly Agree	**2**	**13.3**	**13.3**	**46.7**
	Neutral	**5**	**33.3**	**33.3**	**80.0**
	Disagree	**1**	**6.7**	**6.7**	**86.7**
	Strongly Disagree	**2**	**13.3**	**13.3**	**100.0**
	Total	**15**	**100.0**	**100.0**	

Effective internal system of control

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	3	20.0	20.0	20.0
	Strongly Agree	1	6.7	6.7	26.7
	Neutral	3	20.0	20.0	46.7
	Disagree	5	33.3	33.3	80.0
	Strongly Disagree	3	20.0	20.0	100.0
	Total	15	100.0	100.0	

Effective tools of performance management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	1	6.7	6.7	6.7
	Neutral	3	20.0	20.0	26.7
	Disagree	7	46.7	46.7	73.3
	Strongly Disagree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Regular performance assessment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	3	20.0	20.0	20.0
	Strongly Agree	1	6.7	6.7	26.7
	Neutral	3	20.0	20.0	46.7
	Disagree	3	20.0	20.0	66.7
	Strongly Disagree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Excellent organization performance

		Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Agree	2	13.3	13.3	13.3
	Neutral	4	26.7	26.7	40.0
	Disagree	7	46.7	46.7	86.7
	Strongly Disagree	2	13.3	13.3	100.0
	Total	15	100.0	100.0	

Assurance of timely accurate disclosure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	4	26.7	26.7	26.7
	Neutral	6	40.0	40.0	66.7
	Disagree	3	20.0	20.0	86.7
	Strongly Disagree	2	13.3	13.3	100.0
	Total	15	100.0	100.0	

Financial reports procedures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	5	33.3	33.3	33.3
	Strongly Agree	2	13.3	13.3	46.7
	Neutral	1	6.7	6.7	53.3
	Disagree	3	20.0	20.0	73.3
	Strongly Disagree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Audit and risk committee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	1	6.7	6.7	6.7
	Neutral	4	26.7	26.7	33.3
	Disagree	1	6.7	6.7	40.0
	Strongly Disagree	9	60.0	60.0	100.0

		Frequency	Percent	Valid Percent	Cumulative Percent
	Total	15	100.0	100.0	

Adequate documentation of internal controls

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	5	33.3	33.3	33.3
	Strongly Agree	2	13.3	13.3	46.7
	Neutral	3	20.0	20.0	66.7
	Disagree	3	20.0	20.0	86.7
	Strongly Disagree	2	13.3	13.3	100.0
	Total	15	100.0	100.0	

Resolve internal audit issues

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	5	33.3	33.3	33.3
	Strongly Agree	1	6.7	6.7	40.0
	Neutral	5	33.3	33.3	73.3
	Disagree	2	13.3	13.3	86.7
	Strongly Disagree	2	13.3	13.3	100.0
	Total	15	100.0	100.0	

Corporate governance and performance of SOE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	53.3	53.3	53.3
	Neutral	7	46.7	46.7	100.0
	Total	15	100.0	100.0	