Gordon Institute of Business Science
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The role of state-owned entity boards in exercising ongoing strategic oversight of a strategy implementation

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

01 November 2022

ABSTRACT

State-owned entities (SOEs) in South Africa have received unprecedented attention in recent years due to their persistent poor operational and financial performance, as well as their systematic and chronic corporate governance challenges. The function of SOE boards' strategic oversight has become more crucial in the wake of corporate scandals that have resulted in the collapse of large corporations and significant losses for shareholders. Thus, strategic oversight is delegated to an independent board to steer an organisation and limit managers' opportunistic behaviour as a corporate governance mechanism. A lack of board strategic oversight results in inadequate decision-making, impacting the entity's performance, especially during times of uncertainty. However, there is uncertainty and a lack of clarity on how boards effectively participate in an entity’s strategic oversight process**.** The aim of the study was to determine how SOE boards discharge their fiduciary responsibilities to effectively exercise ongoing strategic oversight of strategy implementation.

Qualitative research methods were used to explore the role of board strategic oversight of the strategy implementation. Twelve semi-structured interviews were conducted with participants who had experience in board strategic oversight. The participants were past and present SOE board members (i.e., non-executive directors, executive directors (Chief Executive Officers), and executives (Company Secretariat)). The participants represented five state-owned entities sectors namely the Financial, Insurance, Broadcast, Aviation, and Energy. The data collected during the interviews were analysed using thematic analysis.

The findings from the study demonstrate that there are internal and external factors enabling the board to effectively conduct strategic oversight over the strategy implementation, such as board strategy setting and performance, adequate governance committee, effective leadership, composition, corporate culture, decision-making information, stakeholder, and economic outlook. Furthermore, the study demonstrated inconsistencies in the board nomination process were identified, and in terms of skills and attributes the board needs to have functional and personal competencies for effective oversight. Moreover, lack of board oversight understanding, lack of capacity, and lack of decision-making information are barriers noted for directors, while lack of leadership and relational dynamics and noted for the board. Delay in obtaining Minister approval on strategic initiatives, incompetent executives to implement the strategy, and political interferences. More importantly, the study demonstrated that there are factors that enable effective board strategic oversight However, there are systematic issues such as inherent barriers and negative culture in SOE barriers that limit SOE boards from effectively discharging strategic oversight over the strategy implementation.

Keywords

State- Owned Entities, board strategic oversight, strategy implementation and corporate governance.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Thamaries Tisane Date

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CHAPTER 1: DEFINITION OF PROBLEM AND PURPOSE

1.1 Introduction

This chapter introduces the concept of strategic oversight as a fundamental governance function conducted by boards of directors of state-owned entities. A brief background on the subject is followed by a description of the research problem, which includes primarily theoretical considerations. Finally, this study's business and theoretical implications are demonstrated and justified.

1.2 Background of the problem

State-owned entities (SOEs) in South Africa have received unprecedented attention in recent years due to their persistent poor operational and financial performance, as well as their systematic and chronic corporate governance, challenges (Public Protector South Africa, 2014). Despite these insurmountable challenges, the government continues to support and control these entities (partially or wholly) (Jaffar & Abdul-Shukor, 2016; OECD, 2015; PricewaterhouseCoopers. & IoDSA, n.d.). The reason for this support emanates from the fact that SOEs play an essential role in supporting the economic growth of the country by providing infrastructure, utilities, transportation (air and rail), energy, broadcasting, telecommunications and financing (banking and insurance) (Apriliyanti & Randøy, 2019; Dragomir et al., 2021), and a sizable portion of the economy (Apriliyanti & Randøy, 2019). Therefore, these SOEs need to function efficiently and be well-governed. Ineffective governance negatively impacts the economy, and ultimately, the people of South Africa.

In 2014, the South African Public Protector's office, in her report titled “When Governance and Ethics Fail” asserted that the performance results of the South African Broadcasting Corporation (SABC) – a broadcasting SOE – were indicative of pathological corporate governance flaws, as the “SABC Board failed to provide strategic oversight to the national broadcaster as prescribed in the SABC Board Charter and the then King III report" (Public Protector South Africa, 2014, p.20).

However, these corporate governance failures are not unique to the SABC. A substantial portion of the SOE sector has been engulfed by chronic underperformance, low returns on government investments, and an ongoing need for shareholders' support, whether in the form of explicit guarantees or implicit subsidies (Jaffar & Abdul-Shukor, 2016; OECD, 2015).

Another two major schedule 2 SOEs, South African Airways (SAA) and Eskom, have recently been under investigation due to allegations of state capture, corruption, financial instability, and maladministration (Tsusi, 2019). These inadequacies are the consequences of substantial corporate governance failures, i.e., a lack of board oversight, inadequate board skill and leadership competencies, inadequate managerial accountability, excessive political interference and unclear strategic objectives (Dragomir et al., 2021; OECD, 2015a; Thompson et al., 2019). These corporate failures have attracted the attention of a commission of enquiry, regulators, the media, and credit-rating agencies. As a result, SOEs are being strongly pressured to improve their performance and corporate governance frameworks to ensure they fulfil their mandates.

Inevitably, such scandals attract media attention and scrutiny, prompting questions such as "Where was the board?" and accusations that directors were "sleeping" on the job. These public concerns are directly related to the widely held belief that corporate governance scandals result from a board's failure to provide adequate strategic oversight and monitoring of management performance during strategy implementation (Asahak et al., 2018; Boivie et al., 2016). Dragomir et al. (2021) asserted that the poor performance of SOEs is due to a lack of independence by directors due to political interference. At the same time, Kaunda and Pelser (2022) inferred that the SOE boards have failed to adequately conduct oversight due to the lack of quality information necessary to discharge their strategic oversight responsibilities. All these challenges put pressure on the boards to make controversial decisions during strategy implementation (Dragomir et al., 2021).

Undoubtedly the function of SOE boards has become more crucial in the wake of corporate scandals that have resulted in the collapse of large corporations and significant losses for shareholders. In 2020, President Cyril Ramaphosa deemed it necessary to address the challenges facing SOEs by appointing Presidential State-Owned Entity Council (PSEC) members to assist the government in repositioning state-owned enterprises as a significant mechanism for economic development and transformation. The Council has a number of responsibilities, one of which is to oversee SOE-specific interventions (i.e., strengthening their governance, addressing their immediate liquidity issues, and implementing an agreed turnaround strategy) in order to stabilise the entities (The Presidency, 2020). The Council continues to work on establishing a state-owned holding company to oversee SOE strategies and coordinate shareholder oversight.

Despite the government’s progress on all these interventions, it is imperative to determine which factors result in effective board strategic oversight over SOE strategy implementation.

1.3 Description of the problem

The function of boards has been under severe scrutiny due to a series of high-profile corporate scandals that highlighted apparent corruption, political interferences and incompetence on the part of boards concerning the strategic oversight of the strategy implementation, Therefore, there is a need to eliminate SOE corporate governance failures (Arora & Sharma, 2016; Asahak et al., 2018; Boivie et al., 2016; Sheehan & Powers, 2018; Watson & Ireland, 2021). Strategic oversight is delegated to a board to steer an organisation and limit managers' opportunistic behaviour as a corporate governance mechanism (De Masi et al., 2020; Nalukenge et al., 2018). A lack of board strategic oversight results in inadequate decision-making, impacting the entity's performance, especially during times of uncertainty (Beshlawy & Ardroumli, 2021). It is for this reason that shareholders trust independent boards to represent them. The board, in turn, assists in reducing agency concerns while establishing robust strategic oversight and effective governance, which should assist with resolving any agency issues (Fama, 1980; Jensen & Meckling, 1976; Sheehan & Powers, 2018). However, there is uncertainty and a lack of clarity on how boards effectively participate in an entity's strategic oversight process (Judge & Talaulicar, 2017).

Considering the above, the researcher sought to understand the boards' strategic oversight phenomenon to explore factors influencing effective board strategic oversight over the strategy implementation in the SOE sector.

1.4 Research objectives

A board is expected to act with "fidelity, honesty, integrity and in the best interest of the SOE in managing the financial affairs of the entity" (Public Finance Management Act, 1999, p.47). This study's overall objective was to determine how SOE boards discharge their fiduciary responsibilities to effectively exercise ongoing strategic oversight of strategy implementation. The sub-objectives were to determine the following:

1. The factors that enable effective board oversight over SOE strategy implementation.
2. The relevant competencies that will allow boards to effectively discharge oversight of the strategic implementation of SOEs.
3. The barriers that affect SOE boards when it comes to effectively discharging strategic oversight over strategy implementation.

To achieve the set objectives, the main research questions can be summarised as follows:

How do SOE boards exercise ongoing strategic oversight over the strategy implementation? According to board members, what are the enabling factors and barriers to effective strategic oversight?

1.5 Business and theoretical need for the study

1.5.1 The business need for the study

SOEs are under enormous pressure to improve their performance and service quality. These entities' corporate governance environments have been crippled by high-profile corruption scandals, massive irregular spending, fruitless and wasteful expenditure, COVID-19, unstable liquidity, completely inadequate governance structures, and an inability to reconcile the commercial, developmental and shareholder objectives imposed on them (PricewaterhouseCoopers & IoDSA, n.d.; Public Protector South Africa, 2014). The South African government's policies have placed greater emphasis on SOEs as a mechanism to support economic growth; however, the administration of the most prominent state-owned businesses has been a failure owing to a lack of accountability, excessive political intervention, and unclear objectives (OECD, 2015). Following the 2008 global financial crisis, the government examined SOEs' corporate governance, budgetary effects and financial soundness (Frederick, 2011; Judge & Talaulicar, 2017; Sheehan & Powers, 2016; Thompson et al., 2019). El Beshlawy & Ardroumli (2021) emphasises the importance of strong governance for organisations and indicates that the board of directors (BOD) responsibility to provide corporate governance and strategic oversight during times of uncertainty and turmoil cannot be underestimated.

Moreover, for SOE boards to perform and fulfil their fiduciary duties, the enabling corporate governance framework and prescribed legislation (King IV, 2016; Public Finance Management Act No. 1, 1999; Companies Act 71, 2008) stipulate that boards must be actively engaged in strategy formulation and oversight. The boards of directors play a crucial role in the strategic oversight and success of the organisations, including determining corporate strategies and overseeing managerial performance. This function is equally significant in state-owned and private companies. The board is ultimately responsible for SOE performance, primarily through its fiduciary duty; it is obligated to operate in the best interests of both the state as a shareholder, and the executive management in its role as an independent intermediary (OECD, 2018; Sheehan & Powers, 2018). SOEs thus require a robust corporate governance system (i.e., clear roles and responsibilities and adequate leadership skills), enabling the board to exercise ongoing oversight to ensure effective strategy implementation.

The research problem, therefore, focuses on exploring how the SOE boards exercise ongoing strategic oversight to ensure that the approved strategy deliverables are implemented successfully.

1.5.2 The theoretical need for the study

The norm is for boards to participate in determining an organisation's strategic direction. This was supported by the King IV report on corporate governance, which was released in 2016. King IV's full application was in place in the financial year 2018, since then several working papers and guiding documents have been issued by professional bodies (e.g., OECD, PWC, Deloitte, and the IoDSA) on SOE corporate governance and board involvement in strategy oversight, monitoring of implementation and execution by management. While these professional bodies and consulting businesses have published several advisory papers, most, if not all, lack theoretical rigour.

A recent study suggests that boards of directors should play a more active role in the strategic oversight of the strategy implementation (Boivie et al., 2021; Watson & Ireland, 2021); however an understanding of the processes and techniques that boards use to exercise strategic oversight is limited. Very few empirical studies have investigated the intricate board/management interactions that correspond to boards "exercising" strategy oversight in the "black box" of the boardroom (Boivie et al., 2016; Sheehan & Powers, 2018; Watson & Ireland, 2021).

Although scholars on corporate governance have focused substantial emphasis on the function of boards of directors when it comes to overseeing management and setting strategic priorities, researchers have focused less attention on how boards influence the strategic oversight of organisations in response to evolving environments (Zhu et al., 2016). Governance studies rely heavily on explicit academic theories, such as agency theory (Jensen & Meckling, 1976), yet while these explicit theories are significant as they guide research and promote shared knowledge of this setting, they may not fully capture the realities of corporate directors and their implicit views towards their functions. For instance, the widely accepted agency theory assumes that top executives require oversight and that boards can provide this, yet recent scholarship suggests that boards have neither the competence nor the desire to effectively oversee this (Boivie et al., 2016; Hambrick et al., 2015). Furthermore, there has been little research on the interaction between political interference and business in boardroom decision-making (Apriliyanti & Randy, 2019).

To this end, the researcher aimed to determine the factors and technical abilities that SOE boards employ to exercise continuous strategic oversight over key strategic deliverables.

1.6 Scope of the research

The scope of the research was limited to schedule 2 SOE boards in South Africa as identified in the Public Finance Management Act. The research participants were from five SOEs in the following sectors: financial, insurance, broadcast, aviation, and energy. Twelve semi-structured interviews were conducted with past and present SOE board members (i.e., non-executive directors, executive directors (Chief Executive Officers), and executives (Company Secretariat)) to establish the views and opinions of participants regarding how the board exercises ongoing strategic oversight over strategy implementation in SOEs. The research focuses on the public sector, i.e., SOEs only, to enable comparability of the results. This assisted the researcher to identify and understand any similarities between the views and opinions of the participants.

Although private sector boards are also expected to conduct ongoing strategic oversight over strategic implementation as per King IV, this research was motivated by the fact that SOEs play an important role in the economy of South Africa (Apriliyanti & Randøy, 2019). Moreover, in recent years, these entities have been engulfed by corporate scandals that have thrust boards to the centre of discussions about corporate governance and sparked calls for SOE boards to play a more active strategic oversight role. Furthermore, few epistemological studies have been conducted on the governance of state-owned entities in emerging markets, whose poor performance has been criticised by Thompson et al. (2019). Therefore, this study will be of benefit to academics in the field of corporate governance, boards, and shareholders of SOEs, especially those based in South Africa.

1.7 Structure of the research

The structure of this research has been organised as follows:

- Chapter Two explores the existing theory and literature on effective board strategic oversight over strategy implementation, which is the basis upon which the objectives of this research were built.
- Chapter Three sets out the research questions formulated from existing literature.

- Chapter Four is dedicated to describing the research methodology used.
- Chapter Five presents and analyses the results of the semi-structured interviews, which were used to collect the primary data.
- Chapter Six discusses the results and analysis presented in Chapter Five in relation to the research questions presented in Chapter Three and the theory and literature review explored in Chapters One and Two.
- Chapter Seven presents the main findings of the research, as well as implications for business stakeholders, the limitations of the study, and suggestions for future research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The objective of the study was to determine how SOE boards discharge their fiduciary responsibilities to effectively exercise ongoing strategic oversight of strategy implementation.

This chapter explores the existing theory and literature available on effective board strategic oversight over the implementation of the strategy in the SOE context, which informed the need for this research. This is followed by a description of the research questions.

2.2 Enabling regulations and frameworks for SOE board strategic oversight

The incorporation of state-owned entities is subjected to the same corporate laws and regulations as other South African companies. In addition, each of these entities is governed by several relevant legislative requirements that define the corporate governance framework and responsibilities of those structures within the SOEs, including, but not limited to, the Constitution as primary law; the Public Finance Management Act (PFMA) (Public Finance Management Act No. 1, 1999) as financial management regulation; the Companies Act (Companies Act 71, 2008); and any additional supporting legislation enacting the specific SOE (Du Toit, 2005; Visser et al., 2018). The protocol on corporate governance in the public sector is consistent with King IV's corporate governance report (Du Toit, 2005). All of these enabling frameworks and regulations are explicit about the oversight role of a board of directors, stating that the Board has absolute responsibility accountable for the performance of the SOE (Du Toit, 2005; King IV, 2016; Public Finance Management Act No. 1, 1999; Companies Act 71, 2008). Below is a brief outline of some of the key elements of corporate governance that charge boards with the effective exercise of strategic oversight over the SOEs' activities, i.e., the fiduciary duties of boards, board accountability, the delegation of power by the board to executive management, and board appointments, composition, and competencies.

2.2.1 The Public Finance Management Act (PFMA)

The objective of the PFMA is to "secure transparency, accountability, and sound management of the revenue, expenditure, assets and liabilities of the institutions of which the Act applies" (Public Finance Management Act, 1999, p.12). Therefore, the Act's primary focus is on the financial regulation and governance duties of SOE boards. From the board governance perspective, the PFMA requires directors to "exercise the duty of utmost care to ensure reasonable protection of the assets and records of the SOE” (Public Finance Management Act, 1999, p.46). To this end, directors are expected to act with “fidelity, honesty, integrity and in the best interest of the SOE in managing the financial affairs of the entity” (Public Finance Management Act, 1999, p.47) and must, on request, disclose to the executive authority (Minister) responsible, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority. Accordingly, the board must, within the sphere of influence, seek to prevent any prejudice against the SOE's financial interests (Public Finance Management Act, 1999).

A "shareholder's compact" which is an agreement outlining the SOE's primary performance areas (public interest mandate), governs the relationship between the shareholder’s representative and the SOE (National Treasury, 2001). This provision is outlined in section 52 of the PFMA and Treasury Regulation section 29.1, which state that an SOE board must develop a three-year corporate plan, which must include strategic objectives and outcomes identified and agreed on by the executive authority in the shareholder’s compact, as well as key performance measures and indicators for assessing the entity’s performance in delivering the desired outcomes and objectives (National Treasury, 2001; Public Finance Management Act, 1999). For this reason, the shareholder appoints a board of directors to ensure the development of entities' strategies, policies and procedures, as well as to oversee the management of the implementation of strategic plans (Fama, 1980; Jensen & Meckling, 1976; Public Finance Management Act, 1999; Ponomareva, 2019).

Yet despite concluding an annual shareholder's compact, many SOEs continue to underperform as their governance deteriorates, which is cause for concern. The effectiveness of shareholder’s compact as a governance mechanism is thus unclear.

2.2.2 Companies Act

The Companies Act requires a company's activities and affairs to be controlled or directed by its board of directors. Except where the Companies Act or the Memorandum of Incorporation specify otherwise, the board has the authority to conduct any of the company's functions (Companies Act 71, 2008). Accordingly, section 76 of the Act prescribes that directors' fiduciary duties encompass acting in good faith, in the company's best interests, and with care, skill and diligence. Furthermore, directors are required to manage the company's business affairs by exercising control and accountability, setting strategy and performance objectives, overseeing management's performance and strategy implementation, and ensuring that appropriate resources are in place (Companies Act 71, 2008).

Both the PFMA and the Companies Act have regulatory provisions that are congruent and coherent with each other in relation to the role of the board's inter alia fiduciary duties, stewardship, strategy performance and overseeing the results.

2.2.3 Corporate Governance

In addition to these two pieces of legislation, SOEs have adopted the King Code on Corporate Governance, a framework that aims to foster the best corporate practices and governance principles. Corporate governance in SOEs refers to the state's ownership function, the government's supervisory position, the board of directors' oversight obligation, and the agency implications of contracts between the government and its agents (Dragomir et al., 2021). Notably, the King IV report’s principle 6 recommends that the board of directors be the custodian of corporate governance in SOEs, and states that the effectiveness of the board as a group is paramount (Boshoff et al., 2019; IoDSA, 2016). Without deviating from any legal obligation imposed on the board of directors, this study focused on the board's oversight in terms of ensuring that the executive management implements the SOE's strategy and overseeing the executive management's activities (Beshlawy & Ardroumli, 2021).

2.3 Agency Theory

The origins of agency theory (Culpan & Trussel, 2005; De Masi et al., 2020; Dragomir et al., 2021; Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976; Thompson et al., 2019) can be traced back to the field of organisational economics, which focuses on the relationship between the principal (shareholder) and the agent (manager). Due to the nature of the economic relationship, the agent owes the principal certain obligations that must be satisfied (Culpan & Trussel, 2005). “The underlying mechanism with which this relationship is articulated is in terms of a contract between the principal and the agent; thus, the firm is seen as a nexus of contracts between principals and agents” (Jensen & Meckling, 1976; Shankman, 1999).

The primary objective of agency theory is concerned with resolving two problems that can occur in agency relationships: “The first is the agency problem that arises when (a) the desires or goals of the principal and agents’ conflict and (b) it is difficult or expensive for the principal to verify what the agent is doing. The second problem is risk-sharing that arises when the principal and agent have different attitudes towards risk” (Eisenhardt, 1989, p.58). This theory can thus be used to analyse the inherent difficulties and paradoxes of SOE boards regarding the conflict between principals and agents. Agency theorists emphasise the role of the board of directors as a control mechanism that monitors managerial behaviour, defining "Board monitoring as controlling action exercise, on behalf of the principal, through the direct and indirect observation of the agent behaviour" (Fama, 1980; Jensen & Meckling, 1976; Ponomareva, 2019, p.199).

The agency theory applies to this study (Culpan & Trussel, 2005; Eisenhardt, 1989; Fama, 1980; Thompson et al., 2019) because the principal-agent relationship connects where the agent (manager) works and makes decisions on behalf of the principal (shareholder), with each party pursuing self-interested activities. When there are disagreements between the administration and the governing body (government) on the one hand, and between politicians and the ultimate owners of the SOE (citizens) on the other, this results in an agency problem (Thompson et al., 2019). The principal can restrict divergences from their interests by setting appropriate incentives for the agent and incurring monitoring costs to limit the agent's aberrant behaviour (Jensen & Meckling, 1976).

2.4 Role of board oversight over strategy implementation

The role of the board has evolved over time, in part due to the corporate scandals that have led to the demise of entities and loss of shareholder value (Boivie et al., 2016; El Beshlawy & Ardroumli, 2021; Zhu et al., 2016). Following the 2008 global corporate crisis, governments and society at large became aware that boards of directors may have ignored their obligations by failing to get sufficiently involved in the strategic oversight of strategy implementation or key strategic objectives of entities (Judge & Talaulicar, 2017). For many years, boards were mainly perceived as cliques of the CEO's closest associates, who merely rubber-stamped management recommendations (Boivie et al., 2021; Judge & Talaulicar, 2017). Recent corporate scandals have focused attention on the board, however, which are now at the forefront of discussions about corporate governance, prompting a demand for boards to play a more active oversight role (Asahak et al., 2018; Boivie et al., 2016; El Beshlawy & Ardroumli, 2021; Judge & Talaulicar, 2017; Watson & Ireland, 2021).

While the number of roles that a board fulfils varies, one of its essential roles is oversight (Judge & Talaulicar, 2017). This can be defined as "controlling action exercised, on behalf of the principal, through the direct and indirect observation of the agent's behaviour" (Ponomareva, 2019, p.199). This definition drives the notion that boards are intended to curb managers' opportunistic behaviour as a corporate governance measure. This is as per the classical principal-agent framework (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976), which highlights that managers can make decisions that are driven by personal interest, resulting in eroding shareholder value (De Masi et al., 2020; Ponomareva, 2019). A lack of robust strategic oversight may lead to inadequate decision-making, impacting the entity's performance, especially during times of environmental uncertainty (Beshlawy & Ardroumli, 2021). A sound oversight system in an organisation could thus aid in the resolution of agency difficulties (Fama, 1980; Jensen & Meckling, 1976). For this reason, shareholders need to appoint skilled and competent directors who can successfully oversee the organisation's strategy implementation, governance, internal control and risk management (Fuzi et al., 2016).

According to the definition above, the primary leadership role of any board should encompass the ongoing strategic oversight of the implementation of strategy and operational plans by management against agreed performance measures and targets (IoDSA, 2016; McLeod, 2019; Sheehan & Powers, 2018). This means that the board is legally responsible for determining the entity's strategic direction and ensuring its long-term performance. Significantly, a board shapes an entity’s performance outcomes. As the highest legal authority for SOEs, the prominent role of board members affords them the capacity to exert substantial influence and oversight (El Beshlawy & Ardroumli, 2021).

Boards exercise strategic oversight in three ways: oversight, hindsight, and foresight. Oversight requires monitoring management's operations (an approved plan) and maintaining regulatory compliance, whereas hindsight entails guaranteeing correct financial information reporting. Foresight involves risk management, talent development, and ensuring that the entity’s strategy is viable over the long term. Foresight has the most significant impact on a firm’s performance of the three responsibilities but is the most challenging task for boards to master (Sheehan & Powers, 2018). An analysis of these key functions demonstrates how critical the role of board oversight is, as shareholders trust independent directors to represent their interests in making decisions. However, many boards delegate part or all of the responsibility for developing and implementing the entities’ strategy to the management (Fuzi et al., 2016; Hambrick et al., 2015; Judge & Talaulicar, 2017; Sheehan & Powers, 2018; Thompson et al., 2019), as the majority of directors serve as part-time overseers and advisors of strategy development and implementation. For a board to effectively formulate and oversee a strategy, a comprehensive understanding of the entity and its environment is required (Judge & Talaulicar, 2017).

Accordingly, strategic oversight over strategy implementation can be challenging for many boards, yet it is one of their most critical roles (Deloitte, 2012; Judge & Talaulicar, 2017). As a result, role clarity between management and board oversight presents many challenges for modern entities (Judge & Talaulicar, 2017), hence the interest in the board oversight phenomenon (Boivie et al., 2016; De Masi et al., 2020; McLeod, 2019; Sheehan & Powers, 2018). The interest stems from scholars "challenging the idea that directors are well positioned to be effective overseers of management" (Boivie et al., 2016, p.1), with Judge and Talaulicar (2017, p.8) questioning how "directors who only serve as part-time overseers and advisors [can] successfully contribute to, appraise, and question the firm's strategic orientation's development and execution?" Scholars have recently indicated that boards lack the expertise and desire to appropriately oversee the management (Boivie et al., 2016; Hambrick et al., 2015); therefore it was important for this study to determine how an SOE board exercises ongoing oversight over the strategy implementation.

2.5 Factors enabling effective board oversight over strategy implementation

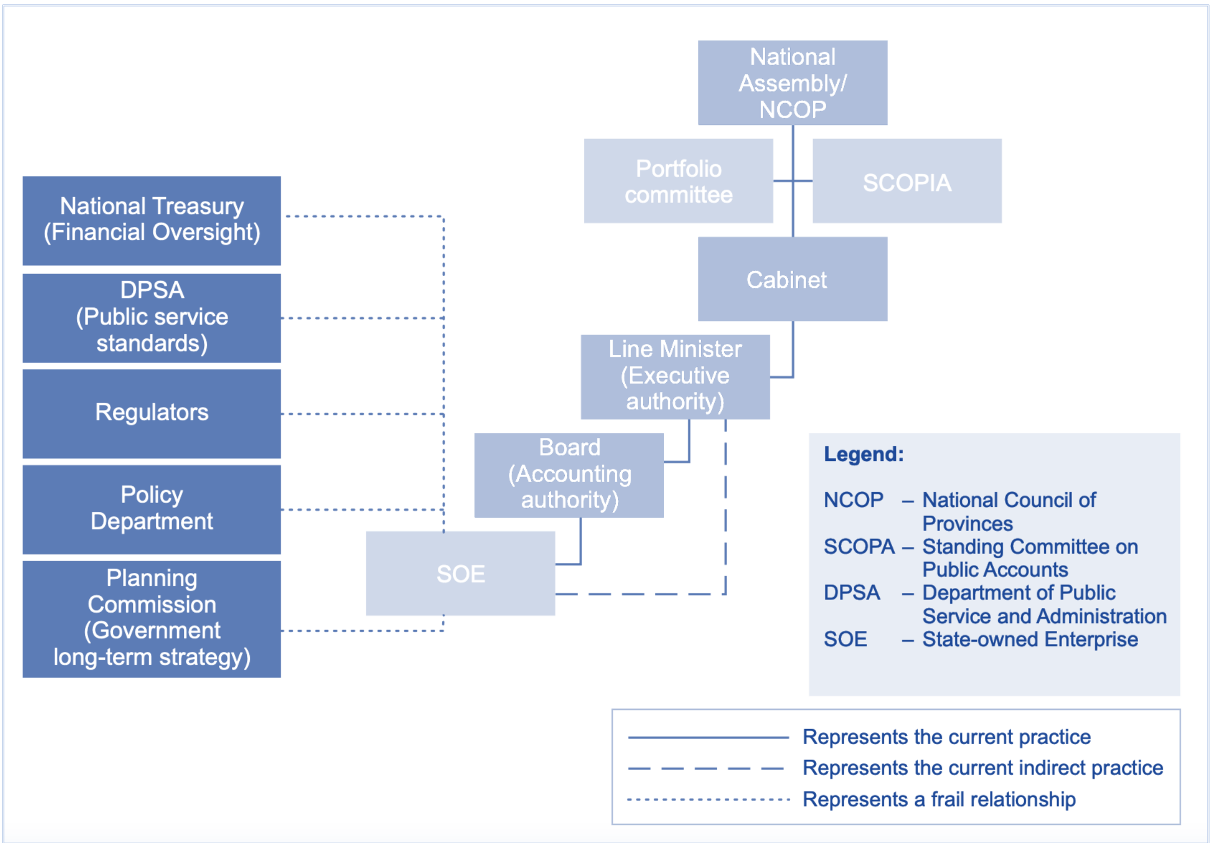
The ineffective and inefficient functioning of boards has been attributed to a substantial number of corporate failures and ineffective business reforms (Asahak et al., 2018). Moreover, as the pace and scale of SOEs continue to increase, the board of directors' duty of care and oversight has become more complex and essential. Consequently, boards of directors are under increasing pressure to demonstrate an effective oversight responsibility over SOEs' strategic performance, while simultaneously creating sustainable value through strong governance principles (IoDSA, 2021; Zhu et al., 2016).

The effective functioning of a board's strategic oversight is an essential component underlying good organisational performance. Because boards are in charge of overseeing the systems and processes that manage, control and govern an entity's strategy, leadership decisions, regulatory compliance and overall performance, effective boards have been linked to the strength of the entity's strategy implementation and overall performance (Asahak et al., 2018). Although traditionally, board strategic oversight effectiveness has been frequently measured in terms of financial indicators such as return on investment or return on assets, effective boards also effectively oversee and criticise management's strategy implementation, compliance and operational decisions (Asahak et al., 2018; Boshoff et al., 2019). Therefore, effective oversight responsibility calls for a deeper comprehension of qualitative factors, such as board structure, processes, board culture, and leadership competencies (Boshoff et al., 2019). Notably, "effective strategic board oversight is defined by what the board does (roles), how the board operates (structure and processes), who is on the board (composition), and the direction the organisation takes as a result of advice from the board (strategy and planning)" (Asahak et al., 2018, p.2). The literature examined suggested several qualitative factors as follows:

2.5.1 Board strategic oversight governance structure

Corporate governance structures seek to establish more effective corporate governance practices, enabling effective board oversight and entity performance (Boivie et al., 2021). According to Asahak et al. (2018), “an effective board must have the proper board structure, [be] enabled by the right board composition, and participate in the correct board processes"(p.2).

The governance structure of a typical SOE is represented below. Levels of legal obligation and accountability can be seen to frequently overlap, compromising the good governance (PwC & IoDSA, n.d.).



Source: Adapted from Du Toit (2005)

Figure 1: SOE oversight governance structure

2.5.1.1 National Assembly/NCOP

Parliament (the National Assembly and the National Council of Provinces and its portfolio committees, public accounts committees and joint committees) has constitutional authority over the strategic performance of SOEs, while the Standing Committee on Public Accounts (SCOPA) examines SOEs' yearly financial statements. Portfolio committees examine non-financial information in SOE annual reports, namely SOE service delivery performance. The challenge for members of parliament is to strengthen the competence of parliamentary committees to hold SOEs accountable for their performance, utilising strategic implementation plans, budget documents, and annual reports as the foundation for comparison to their mandates set by parliament (PwC & IoDSA, n.d.)

2.5.1.2 Cabinet and policy department

Cabinet has the ultimate authority to direct policy. It is comprised of several ministries, which decide on the most adequate and desirable policies to satisfy the country's mission and mandate. Ministers issue policy directives through their departments and ensure that the requisite structures, processes, and activities are in place within SOEs to implement policies. Through their distinct financial, public service and regulatory mandates, the National Treasury, Department of Public Service and Administration (DPSA) and different regulators assist in the monitoring of policy execution (PwC & IoDSA, n.d.).

2.5.1.3 The Line Minister

As the SOE's representative shareholder, the designated SOE Line Minister as the executive authority is charged with safeguarding an SOE's financial viability. The Line Minister is in charge of ensuring that service delivery criteria are met in an effective and efficient manner. The executive authority is defined in the PFMA as the cabinet member who is accountable to parliament for the SOE (PwC & IoDSA, n.d.)

2.5.1.4 The board as the accounting authority

The board of an SOE is accountable for oversight of the SOE's strategy implementation and overall entity performance, i.e., it is responsible for ensuring that the SOE accomplishes the strategic objectives agreed upon with the Line Minister. The board is also accountable to all SOE stakeholders, i.e., customers, lenders, employees, and the broader public. In accordance with the Companies Act and the PFMA, the board of an SOE carries significant fiduciary obligations (Public Finance Management Act, 1999; Companies Act 71, 2008a; PwC & IoDSA, n.d.)

Moreover, respective ministries, boards and the Auditor General are required by law to oversee the strategy implementation of SOEs, yet multiple pieces of legislation make it unclear where their strategic oversight thresholds begin and end.

2.5.2 Board strategic oversight over strategy implementation

Boards play a crucial role in the success of an organisation, including the determination of corporate strategies and overseeing managerial performance (Boivie et al., 2021). Sheehan and Powers (2018) explained that "strategy is a set of interrelated choices that management makes to serve the entity's target customers profitably" (p.680), while "strategy evaluation processes consist of three steps: evaluate, oversee and review" (Vivek & Nanthagopan, 2020, p.72). To protect SOEs' interests, shareholders devolve "decision management" to senior executives and rely on directors to exercise "decision control" over senior executives. Hence, boards oversee executives in order to protect shareholders against the moral hazard risk that develops when an agent's objectives do not entirely align with those of the principal (Boivie et al., 2016; Fama, 1980; Jensen & Meckling, 1976). Boards are ultimately responsible for SOE performance, especially through their fiduciary duty. They are obligated to operate in the best interests of both the state as a shareholder, and the executive management in their role as an agent (OECD, 2018; Thompson et al., 2019). Therefore, the processes and procedures in which directors participate may have a significant influence on how boards influence strategy formulation, and consequently, how they conduct strategic oversight of their entities (Zhu et al., 2016).

Boards are designed to uphold an entity's specific principles, culture and identity while adhering to conventions such as laws and best practices for maximum legitimacy and acceptance (Steckler & Clark, 2019). The board strategy implementation oversight thus has a substantial impact on business performance, and board meetings are essential for the accomplishment of board duties. When a board of directors meets frequently, they are more likely to address pertinent topics and oversee management more effectively, thereby carrying out their responsibilities with greater coordination and consideration for shareholders' best interests (Arora & Sharma, 2016). Board meetings are thus a significant resource for enhancing the efficacy of the board, and consequently, for facilitating improved decision-making. However, there are costs associated with board meetings, including management time, travel expenses, and director fees (Arora & Sharma, 2016). Although some boards meet infrequently and reduce themselves to formalised evaluations (i.e., rubber stamping) of top management proposals, other directors actively participate in discussions, use their professional abilities to carry out board operations and make themselves available for specialised strategy implementation (Zhu et al., 2016).

Against this backdrop, a study conducted by Sheehan and Powers (2018) highlighted that the majority of directors assert that they do not comprehend their entity’s strategy, and even if they do, they do not believe they have the intended impact on the strategy (Sheehan & Powers, 2018). This assertion implies that a significant proportion of corporate board members fail to uphold their duty of care in terms of strategy formulation and evaluation process (Sheehan & Powers, 2018; Watson & Ireland, 2021; Zhu et al., 2016). There are several reasons why boards are not actively involved in the strategy process, which are discussed in detail in Section 2.7 of this report.

2.5.3 Corporate culture

Since the 2008 global financial crisis, there have been numerous high-profile corporate governance scandals (Asahak et al., 2018; El Beshlawy & Ardroumli, 2021; Judge & Talaulicar, 2017; Van Wyk & Badenhorst-Weiss, 2017); corruption was considered one of the leading challenges in SOEs scandals, and this was associated with a lack of ethical culture as a primary causes (Di Miceli da Silveira, 2022). According to Di Miceli da Silveira (2022) “ethical culture is a “slice” of the larger organisational culture that affects the way employees think and act in ethics-related situations” (p.1086). Importantly King IV recommends that the board as the governing body “should govern the ethics of the organisation in a way that supports the establishment of an ethical culture” (IoDSA, 2016 p.44), which implies that effective board governance includes establishing and overseeing an organisation's values and culture, as well as ensuring that entities' decisions and activities are performed ethically, fairly and in accordance with regulatory standards (Asahak et al., 2018; Steckler & Clark, 2019; Watson & Ireland, 2021). Hence, ethical culture and tone at the top are deemed to be important drivers of ethical behaviour, however, overseeing culture can be difficult for boards that are not involved in the day-to-day operations of an entity. Therefore, both the board and management play an equal role in setting the “ tone from the top” for an organisation (Medcraft, 2016, p. 158).

The ethical culture encourages ethical behaviour in different ways; it enables employees to act ethically and professionally, fosters favourable workplace behaviour, is an essential component of ethical decision-making, and is directly related to higher performance, workforce performance, and job satisfaction (Van Wyk & Badenhorst-Weiss, 2017). A strong ethical culture promotes and prioritises acting in the best interest of the organisation; this is represented by ethical leadership and high levels of values, which are visible in employee behaviour as well as organisational values and norms (Di Miceli da Silveira, 2022). As a result, a culture of ethics prevents ethical failures that could jeopardise the reputation and possibly the survival of an organisation. A strong ethical culture encourages doing the "right thing," which should be evident in management and staff behaviour, as well as policy, processes, and decisions of the organisation (Van Wyk & Badenhorst-Weiss, 2017).

Furthermore, culture can have an impact on how an entity’s strategy is implemented, either positively or negatively. It can have a negative impact on the performance of any entity. A bureaucratic culture is one in which conflict prevails over SOE. Thus, it is possible to distinguish two types of organisational cultures: positive and hostile or negative. A positive culture is about accountability, responsibility, fairness, and transparency which are characteristics of ethical behaviour. While a hostile culture is perpetuated by organizational politics, corruption, malfeasance, and hostility (Lekgothoane et al., 2020). Therefore, corporate culture influences the ethics of the organisation; the more ethical the organisational culture, the easier it is for boards and management to behave ethically. In addition, if ethics are given a high priority inside an entity, they facilitate the development of a positive organisational culture. When an organisation has strong ethical standards, they contribute to the enhancement of the integrity of stakeholders. As a result, a strong reputation is built with greater duties when integrity is demonstrated. Furthermore, the greater a boards duties, the greater the integrity of an organisational setting, resulting in improved strategic performance. Integrity also contributes to an entity's transparency because it ensures that the organisation is in order (George & Sahay, 2018). As stakeholders have an interest in how boards conduct oversight over strategy implementation, it is important for boards to demonstrate increased transparency in order to demonstrate greater integrity.

2.6 Board composition

Principle 7 of King IV requires that the “board is comprised of the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively” (IoDSA, 2016 p. 50). A well-constituted board of directors is diverse, well-balanced, and independent, and is formed of directors who possess the required skills, experience, and time to commit to their professional obligations(Department of Public Enterprises, 2021; IoDSA, 2016). Therefore, a board's composition is thus critical and influences the quality of its strategic oversight (El Beshlawy & Ardroumli, 2021).

2.6.1 Nomination and Selection

The shareholder is responsible for appointing independent directors to represent them and to assist with the reduction of agency challenges (Du Toit, 2005; Fuzi et al., 2016). In terms of the South African legal framework for board appointments, requirements are dispersed among multiple documents and there is no standardised framework in place, resulting in confusion and conflict during the appointment process. In many instances, the founding statute of an SOE grants the executive authority the authority to nominate and remove board members. The Protocol on Corporate Governance for the Public Sector, meanwhile, specifies that the board shall appoint one of its members, ideally an independent non-executive director, as the chair, which may be in conflict with the enabling legislation (IoDSA, 2018; Visser et al., 2018).

The literature on effective board oversight highlights that deficiencies in the appointment process and inadequate consideration of leadership competencies are two of the most significant challenges of the director recruitment process for SOEs (IoDSA, 2019; Kaunda & Pelser, 2022). In the private sector, the board or the nominations committee would normally conduct due diligence on potential non-executive directors and recommend their appointment to the shareholders. In contrast, the designated Minister has the most influence over director appointments in the SOE, particularly when it comes to non-executive directors (Du Toit, 2005; Kaunda & Pelser, 2022). The primary objective of these appointments is to fulfil personal and political goals, which are not aligned with the SOE mandate and might result in board independence being questioned (Kuzman et al., 2018). Hence, the need for SOE and its executive authority should be transparent about the procedure for nominating, electing and appointing board members.

Furthermore, Zondo (2022) asserts in the final volume of the report of the judicial commission of inquiry into state capture that inconsistencies in the board nomination process were identified, and the commission recommended the establishment of a Standing Appointment and Oversight Committee to strengthen the process of nominating and appointing directors of SOEs. The commission asserts that the nomination of the boards of SOEs must be justified based on their abilities, expertise, experience, and knowledge and that the government, through the responsible minister, has failed to nominate adequate directors to the boards of SOEs. This is an issue that the IoDSA (2022) has repeatedly raised, and it is addressed in principle 7 of King IV, which states that the governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence to carry out its governance role and responsibilities objectively and effectively.

2.6.2 Skills and attributes

Good governance calls for a board to fulfil its fiduciary duties and obligations honestly and effectively, i.e., a board should have a proper balance of expertise, skills, experience, diversity and independence (Dragomir et al., 2021; World Bank Group, 2022). Furthermore, board members who have a thorough knowledge of how the industry functions and the entity's competitive environment will be in the best position to provide strategic oversight of the entity's strategy implementation (Barroso-Castro et al., 2017). In turn, the level of competence exhibited by individual directors influences the effectiveness of the board as a whole, as a result of the specific skills and competencies they exhibit (Boshoff et al., 2019).

In SOE board members are appointed Minister (Thompson et al., 2019), this is to establish political ties with the appointees in order to ensure that political objectives which are not in accordance with the SOE value creation objective are being pursued. This results in cronyism which means "giving preference to politicians' friends and colleagues, especially in the appointment of these persons in leadership positions in SOEs" (Dragomir et al., 2021 p.15). Furthermore, this cronyism might lack the necessary expertise, skills and competence to carry out board strategic oversight (Kuzman et al., 2018). Professional skills and competencies should be the primary prerequisite for appointing directors, and SOE directors should be given legitimate independence (Dragomir et al., 2021). Hence Boshoff et al. (2019) put forward that board strategic oversight effectiveness is influenced by the level of competency displayed by individual directors. Therefore, failure by a Minister to conduct thorough due diligence and consult with the board to identify the required skills and experience before appointing any non-executive appointments can result in unbalanced skills and competencies, which could result in ineffective strategic direction and oversight by SOE boards.

2.6.3 Board independence

The board of directors is a collective governing body that should operate independently and in the shareholders' best interests (De Masi et al., 2020; Fuzi et al., 2016). According to the factor view of agency theory, which dominates research and current SOE legislative reforms, independent directors are considered to be effective overseers of management because they are not linked to the day-to-day operations of the entity (Boivie et al., 2021; Fama, 1980; George & Sahay, 2018). For this reason, the independence of board members and the separation of the positions of CEO and chairperson of the board of directors have a positive impact on firm performance (Al-Adeem & Al-Sogair, 2019). King IV (2016) and SOE-prescribed regulations thus recommend a balanced and impartial board composition.

According to Oyerogba et al. (2017), non-executive directors are a good corporate governance mechanism, their composition forms a balance with the executive directors to ensure that the board as a group or individual directors do not overly influence the board and sub-board committee's decisions. In addition, their independence assists them to act honestly and make independent strategic oversight decisions in situations where a potential conflict of interest exists. Thompson et al. (2019) and Ponomareva (2019) argued that boards that emphasise strategic oversight could promote the independence of directors; however, more independent boards may have limited access to the required company information to provide strategic oversight and review management actions. Other researchers thus challenge the notion that independent boards lead to automated effective board oversight (Boivie et al., 2021).

The non-executive directors on the board will be unable to properly discharge their responsibilities unless they are independent of management and provide impartial business judgement (Fuzi et al., 2016). It is for this reason numerous research demonstrated that board independence improves the effectiveness of board strategic oversight, organisational strategy implementation and overall performance of the organisation (McLeod, 2019). Therefore, it is important that boards maintain their independence and are adequately composed of directors who possess the necessary business acumen and competencies, as opposed to those who only have political affiliations (Thompson et al., 2019). According to Dragomir et al. (2021) and Thompson et al. (2019), high-ranking politicians and officials are known for putting political pressure on SOE boards, and the shareholder develops political linkages by appointing directors and managers with similar political interests and a commitment to supporting the government's or the party's objectives. As a result, state ownership reduces the board's oversight functions if it interferes with the government's network of political connections (Dragomir et al., 2021).

2.6.4 Rotation plan

In accordance with section 68(1) of the Companies Act, directors are elected for an indefinite term, or the term specified in the company's Articles of Incorporation ("MOI") (Companies Act 71 of, 2008). However, King IV principle 12 recommends that the governing body should establish arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity (IoDSA, 2016). Thus, it is essential that the memorandum of incorporation clearly states the director's term of office and whether or not a director is eligible for reappointment at the conclusion of his/her tenure (IoDSA, n.d.)

Since the SOE boards are nominated and appointed by the designated minister, their tenure is influenced by the term of office of the political party in power, which results in the tenure and rotation of boards dependent on the changes in political parties in government (Thompson et al., 2019). As a result, political interference over board tenure and rotation may result in operational inefficiencies and poor SOE performance. Because there is no adequate rotational plan for individual board members, there is a time lag before an efficient strategic oversight process can be restored. Furthermore, new board members require time to adjust before they can meaningfully contribute to the decision-making process. Therefore effective strategic oversight influences business strategy implementation; however, politically motivated board member tenure and lack of a rotational plan may have a negative impact on SOE performance (Kuzman et al., 2018). Therefore the executive authority and SOE should agree on a staggered rotation of board members in order to introduce fresh skills while ensuring continuity (Dragomir et al., 2021; IoDSA, 2016, 2018; Visser et al., 2018; World Bank Group, 2022), and enable effective strategic oversight over strategy implementation.

2.7 Barriers to effective board oversight

Board members are required to evaluate and oversee their organisation's strategy implementation carefully, yet there are barriers that impede them from conducting effective strategic oversight functions. These board barriers are described as “factors that constrain or limit the ability of the board to function as an effective information processing group or team. Barriers that affect the board's ability to obtain, process, and share information may arise at individual, firm, and group levels" (Boivie et al., 2016, p.6). These barriers arise due to board members' lack of real opportunities to engage in strategic planning (Sheehan & Powers, 2018). According to Boivie et al. (2016), there are numerous barriers for boards to overcome in order to oversee management successfully, thus Boivie et al. (2016) question the concept that boards are well-positioned to oversee and monitor strategic implementation plans effectively.

Boivie et al. (2016) argued that possible barriers constraining the boards can be categorised as individual variables (i.e., individual directors' professional obligations); group variables (i.e., board members' relational dynamics); and organisation variables (i.e., attributes of the boards' organisation). This could impede boards' information processing, which has been described as “a set of related processes that occur when information is taken in, transformed, and then used to produce an output of some kind” (Boivie et al., 2016, p.5). In light of this, there are unrealistic assumptions regarding board oversight and what directors are expected to perform in this capacity. Thus, the lack of consistent research evidence in research may be due to the fact that there are simply too many intrinsic barriers for directors to properly monitor managers on an ongoing basis, at least in the manner that we commonly envision the board oversight role to be (Boivie et al., 2016). There are many obstacles for the board to overcome to effectively conduct strategic oversight.

While all boards face these obstacles to some degree, the magnitude of these obstacles may vary considerably between companies. Boivie et al. (2016) asserted that boards' influence over the strategy implementation of enterprises differs. Specifically, this study demonstrates how a combination of individual, board and firm-level barriers impedes director conduct and limits the board's total impact on strategic outcomes.

Figure 2 depicts how barriers at several levels might impede the efficient obtaining, processing, and sharing of information, hence reducing the quality or effectiveness of ongoing oversight.

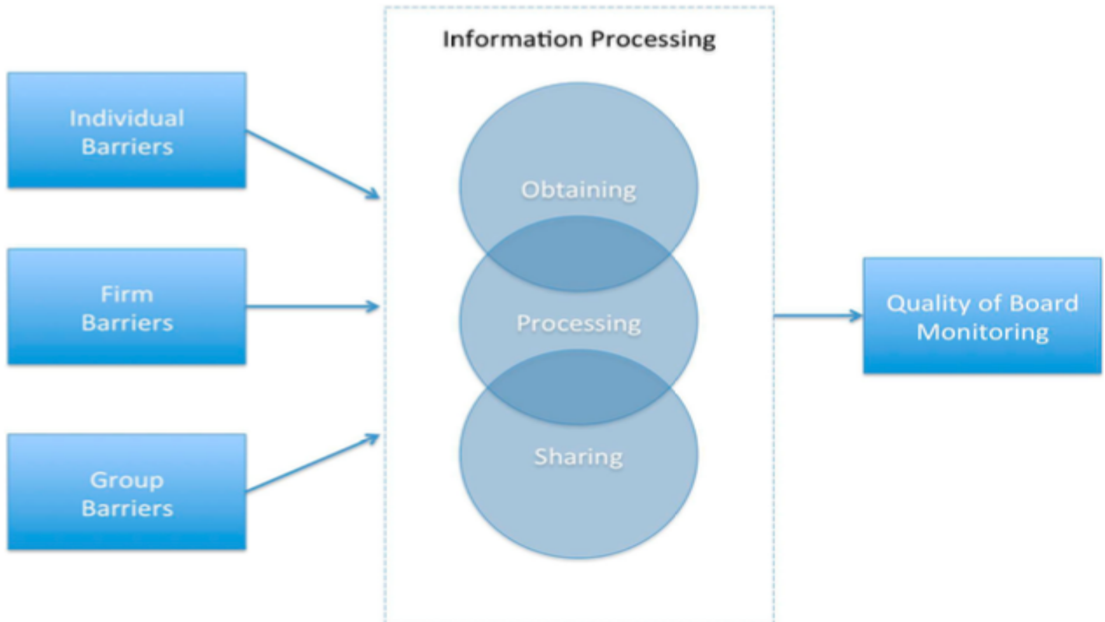


Figure 2: The effect of board barriers on board monitoring (Boivie et al., 2016)

The factors highlighted below are in line with the notion that boards are information-processing groups whose performance is influenced by the qualities of individual directors, their interactions with one another, and the attributes of the organisation they serve. While the researcher does not assume that these obstacles are complete, it is believed that they represent the most significant factors constraining boards' ability to offer effective oversight (Boivie et al., 2016).

2.7.1 Individual factors

Boards are required to conduct ongoing strategic oversight and make decisions concerning extremely complex matters impacting the entity's strategic plan. In order to make such decisions, directors must have a comprehensive understanding of both the company and its environment, yet a comprehensive understanding of complex matters is often beyond the individual and collective capacity of directors (Boivie et al., 2016). Therefore, due to the complexity of information that characterises strategic oversight processes, the board's information-processing skills become especially important under high degrees of managerial discretion (Boivie et al., 2016; Ponomareva, 2019). Individual directors' information-processing barriers present a significant obstacle to effective information processing by a board. Directors, like all humans, are limited in their ability to process enormous amounts of complex information. According to the information-processing perspective, board monitoring is “most effective when available information processing capacity equals or exceeds information processing demands” (Boivie et al., 2016, p.16).

Furthermore, when a director is involved with outside entities that are extremely diversified and participates in high levels of unrelated diversification, the director's information-processing demands increase, decreasing their ability to oversee adequately at the SOE. All else being equal, boards with directors whose outside employment responsibilities are complex will have a limited capacity to oversee effectively (Boivie et al., 2016). Crow and Lockhart (2016) argued that there are numerous information asymmetries, information complexities, macro-environmental factors, decision preferences, cognitive biases and director barriers, all of which appear to have an impact on a board conducting effective strategic oversight over strategy implementation. Barry (2018) argued that many shareholders and boards have difficulty discerning where to draw the line between a skilled and experienced director and one who may be unable to fulfil their responsibilities due to excessive commitments.

2.7.2 Group factor

Since boards make decisions as a group, they are subject to the inherent difficulties of collective decision-making. Indeed, certain characteristics of boards suggest that some of these difficulties will be amplified. Boards are high-profile strategic oversight groups mandated with processing complicated strategic issues. The board size, meeting frequency, and composition of boards, as well as the interpersonal and power dynamics among directors, are likely to influence the social cohesiveness and ensuing information-processing capacity of the board (Boivie et al., 2016).

2.7.3 Entity factors (SOE)

Board fails to conduct an effectively strategic oversight (Gilson & Gordon, 2019). This barrier emanates from the board of directors' lack of substantial opportunity to engage in the strategy process, or a lack of access to the business information (Sheehan & Powers, 2018). Moreover, most of the information received by boards is provided by management, which is primarily concerned with short-term performance, with minimal reference to long-term financial and non-financial indicators (Ponomareva, 2019). The Public Protector (2014) cited instances where the former executive directors of the SABC failed to provide the necessary support, information and guidance to assist the board in effectively executing its fiduciary responsibilities, which caused the board to make irregular and unlawful decisions. This reality is a fundamental root cause of the problem: how can directors who only serve as part-time overseers and advisors effectively contribute to, evaluate, and challenge the entity's strategic formulation and implementation (Judge & Talaulicar, 2017)? The ability of directors to discharge their duty of care concerning strategic oversight thus depends on them having the correct information (Sheehan & Powers, 2018). This barrier is due to the fact that conventional company strategy formulation, approval and oversight procedures are not conducive to board input (Sheehan & Powers, 2018).

2.8 Conclusion

The literature review provided insights into some of the corporate governance fundamentals regarding how a board exercises ongoing oversight over strategy implementation. This needs to be examined in the context of South African state-owned entities, however, to understand more fully what board techniques (roles) and factors (enablers and effects) are most effective it is important to understand what the imminent board barriers (i.e., individual, group and entity factors) are that impede boards from effectively overseeing strategy implementation.

CHAPTER 3: RESEARCH QUESTIONS

3.1 Introduction

The objective of the research was to determine how SOE boards discharge their fiduciary responsibilities when exercising ongoing strategic oversight of the organisation's strategy implementation. The research questions were derived from the theory and literature available, as described in Chapter 2. The following questions were answered through this study:

3.2 Research Question 1

RQ 1: What are factors that enable effective board oversight over strategy implementation?

Research Question 1 aimed to determine what factors enable effective board oversight over the strategy implementation of SOEs. The literature reviewed shows that some factors exist (Asahak et al., 2018; Boivie et al., 2021; Boshoff et al., 2019; Zhu et al., 2016), however, there is limited literature on this. There is thus a need to further explore which factors enable effective strategic oversight over the strategy implementation.

3.3 Research Question 2

RQ 2: Do boards possess the relevant skills that enable them to effectively discharge oversight of the strategy implementation of SOEs?

Research Question 2's objective was to determine whether SOE boards possess the relevant skills that enable them to discharge oversight of the strategy implementation. The literature reviewed revealed that for a board to fulfil its fiduciary duties and obligations honestly and effectively, it should have a proper balance of expertise, skills, experience, diversity and independence (Dragomir et al., 2021; El Beshlawy & Ardroumli, 2021; Fuzi et al., 2016; Kaunda & Pelser, 2022; Kuzman et al., 2018). Unfortunately, there is limited knowledge of how SOE boards are nominated, selected, and appointed, hence the need to explore and determine the board composition of SOEs.

3.4 Research Question 3

RQ 3: What are the imminent barriers affecting SOE boards from effectively discharging strategic oversight over strategy implementation? (Boivie et al., 2016)

Research Question 3 aimed to determine the barriers that limit SOE boards from effectively discharging strategic oversight over the strategy implementation (Boivie et al., 2016). Board members are required to evaluate and oversee their organisation's strategy implementation carefully, yet the literature shows that there are barriers that impede boards from conducting effective strategic oversight functions (Boivie et al., 2016; Sheehan & Powers, 2018). Unfortunately, there is limited knowledge of what these barriers are.

3.5 Conclusion

This chapter presented the research questions which served as the study's foundation. By seeking answers to these questions, the research aimed at gaining a deeper understanding of SOE board oversight structures and approaches. The methodology for the research study is presented in the next chapte

CHAPTER 4: PROPOSED RESEARCH METHODOLOGY AND DESIGN

4.1 Introduction

The objective of the research was to determine how SOE boards discharge their fiduciary responsibilities when exercising ongoing strategic oversight of the organisation's strategy implementation. The research questions were derived from the theory and literature available, and three research questions supporting the study are highlighted in Chapter 3.

This chapter presents the research design used in the study to answer the research questions posed in chapter 3. The qualitative research method was used to explore the concept of board strategic oversight in State-Owned Entities. Data was collected through semi-structured interviews with past and present SOE non-executive and executive board members, who have experience and understanding of how the board exercises strategic oversight over strategy implementation.

4.2 Research design

This research was exploratory and qualitative in nature; the researcher sought to delve into the topic of board strategic oversight to gain insight into the phenomenon in the context of state-owned entities. According to Saunders and Lewis (2018), exploratory research is undertaken to discover information. This notion is supported by Cassell and Symon (2011), who indicate that the primary goal of qualitative research is exploratory. Furthermore, they suggested that it is about discovering new ideas and views as one questions and assesses topics in a new light.

The researcher followed the interpretivism philosophy, as the researcher hoped to gain insight and knowledge of the role of the Board of Directors (both non-executive and executive) in the context of State-Owned Entities regarding how they conduct ongoing oversight on strategy implementation as stipulated by prescribed regulations and corporate governance standards. Interpretivism advocates the necessity of understanding the meaning that humans attach to their actions (Saunders & Lewis, 2018). The researcher chose this approach because "for business and management research, the interpretative method is very relevant, particularly in the field of organisational behaviour" (Saunders & Lewis, 2018, p.109).

An inductive approach was adopted for this study because the researcher was seeking to build a theory from the collected data during the research. As stated in the literature section, there is a lack of consistent empirical findings, which is due to the fact that there are too many inherent barriers for directors to effectively oversee management on an ongoing basis, at least in the way that oversight is conceptualised (Boivie et al., 2016). Hence, the reason why the researcher chose the inductive approach. An inductive approach was used in research with the intention of understanding the research context, with the objective of “developing some general conclusions or theories” (Saunders & Lewis, 2018, p.113). Cassell and Symon (2011) assert that qualitative research has become linked with various theoretical orientations; it is usually aimed towards the inductive study of socially constructed reality, focusing on meanings, ideas, and behaviours while considering respondents' viewpoints. Given the need for more consistent information in the literature on how the boards effectively conduct strategic oversight over strategy implementation, it is empirical that the study adopted an inductive approach to understand and develop approaches on how boards can effectively exercise ongoing oversight over the implementation of the strategy.

The methodology choice selected for this study was the single/mono-method qualitative method. Qualitative research is used where the research objectives are non-numerical data type in nature. The researcher collected data through semi-structured interviews and interpreted data as Saunders and Lewis (2018) suggested to develop meanings, concepts, and practices (Cassell & Symon, 2011) on how SOEs boards exercise ongoing oversight of the strategy implementation.

The phenomenology method was adopted for the purpose of the research strategy. According to Neubauer et al. (2019) and Starks and Trinidad (2007), "phenomenology is defined as an approach to research that seeks to describe the essence of a phenomenon by exploring it from the perspective of those who have experienced it” (p. 91). The phenomenological research method was preferred because the researcher collected information from participants who have encountered the phenomena and built a composite description of the substance of the event for all individuals – “what they experienced “and “ how they experienced it’ (Creswell et al., 2007). The phenomenological approach aligns with the research question the researcher intended to explore on “what board structures are most effective at governing the firm and monitoring its top managers?” (Boivie et al., 2016, p. 3).

A blended approach that strives to give a detailed assessment of the lived experience of a phenomenon through participants' personal experiences and personal perceptions of objects and events is described as an interpretive phenomenological analysis (IPA). In contrast to other methodologies, IPA involves the researcher actively involved in the process of interpretation (Neubauer et al., 2019). While Creswell (2007) asserts that phenomenology entails gathering opinions from a large number of people, phenomenologists, on the other hand, describe what all participants have in common when they meet an event rather than theorising from their perspectives and developing a theoretical model. Therefore, phenomenology was used because it is a powerful research strategy that is well suited to exploring the problems in strategic board oversight over strategy implementation in the context of SOEs.

Data for this study was collected using a cross-sectional research design, which aimed at collecting data from participants at a particular point in time, termed a snapshot (Saunders & Lewis, 2018), i.e., July to end-August. Given the short period of time in which the study was conducted, it was ideal that the study is classified as cross-sectional. In a cross-sectional study, data is often gathered from multiple participants or categories of people (Saunders & Lewis, 2018). Therefore, the study collected data from the following classes of participants, i.e., non-executive, executive directors (CEO) and executive (Company Secretariat) in the SOEs.

4.3 Population

The study population was limited to past and current non-executive directors, executive directors (CEO), and executives (company secretariat) of major public entities designated as schedule 2 type SOEs under the PFMA. These are SOEs whose mandate is: (1) accountable to a governing body that reports to the relevant Minister of the parent department; (2) the Minister exercises shareholder interest on behalf of the State; and (3) enabled by own legislation and a shareholder compact between the State and entity, as defined by the Public Finance Management Act .1 of (1999). The sample criteria considered these three elements. In addition, the population criteria considered board members with a minimum of three years of service who displayed expertise and experience in how the board exercises continuous strategic oversight over the implementation of the strategy. This population conformed to the King IV report's guiding principle on the oversight function, which is carried out by the governing body, which delegated authority to the accounting officer as established in section 1 of the PFMA.

4.4 Unit of analysis

The unit of analysis was the experience, views, opinions, and perceptions, whereas the unit of observation was the State-Owned Entity Boards (both executive and non-executive directors) who are experienced with the phenomenon of strategic oversight in the SOE. These were consistent with the research objectives outlined in chapter 1. The participants' experience, views, opinions, and perceptions were used to determine what factors are deemed important in enabling effective board strategic oversight in SOE, the leadership competencies required for effective oversight, and the barriers preventing SOE boards from effectively discharging their oversight responsibilities, especially over the strategy implementation of the entity.

4.5 Sampling method and size

The sampling method used for the study was heterogeneous purposive sampling. Palinkas et al. (2015) suggest that purposive sampling is a method that should be used in qualitative research to identify and select information-rich situations to maximise the use of limited resources. Furthermore, Harsh (2011) and Palinkas et al. (2015) both emphasise that making informed sampling decisions through purposive sampling is crucial in qualitative research to ensure quality is achieved. Hence, this method was used because it was critical for the researcher to collect diverse viewpoints, opinions, and perceptions from the SOE board members to answer the research questions. This method is suitable for the research because it seeks to achieve a depth of understanding and increase the credibility of the results (Palinkas et al., 2015).

The sampling criteria used in selecting participants were based on relevance, i.e., non-executive directors and executive directors who have knowledge about and experience (Palinkas et al., 2015) with a phenomenon of interest, which is board strategic oversight in SOE. The researcher used judgement to actively select those who will best be able to help answer the research question and achieve the study's goals (Saunders & Lewis, 2018). The sample was obtained from the researcher's network since the researcher works for an SOE. Snowball sampling was employed to identify further potential interview participants. Snowball sampling was selected due to the difficulty experienced in gaining access to participants. One of the verification strategies used to ensure the reliability of the data collection was to have an appropriate sample with participants who have knowledge of the phenomenon of interest (Daniel, 2019). Participants were required to have a minimum of three years of experience in board strategic oversight in the SOE context; hence the criteria were based on the sector, position, knowledge, and experience of the participants. This addressed the bias that the researcher potentially had in selecting the participant for the research. The information about the participants was verified using social media and relevant SOE-integrated reports.

Since the research strategy of the study was informed by the phenomenology method and its qualitative nature, the sample consisted of nine non-executive directors and three executive directors. Starks & Trinidad (2007) assert that the study's aims and objectives determined the sample size required and the number of interviews required per participant. The phenomenologist is concerned with shared aspects of the living experience. Although a larger sample size may provide a broader range from which to distil the essence of the phenomena, data from a few participants who have experienced the phenomenon and can provide a thorough account of their experience may be sufficient to identify its core elements; thus, phenomenological research typical sample size varies from one to ten participants. Furthermore, Guest et al. (2006) argue that the size of purposive samples should be decided inductively, and sampling should continue until "theoretical saturation" occurs. The sample size was adequate to reach saturation. Therefore, a sample size of 12 participants was adequate for the research.

The participants were selected from six state-owned entities with experience in board strategic oversight over strategy implementation, namely Public Utility, Agricultural Finance, Export Credit Agency, Financial Services, Transport, Broadcasting and Airport management entities. Not all SOE schedule 2 entities were equally represented in the sample, as the criteria for selecting the participants were sector, position, knowledge, and experience, which were more important to ensure the validity of the data collection (Daniel, 2019). A description of the sample is outlined in Chapter 5.

4.6 Measurement instrument

The semi-structured interviews were selected as the data collection method since the study aimed to explore a phenomenon of interest: board strategic oversight. According to Saunders and Lewis (2018), this is an effective strategy for "gaining insight into individuals' experience or lifeworld" (p. 158). Given the nature of the research questions, semi-structured interviews allow the interviewer to ask a set of themes using specific planned questions (Saunders & Lewis, 2018). Twelve interviews were conducted (nine were conducted using Zoom, while three were face-to-face) with non-executive directors and executive directors who demonstrated an understanding of board strategic oversight over strategy implementation in SOEs and increased the "construct validation" (Saunders & Lewis, 2018, p.149).

An email invitation was sent to all participants who met the set criteria, requesting their participation in the study (see Appendix 1). The invitation letter stated the research's objective and explained that participation was entirely voluntary. When they consented to take part in the study, a formal consent form was shared with participants (see Appendix 2), and a meeting request was made to set up a date and time for the interview in a mode (i.e., Zoom or face-to-face) convenient for the participants (Cassell & Symon, 2011).

Furthermore, the researcher developed an interview guide (see Table 1 below) with questions aligned with the research objectives and informed by the literature review (Appendix 3 for consistency matrix). Agee (2009) posits that although good research questions do not always result in good research, poorly conceived, or structured questions are more likely to cause issues that affect all subsequent phases of a study. Therefore it was important for the researcher to develop a few short, open-ended questions to facilitate the semi-structured interview, as suggested by Saunders and Lewis (2018). Roulston (2010) encourages this notion, suggesting that “the shorter the interviewer’s question and the longer the subject answers, the better the notion” (p. 202). In addition, the questions were clearly phrased, unbiased, and non-leading (Agee, 2009). Therefore, the interview guide was developed with this in mind to ensure that the quality and reliability of data collection are achieved.

Table 1: Interview Questionnaire

Research Question	Interview Question
Research Question 1 What are the factors that enable effective board oversight over the strategy implementation of SOEs?	1. What is your understanding of board strategic oversight roles?
	2. What are the factors influencing an effective board's strategic oversight?
	3. Does the organisational culture play a role in enabling the board to discharge oversight on strategy implementation effectively?
Research Question 2 What leadership competencies should the SOE board possess to discharge oversight on the strategy implementation of SOEs effectively?	4. Describe the process followed for your nomination, selection, and appointment as a board member in the SOE.
	5. What are the fundamental skills and experience required particularly for SOE boards to have in carrying out their oversight duties?
	6. What would you offer as an appropriate rotational plan for SOE boards to retain valuable skills, ensuring the continuity of board oversight, knowledge, and expertise, while introducing fresh ideas and expertise?
Research Question 3 What are the barriers affecting SOE boards in effectively overseeing their strategy implementation?	7. What factors constrain the SOE individual directors to gather, analyse, and disseminate information to oversee the execution of their strategies?
	8. What would you say are the relational dynamics among fellow directors on a board that could prevent the board from effectively overseeing the implementation of the strategy?
	9. What are characteristics of SOE boards (entity level) likely to impede or limit successful strategy implementation?

4.7 Data collection process

Prior to the data-gathering process phase, the researcher obtained an ethical clearance letter from the Gordon Institute of Business Science (GIBS) (see Appendix 4). There has been much discussion in the field of qualitative inquiry about how researchers can demonstrate 'quality' in study reports (Roulston, 2010). Thus, Saunders and Lewis (2018) suggest that a pilot test be conducted to determine the adequacy of the interview questions. Hence, the researcher conducted an in-depth pilot test interview with one participant who works for an SOE with the designated role of deputy company secretariat; the participant demonstrated knowledge and expertise in understanding the role of board strategic oversight. The pilot interview duration was 45 minutes, which gave the researcher an indication of how long the interviews with the participants were likely to take and testing of the recording. This process allowed the researcher to ascertain the adequacy of the interview questions. The researcher sought feedback from the participant on the clarity of the questions, and it was noted that some of the questions were very broad and unclear. Because the researcher lacked interviewing expertise, which Roulston (2010) believed could affect the quality of the obtained data, a pilot interview was conducted to gain such experience. Hence, the researcher needed to rework the interview questions and resubmit the ethical clearance for reapproval. This pilot test phase was important for the researcher to conduct to ensure that the validity of the instruments is achieved (Aung et al., 2021), as Agee (2009) posits that poorly conceived or structured questions are more likely to cause issues that affect all subsequent phases of a study.

The interview commenced with the 12 participants after the ethical clearance reapproval. As Saunders and Lewis (2018) recommended, the researcher thanked the participants for making time, and the purpose of the research was explained. Since the participants' information was known to the researcher, anonymity was impossible to be offered, but confidentiality was offered. The participants were reminded that they could withdraw from the interview at any given time; furthermore, consent was sought from the participants to record and save the interview, and all participants agreed to be recorded. Finally, at the end of the interview, the researcher thanked the participants for their time. This process was important to ensure that the information obtained during the interviews was used ethically (Gordon Institute of Business Science, 2018; Saunders & Lewis, 2018).

Twelve semi-structured interviews were conducted; i.e., nine interviews were conducted through Zoom, as the participants were IT-literate and had access to the internet (Saunders & Lewis, 2018), and online meeting using Zooming was preferred as the participants were still working from home since the COVID-19 pandemic isolation measures were implemented. The other three participants preferred face to face, which necessitated that the researcher makes use of all interviewing skills, i.e., clarity and tone, appearance, and body language were critical (Saunders & Lewis, 2018), to ensure participants are comfortable sharing their personal views and experience of the role of SOE boards in conducting effective strategic oversight. The interviews were conducted over a period of four weeks. Both non-executive and executive directors were asked the same questions from the same interview guide (see Table 1 above). The objective was to gain multiple viewpoints and understanding of the phenomenon of interest to enhance the findings' quality (Roulston, 2010). Because the questions were open-ended and did not require a specific response, the researcher allowed the participants to speak freely and openly. During the interview, the researcher applied Roulston's (2010) insights on asking questions in ways that participants can understand, as well as following up to clarify the answers provided by the participants.

The length of the interviews ranged from 25 minutes to 50 minutes. The average duration of all interviews was 40 minutes, and the researcher made extensive notes throughout. As Guest et al. (2006) suggested, once all interviews were concluded, the audio recordings were transcribed verbatim using a conventional transcription technique by a third party (2006). The researcher and the transcriber signed a non-disclosure agreement to ensure that the confidentiality of the information was maintained.

Saturation of data is regarded as critical to qualitative research Guest et al. (2006) suggested that interviews must be conducted until a point of saturation, which is defined as “the point at which no new information or themes are observed in the data” (p. 59), is reached. Hence, the researcher conducted the interviews until a point of saturation was reached (Guest et al., 2006; Palinkas et al., 2015). A detailed data analysis of all 12 interviews was conducted to demonstrate saturation using Atlas ti. Section 4.7 of this report discusses, in detail, how the data was analysed, while Figure 3 below depicts that from transcript 4, no new themes were observed, implying that data saturation has been reached.

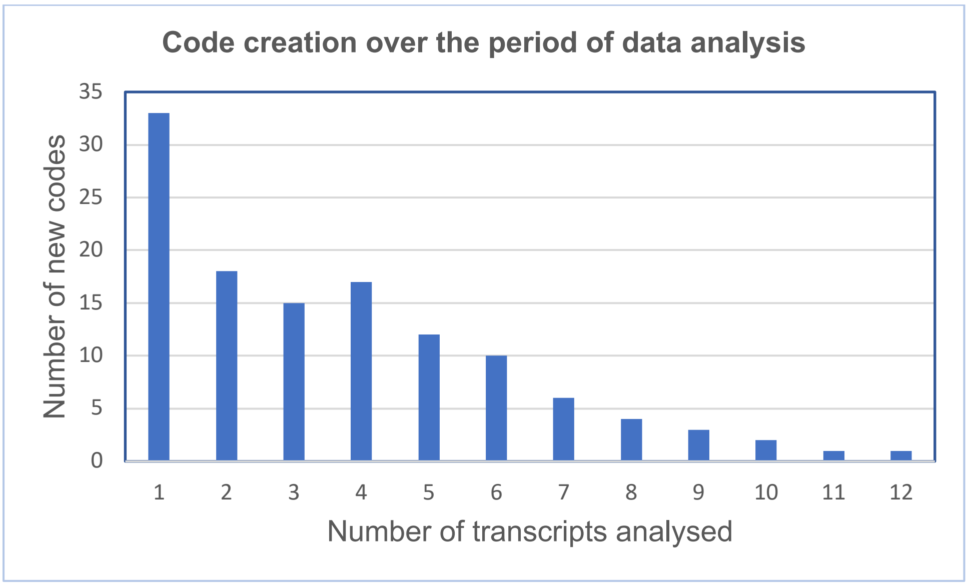


Figure 3: Number of new codes created over the period of data analysis

4.8 Data analysis approach

According to Daniel (2019), a systematic approach to data analysis in qualitative research is required in order to achieve trustworthiness findings. However, data analysis is susceptible to personal bias since meaning is generated from the researcher's interpretation of the data (Daniel, 2019; Srivastava & Hopwood, 2009). It was important for the researcher to acknowledge this bias and engage with the data closely. Moreover, iteration is critical in qualitative data analysis; hence, reflective analysis was adopted, which means "visiting and revisiting the data and connecting them with emerging insight, progressively leading to refined focus and understanding" (Srivastava & Hopwood, 2009, p. 77). To preserve the credibility of the data, the researcher approached the data analysis with this consideration in mind. The duration of data analysis was scheduled for four weeks as the researcher attempted to comprehend the meaning and significance of the data.

The audio recordings collected during the interviews were saved electronically, with a backup created to ensure that the data was not compromised. All electronic files were password locked to ensure the confidentiality of the data obtained. All audio recordings (Guest et al., 2006) were transcribed into text using the services of a professional transcriber who signed non-disclosure agreements before starting the transcribing. Against this backdrop, interview transcripts were used in the data analysis process. This approach was used because the researcher's intention was to identify, analyse and report patterns (themes) coming out of the interview data (Braun & Clarke, 2006).

The data analysis commenced halfway through the interview process and was performed according to the research questions (Saunders & Lewis, 2018). This analysis was less in-depth than the analysis that preceded data collection; this enabled the researcher to follow up on insights gleaned from earlier interviews to explore more information on the preceding interviews.

The data was collected from the 12 interviews and was analysed using Atlas ti. A thematic analysis approach was used, which is “a method of identifying, analysing, and reporting patterns (themes) within data” (Braun & Clarke, 2006, p.79). The researchers’ intention was to identify patterns or themes in the several approaches undertaken to exercise board strategic oversight, from techniques, methods, barriers, and enabling factors of effective monitoring; hence, this analysis was more relevant. The following step-by-step process was followed, as suggested by Braun and Clarke (2006):

Step 1: Data familiarisation was the first step the researcher undertook. The data was collected through 12 semi-structured interviews. The researcher read through all transcripts and, in some instances, listened to interview recordings to validate information on the transcript, as this was done by a third party. This was an essential step in order for the researcher to understand the data before starting with the coding.

Step 2: Generate initial codes - The initial coding was conducted on the first five transcripts received. From this coding, the researcher ensured that no new codes were generated with different wording but the same meaning. Any further new codes with the same meaning were merged into the initial existing codes. The researcher continued with the coding process analysing the subsequent remaining seven transcripts.

Step 3: Search for themes - During this step, the researcher searched for themes from the codes that have been created. A total of 71 codes were generated, which were grouped into categories and further into themes. The codes were exported from Atlas ti. into MS-Excel. Appendix 5 depicts the thematic map created from the data analysis.

Step 4: Review the categories - The formed categories were evaluated to ensure that all the underlying codes shared a comparable meaning. Consequently, several codes were either deleted because they did not appropriately align with the themes or shifted to other categories.

Step 5: Defining and naming themes - In this phase, the categories created were given meaning to provide context for the data set. To establish the themes, an additional analysis of the categories was performed. All themes created were linked to the three components of board strategic oversight (factors, competencies, and barriers) that the researcher sought to explore.

Step 6: Producing the report – The code report was generated from Atlas ti, and the researcher commenced with the write-up of Chapter 5 – the findings whereafter, the commencement of the final report will be addressed.

4.9 Quality validation and reliability of the research

There has been much discussion in the field of qualitative inquiry about how researchers can demonstrate 'quality' in study reports (Roulston, 2010; Cassell & Symon, 2011; Morrow, 2005) The research design described in section 4.2 above provided several methods for achieving reliability and validity were achieved to ensure research quality. Below are summaries of the quality criteria:

- Participants were selected from different SOEs, i.e., schedule 2 entities, to ensure a balance of viewpoints, removing any bias the researcher may have had towards a specific SOE, particularly the SOE with which the researcher is familiar.
- Setting criteria for participants entails position, knowledge, and experience in the strategic oversight and monitoring by the board of directors. These specified criteria were independently verified through the annual integrated reports, company websites, or the participants' social media profiles, such as LinkedIn.
- Participants selected had a direct or indirect role in the strategy (formulation, implementation, accountability, and oversight). This ensured that data was collected from subject matter experts with first-hand experience in mind.
- An interview guide was used, which served to provide consistency regarding the data gathering across all interviews.
- Audio recordings were transcribed verbatim using a professional transcriber.
- The researcher conducted an intentional iteration which is critical for the data quality, which implied reviewing data repeatedly in order for meaningful insight to emerge (Srivastava & Hopwood, 2009); it took the researcher a duration of four weeks to complete the data analysis. The objective was to comprehend the meaning and significance of the data to avoid personal bias.
- Data triangulation was used to reduce bias and increase the quality of results by validating insights from multiple viewpoints. This was accomplished by asking the same interview questions to both non-executive and executive candidates who demonstrated comprehension of board strategic oversight over strategy implementation. The use of two distinct sample groups to collect responses to similar questions ensured validity and increased the credibility of the findings (Daniel, 2019).

4.10 Limitations

In addition to the researcher bias inherent in the qualitative research (Saunders & Lewis, 2018), the following were identified as some of the research limitations:

- Researcher biases: With the researcher being an employee of one of the major SOEs, qualitative research findings could be at risk, with researcher-introducing biases, and assumptions. This was managed by being always objective to the study's purpose. During the interview process, the researcher refrained from voicing personal opinions, views, or experiences on the phenomenon of interest.

- The researcher lacked familiarity and competency with regard to the academic research framework, in particular, the development of questions which are important in ensuring good quality results. As Agee (2009) asserts “poorly conceived or constructed questions will likely create problems that affect all subsequent stages of the study” (p. 431).
- Participants’ biases: The participants were high-profile participants, i.e., board members (both non-executive and executive directors) of the SOEs, and because of the political nature of the entities, participants were reluctant to share information freely. The researcher framed questions so that the participant's response provided is in their professional capacity and does not represent the entity. In this way, it allowed the participants to share information freely.
- Sector limitation – The strategy adopted was phenomenology to explore the board strategic oversight phenomenon in the context of SOE. The results of the study cannot be generally generalised.

4.11 Conclusion

The chapter justified choosing a qualitative research methodology to arrive at meaningful themes to determine the factors that enable the board to conduct oversight of the strategy implementation in SOEs effectively was justified in this chapter. The rationale for choosing interviews as a data instrument and the data analysis approach were also discussed. The chapter ended with how quality validation and reliability of the research were demonstrated, as well as a description of the study's limitations as identified by the researcher.

CHAPTER 5: RESULTS

5.1 Introduction

The objective of the research was to determine how SOE boards discharge their fiduciary responsibilities when exercising ongoing strategic oversight of the organisation’s strategy implementation.

This chapter presents the results for Research Questions 1 to 3, including key findings from the 12 semi-structured interviews conducted. The findings for each question from the interview guide (see Table 2 above) are analysed, whereafter overall results for the research questions are provided are presented.

5.2 Sample description

Table 2 presents the data sample relating to the 12 interview participants participating in the study. Each participant's identity has been protected by assigning each participant a unique participant code. Pseudonyms were used to replace people and entity names where they were referred to by participants in their responses. The research was undertaken to explore the views of past and present SOEs' non-executive directors and executive directors to obtain a comprehensive understanding of the phenomenon and ensure the findings' trustworthiness and validity. Purposive and snowball sampling was used to identify the interview participants based on the sample criteria, i.e., non-executive or executive directors who conduct strategic oversight in SOEs. The complete sample consisted of nine non-executives and three executive directors.

Table 2: Research Study Participant

No	Industry	Position	Qualification	Years of experience in SOE
P 1	Public utility	Non- Executive	MBA	7
P 2	Agricultural Finance	Non- Executive	Qualified Actuary	8
P 3	Agricultural Finance	Non- Executive	CA (SA)	7
P 4	Export credit agency	Non- Executive	Qualified Actuary	4
P 5	Financial Services	Non- Executive	Qualified Actuary	5
P 6	Export credit agency	Non- Executive	MBL	16
P 7	Financial Services	Non- Executive	PHD	22
P 8	Public utility	Non- Executive	CA (SA)	6
P 9	Transport	Executive director	MBA	4
P 10	Broadcasting	Executive director	MA	4
P 11	Airport Management	Non- Executive	MBL	12
P 12	Agricultural Finance	Executive	LLB	30

5.3 Results for Research Question 1

What factors enable effective board oversight over strategy implementation?

The first three questions of the interview guide were asked to understand the factors enabling effective board oversight over the strategy implementation of SOEs. The results from these three questions were analysed and conclusions were reached to answer Research Question 1.

5.3.1 Understanding of a board's strategic oversight role

Question 1: What is your understanding of a board's strategic oversight role? This question was asked to determine the participants' understanding of the board's strategic oversight role in the context of SOEs. Consistent views were provided by all of the 12 participants, which provided an understanding of the role from a corporate governance perspective and while other participants provided an understanding from a regulatory point of view i.e., Companies Act and PFMA. Table 3 below shows the views provided by all 12 participants.

The consistent nature of the participants' answers regarding the phenomenon of the board oversight role demonstrated their strong understanding of what the role entails.

"The board has got the responsibility of setting the strategic direction of the company. It has the role of setting the tone at the top; making sure that the company is able to perform and achieve, its mandate, or its vision and mission" (Participant 11).

Another two participants described the role from the regulatory and governance compliance points of view, demonstrating the significance of the function in terms of legislation and good governance.

"Look, there's the board charter and you also have the memorandum of the corporation, these largely guide, and obviously you also, there's a regulatory piece, but also there's a legislative piece that also includes the company law. So, the key about the board oversight is that the board is actually mandated, to run the affairs of any corporation within the SOE space. Remember in terms of the separation of roles in line with the Company Act the board delegates its powers, and the accounting authority delegates to the accounting officer to run the day-to-day operational affairs of the organisation. But it still retains the fiduciary duty so the fact that there's been a delegation of those powers does not it mean that it can abdicate its fiduciary responsibility" (Participant 10).

"For me, it's very much in line with King IV in terms of deciding on the strategic direction of the business; making sure we're running the business in an ethical way and ensuring that we're meeting reasonable needs or the legitimate needs of the stakeholders. From a strategic perspective, it would start with setting and approving the strategy for the business and reviewing that on an ongoing basis, also reviewing the implementation of the strategy but basically oversight around the strategy. Important also will be I guess reporting of the strategy and making sure that the reporting is fit for purpose for the different stakeholders" (Participant 4).

Another participant highlighted the importance of the role once the board has approved the strategy, i.e., the strategy implementation plan must be developed and any strategic risks threatening the plan must be identified and mitigated. Further, the board must ensure that there is the capacity to implement the strategic plan.

"Business plans would then entail your plans to implement whatever you've decided to do or chosen to do, as part of your strategy as an organisation. And you also then have to discuss how your strategic risks are going to be mitigated, and what's going to be done to ensure that the choices you have made don't result in the organisation having

more problems than where it was. We'd like the organisation to progress. The board also has to look at the capacity to implement the strategy" (Participant 12)

What further emerged is that the board is appointed to represent the shareholder's interests through the executive, which means that the board drives strategic thinking and planning on behalf of the shareholders:

"The board is there to advance the interest of the shareholders through executives, meaning that the board is at the centre of strategic foresight for this business on behalf of the shareholders. So, the board is the key driver of the strategy of where the organisation must go and how it needs to be resourced to align with what the shareholder expects" (Participant 9).

Participant 9 added that the SOE structure of recruiting a board is ineffective, and board members are incapacitated, which could result in a lack of good governance.

"There are a couple of factors that will influence whether this works the way it's designed or not. First of all, let's talk about the board in an SOE context and I'm zooming into an SOE board. What we have is that we generally don't have well-capacitated boards and I will tell you why as well. The reason is that the manner in which we recruit boards is not a standardised effective way of getting the right people" (Participant 9).

A detailed analysis of the nomination, selection and appointment of a board member is discussed in detail in Section 5.4.

The researcher analysed the keywords from each provided description; Table 3 displays the common terms from each description as well as the frequency, indicating the number of participants who referred to those exact words in their role descriptions. This analysis includes some of the common terms used including 'strategic context,' 'intrinsic role,' 'strategic thinking and 'setting the tone from the top. Board oversight could be understood as supporting and empowering executives to ensure that the SOEs meet their objectives and missions.

Table 3: Participants' understanding of the role of board strategic oversight

Keywords from participants' understanding of the boards' oversight role	Frequency
Strategic oversight	12
Strategy implementation oversight	8
Setting and strategic direction	7
Capacity to implementation	4
Comply with the Companies Act, PFMA,	5
Strategic thinking	3
Board mandate	2
Set the tone at the top	2

5.3.2 Factors enabling effective board oversight over strategy implementation

Interview Question 2: What are the factors enabling effective oversight? This question was asked to ascertain which factors influence effective board oversight over strategy implementation. Several factors were provided by the participants; however, when the data was analysed, the researcher established that the commonalities were that they were either internally or externally focused. Table 4 below shows the factors and their frequency (number of participants).

The participants presented differing perspectives on the factors that determine the strategic oversight effectiveness of a board. Most participants highlighted the following internal factors: Leadership, strategy performance, reporting, role and responsibilities, composition, committee governance, risk governance and compensation, and oversight. Only one participant identified external factors.

Table 4: Internal and external factors influencing effective board strategic oversight

Internal Categories	Factors	Frequency
Strategy and Performance	Setting right strategy	12
	Mechanism to monitor performance	9
Effective Oversight	Strategy oversight	9
Committee and Governance	Board mandate	6
	Adequate structure	6
	Enabling environment	4
	Committees' mandates	2
Effective leadership	Strong chairperson leadership	5
	Relationship between board and executive	1
Role and responsibility	Role clarity – board and shareholders	5
	Role clarity – board and management	4
Composition	Skills and expertise (competent)	6
	Independence	2
	Knowledgeable	1
Culture	Ethical culture	3
Decision-making information	Key performance matrices	5
	Risk dashboards	1
External Categories	**Factors**	**Frequency**
Stakeholder and Economic Outlook	Strategic Foresight – foreseeable changes in future	3
	Economy globally	
	Climate change	
	Customer needs and expectations	

5.3.2.1 Internal factors enabling effective oversight over strategy implementation

Strategy and performance emerged as the highest-ranking factor enabling board strategic oversight effectiveness. A board's primary leadership role is to set the strategic direction of the organisation; however, the board delegates this responsibility to management. In exerting its fiduciary duties, a board has accountability to approve the strategy developed by management and thereafter oversee and monitor the implementation of the strategy, as per Participant 10:

> *"The board tasks the executive team to work and develop a strategic roadmap and a strategy for the organisation. Then the executives come and present those strategies and the plans to the board. So, in terms of exercising accountability levers, the board would then use what has been presented. Because obviously before approval, the board is going to scrutinise and interrogate the strategy and the plans, which then become annual plans for any entity. The manner in which the board then exercises that oversight is dependent on the extent to which they were satisfied with the strategy. And now that the strategy has been approved, the degree to which the implementation is taking place" (Participant 10).*

Oversight emerged as the second highest-ranked factor for effective board oversight. Strategic planning is one of the important functions for effective board oversight. Therefore, what emerged is that the board, on an annual basis, should reflect on the short-term and long-term strategic plans of the business. In exercising its accountability lever, the board should oversee the strategic performance of the business throughout the year at different reporting intervals.

> *"From a non-executive point of view, the strategic oversight happens throughout the year and normally on an annual cycle; it will commence with some type of a strategic session or business planning session with the executive. I think it's quite important that once a year you're able to reflect on the strategy for the next year or whatever your planning period is; it may be one year, it may be three years, or it may be five years, just to reflect on that strategy" (Participant 8).*

Another significant finding was that board committees and the governance of board structures are seen as factors that influence effective board oversight. Board committees constitute an important element of the governance process and should be established with clearly agreed reporting and procedure guidelines, including a written scope of authority.

> *"It really comes down to the board and committee mandate being very clear on the board's involvement" (Participant 8).*

Any subcommittees are an extension of the board; the majority of board work is performed by these committees; therefore, it is important for the committees to be adequately resourced and function as intended. One participant asserted that if these committees function as intended, the board will almost become a "rubber stamp."

> *"[It is] critical then that these committees are effective; effective in that the board almost becomes a rubber stamp if the committees are doing their work. The committees must be well-resourced to ensure that there are robust discussions at that level, which then are basically to be escalated to the main board and primarily for investment." (Participant 1)*

Another participant asserted that leadership is an important factor in enabling effective board strategic oversight. Executive management has a reciprocal responsibility to the board chair, they argued, which plays an important role in keeping the chair and board informed on matters of the business. A civil leadership relationship will enable effective oversight.

> *"Leadership is important. The leadership that comes from that Chair and the Deputy Chair and the CEO are critical and those three also need to get along. They don't have to be friends, but they need to respect each other" (Participant 5).*

Another participant mentioned that a board requires a chairperson who is competent, knowledgeable and understands both the strategic and operational aspects of the business but remains focused on steering the board in terms of playing its oversight responsibilities.

> *"The role of chairperson also needs to lead the board. So, you need a very strong chairperson. Over and above that you also need very knowledgeable and experienced directors who understand what it means to be in the operations, but also what it means to be playing the role of oversight" (Participant 11).*

Most of the participants were of the view that for a board to be effective in discharging its strategic oversight, there is a need for the roles and responsibilities of the board members and shareholders to be clarified. This will help the board to effect its functions without interference.

> *"There needs to be role clarity; we need to know what the shareholder's role is so that there is no overreach to the board. The board also needs to know what their role is so that there is no overreach to management, so role clarity is important" (Participant 9).*

“Those layers of power are critical in terms of understanding exactly what the board’s mandate is and their terms of reference so that you ensure that you do not encroach in other areas in terms of the roles and functions” (Participant 1).

“The role of the board versus the role of management. So, if you're going to have people on the board who do not understand those parameters or dynamics, then the board doesn't function well” (Participant 11).

What also emerged is that the composition of boards is a key factor for the board to discharge its governance function objectively and effectively, therefore it is important for the board to be independent as prescribed by the Companies Act and King IV. However, there is a challenge for SOE boards to be independent as the shareholder constantly interferes with their oversight function.

“I think for me, over the key one, it's basically the independency of the board, If you're sitting on a parastatal board then you've got the challenge that you're facing that even though you've got to comply with good corporate governance – King IV at the same time, PFMA – but at the same time, then you've got some cases [of] this overbearing shareholder’s representative who actually is very intrusive and interruptive. I mean as an independent board member that is appointed to any entity, you, the Companies Act and good government governance require you to act independently and act always in the best interest of the entity” (Participant 3).

The participant noted that the problem with ensuring directors' independence stems from how they are recruited. It was argued that some of the directors who serve on SOE boards are put there for political purposes. This point interested the researcher, as it implies that the process has its own inconsistencies and lacks transparency. As such, the lack of independence of some of the directors will remain a persistent challenge, as per the claim made by participant 3.

“We still are not yet out of the woods in terms of the independence of the SOE boards that we see. They might act and think they are independent, but at the same time, they all need to know that their names were actually approved or ticked by the ANC deployment committee” (Participant 3).

In addition to the composition of a board, it emerged that board members must be knowledgeable and competent in conducting effective board oversight, with an understanding of good governance as a cornerstone of how the board should fulfil its oversight responsibility.

"So, you need a knowledgeable board; a board that's got integrity and understands its role of guiding and supporting and directing, but not necessarily getting involved." (Participant 11)

"Let me just talk about experience; it doesn't mean if you've been a board member for 10 years and somebody has been a board member for five years therefore you've got more experience than the next person. I am talking about people who have got the contextual intelligence to understand what their role entails" (Participant 9).

An ethical culture emerged as a factor that enables effective board oversight. One participant mentioned that board members have to demonstrate ethical culture in their conduct, and transparent reporting must be adhered to in order for the board to exercise its oversight in terms of decision-making on strategic initiatives.

"Just make sure that we've got ethics and culture in the business and make sure that the board receives the right reporting. So obviously the business delivers the strategic initiatives, but as a board, if we are to be effective in our oversight, we need to receive the right reports from management, and I don't mean a thousand-page report" (Participant 4).

The last of the internal factors is that in order for a board to oversee the performance of the strategy, it is important that any reporting is a true reflection of progress made. Most of the participants posited that adequate reporting by management is important because it enables the board to make an informed assessment of the entity's performance. Moreover, the board is mandated to provide transparent and adequate reporting to all its stakeholders.

"So where will you look to see that there is performance as far as the implementation is concerned, then you will have your key performance indicators, what will indicate performance within each of those areas? And then you will set your targets. You must then have a system to check that performance to see if what actually happens in the organisation is in the areas that you are measuring as your performance indicators. So how would you know? Of course, you need assurance as far as your monitoring is concerned that, indeed, the results that are reported to you are a true reflection of what is happening in the organisation. And then lastly, you're reporting because part of your monitoring enables you to report your strategy implementation to your stakeholders" (Participant 7).

"The second thing in terms of metrics is just around maybe financials, around risk management I think metrics and dashboards are really important to track progress and make sure things are happening in line with what you'd expect" (Participant 4).

Participant 4 further reiterated the point of having accurate reports that clearly articulate progress made against the performance plan, as this will assist the board to ensure that it focuses on matters of importance.

"We need to receive the right reports from management, and I don't mean a thousand-page report. I mean we need to focus on the correct metrics that drive that strategic discussion at a board level" (Participant 4).

5.3.2.2 External factors influencing effective oversight over strategy implementation

It emerged that as part of a boards' oversight over business strategy, it is important for the board to have a holistic view of the environment they operate in. This will ensure that the business has a comprehensive strategy that is internally and externally focused.

"For effective strategic oversight, so I guess for me to start off with is to make sure we've got the right strategy in place. Having the right strategy in place means that you need to consider firstly the wider environment; what's happening within the business, and what changes you foresee coming within the economy globally … for example, something like climate change must feature when we're thinking about our strategy. But really it is understanding the environment in which we operate; understanding and foreseeing any changes that are coming to the environment, making sure that feeds into the strategy, and also, I guess importantly understanding the needs of our different stakeholders" (Participant 4).

5.3.3 Organisational culture in enabling effective board oversight

Interview Question 3: Please explain how organisational culture is important in enabling effective board strategic oversight. A number of cultural attributes were provided in response to this question, when analysing the data, the researcher noted that the participants were providing responses related to the current state of SOEs (negative culture), as well as from the best practice approach point of view (positive culture). Only three of the 12 participants described their experience from the SOE perspective. Table 5 below shows the positive culture, which is the best practice and the negative culture, which is the current state of culture in SOEs.

Fairly consistent views were provided by most of the participants regarding how organisational culture is important to the effectiveness of board strategic oversight. As per the table below, positive organisational culture attributes were mentioned by many participants, which included ethical culture, tone at the top, honesty and openness, and a culture of performance and transparency. While negative organisational culture emerged were corruption, self-funding and self-sustaining, hierarchical/authoritative and lack of performance.

Table 5: Best practice culture attributes and SOE current culture attributes enabling board strategic oversight

Ranked	Constructs	Frequency
	Positive Culture Attributes	
1	Ethical culture	4
2	Tone at the top	3
3	Honest and open	2
4	Culture of performance	2
5	Transparency	2
	Negative SOE Culture Attributes	
1	Corruption and malfeasance	7
2	Self-funding and self-sustaining	7
3	Hierarchical/authoritative	3
4	Lack of performance	9

5.3.3.1 Positive culture attributes

The participants were consistent in their view that ethical culture is critical for the effective running of the organisation. A board has the responsibility of ensuring that entities are governed in a way that supports the establishment of an ethical culture, hence the assertion by participant 2 that culture is the outcome of effective strategic oversight, which is driven by an effective workforce.

> *"Culture is one of those very critical enablers to achieve the objectives; I think just before we get to the culture you need the right team because the right team essentially either strengthens the culture or weakens the culture" (Participant 2).*

Another participant affirmed that it is the responsibility of the board to instil a culture in the organisation that sees management as being responsible for cascade culture throughout the business.

> *"The board sets that tone and in setting that tone one would then expect execution to cascade that down to the entire business" (Participant 1).*

Furthermore, participant 11 validated the importance of culture, saying that it should encourage ethics and good performance. They claimed that "culture is the glue that brings everything together," which is an interesting way to describe how culture can be perceived.

> *"Culture is important, not just for the board only. I think culture is important for the whole organisation, which is made up of ethics, and a culture of performance. And that culture permeates throughout the organisation, from the board to management to lower levels. Then that culture is very useful in making sure that the company moves in the right direction. So, the culture is that quality, the glue, that brings everything together" (Participant 11).*

What emerged from the participants was thus that an honest and open culture is an important attribute for enabling effective board oversight, i.e., there must be an environment where there is transparency between management and the board.

> *"I think again there, the culture needs to be a highly ethical culture and it needs to be one of open communication and no kind of hidden agendas or secrets; just open and honest culture, ethical, open and honest" (Participant 8).*

5.3.3.2 Negative culture attributes

Only three of the 12 participants provided their cultural viewpoints, which were based on the SOE context. The views provided were consistent and painted a picture of how they perceive culture in SOEs. The table above highlights the SOE-negative cultural attributes mentioned by participants, including a culture of corruption and malfeasance, self-funding, self-sustaining and hierarchical authority, amongst others.

It has been established that most participants' views are that culture is important, however, one participant mentioned that while culture is critical for enabling capacity, conduct and competencies, to mention a few. However, these positive culture attributes are not evident in many SOEs. The culture in SOEs does not encourage high performance, according to participant 7:

> *"Culture creates capacity; [it] creates the ability for the organisation through conduct, competence, demeanour and stature and structure, our norms, and how we do things around here enable us to perform or not perform. So, a lot of times the culture in SOEs is disabling in terms of performance" (Participant 7).*

One of the participants explained the culture in his SOE in the context of corruption and malfeasance:

> *"The organisation that we inherited was an organisation that was riddled with issues of legacy governance failures. It was looting, corruption and, malfeasance tribe territory basically" (Participant 10).*

Management is responsible for cascading culture across a business; however, it has emerged from the interviews that managers who are tasked with the implementation of strategy are not necessarily acting in the best interest of the business. According to the participants, they demonstrate a culture of self-funding and self-interest, which is against the SOE culture of public service.

> *"From SOE the culture there, obviously the culture there is not really to serve the public. The culture there is more to serve themselves. So, it's a more self-culture, so even though the board would set strategies and do all sorts of kinds of things, the challenge we're facing is that the officers that are supposed to deliver upon these things, their main aim is to enrich themselves and their friends" (Participant 3).*

A board is charged with the responsibility for steering and setting the strategic direction of a business. What has emerged, however, is that there are other strategic deliverables that are imposed on the board and the SOEs, which are unplanned or unfunded, which demonstrates a culture that is hierarchical and authoritative over the board.

> *"Then we also have a culture of well… I can call it submissiveness but it's also a very hierarchical authoritative culture. Many SOEs have been given social or public service obligation mandates that are not funded; you can also call them social mandates that are not funded" (Participant 7).*

Another participant provided a view on how they must remedy the negative culture in the SOE context, asserting that it requires an alignment of mindset and values from the top to the bottom of the organisation. The board and executive need to develop values and behaviours that align with the entity and ensure good governance.

> *"You have to do what is right to instil the right fundamentals organisationally and put proper controls in place. So that is the culture and the degree to which you then change that culture. You bring the right leadership team; you ensure that there's transparency in every single thing that you do. You make sure that there is a culture of unity, where senior leadership could do what they want to be stopped. You discipline anybody of your respective race, or creed as long as they've done something wrong because it then engenders a culture of transparency, openness, and integrity" (Participant 10).*

5.3.4 Conclusion for Research Question 1

In terms of the participants' understanding of the role of board strategic oversight, what factors influence that role and how culture can enable effective board oversight, there is alignment. It can be concluded that boards are the custodians of good corporate governance, which need to ensure that effective oversight over strategy implementation is conducted, that the board's mandate is adhered to, that the right tone is set at the top, and that capacity is in place for strategy implementation. Based on the data provided, there needs to be an improvement in the efficiencies of governance structures in the SOE environment in order for boards to effectively discharge their fiduciary duties. These factors also emerged from Question 2 as factors for effective board oversight. Several other factors that emerged as being necessary for effective board oversight included internal factors, i.e., setting the right strategy, strategic oversight, an effective board mandate, an adequate structure, strong leadership and the requisite skills and expertise, amongst others. The external factors discussed included consideration of foresight planning, the global economy, and customers' needs. The researcher's analysis of Interview Question 3 led to the conclusion that SOE culture is in an undesirable state, which has been described as a culture of corruption, malfeasance, self-funding, self-interest hierarchical authority and lack of performance. The best practice culture to aim for is one that includes an ethical culture, the right tone at the top, honesty, openness, performance, and transparency.

5.4 Results for Research Question 2

Do boards possess the relevant skills that enable them to effectively discharge oversight of their strategy implementation?

In order to answer Research Question 2, three interview questions were posed to the participants, with the objective being to gain insights into the skills and expertise required for an SOE board to effectively oversee its strategy implementation.

5.4.1 Board nomination and appointment process

The interview question that was posed to participants was, “Describe the process followed for your nomination, selection and appointment as a board member in the SOE.” Diverse views and personal experiences were provided by the participants, confirming that the nomination, selection, and appointment process varies across SOEs. From the analysis conducted, two process categories were developed, namely conventional and unconventional approaches to onboarding SOE boards. Table 6 shows these categories and the associated methods of nomination/recruitment.

Table 6: Nomination and appointment process

Category	Method of Nomination/ Recruitment	Frequency
Conventional Nomination Process	Nomination committee	4
	Interview process	4
	Background screening	2
Unconventional Nomination Process	Minister process	4
	Deployment committee	8
	Integrity and transparency	5
	Politically influenced roles	5
	Selection process	3

5.4.1.1 Conventional nomination, selection, and appointment process

A board's conventional nomination/recruitment process is generally where the onboarding of the board of directors is facilitated via executive search, head-hunters, or adverts in the newspaper. This is a nomination process that is within the SOE space; the nomination committee, as one of the governance structures within an SOE, which oversees all subsidiary boards, that report to the Group SOE, drives this process. The mandate of the nomination committee is mainly to ensure that the SOE subsidiary board skill set is adequate and where there is a skills gap, the necessary onboarding will be overseen by the committee.

> *"I think the first step is the duty of the nominations committee to regularly have a view of the makeup of the board and whether it's sufficient in number and skill and range of skills. So, I'll use, … as an example of when we had to decide which of the … members to bring on board the …board. It was a detailed skills analysis so that's where you start. You say what are the main skills that we need, it's a matrix. What are the skills that we need on this board and what do we have so what have been the shortcomings? So that's the starting point; once you've identified what the shortcomings are then you'll go through a process similar to any other recruitment process. So, you either use executive search agents which I've seen been done, which is a head-hunter, advertise on the website or whatever you choose to use as your way of finding these people. Obviously, I think search or executive recruitment agencies are the easiest because*

they've already got CVs, so then you communicate with them what it is that you need and then through the nominations committee that process will unfold" (Participant 8).

What emerged is that the conventional onboarding process is more stringent in ensuring that the potential director's background is assessed, and a formal interview process is conducted to understand their competencies and technical skills prior to appointment. The participants confirmed that this selection and appointment process is fair.

"In the interview part of the interview process was to get my background, my skills and how they actually contribute to the business. If I have the technical skills, it was not mainly about how many years I have been on a board, it was about whether I'll be able to be effective as a director on day one or after induction as director given the liability that you sit with, given the complexity of the business would you be able to participate effectively as a Director on that Board" (Participant 6).

"Look, to the best of my knowledge, it was a fair process. I think the interviews were quite tough, but they were fair as well as at that stage I was an outsider. I was being interviewed by insiders at … so I didn't have any special advantage" (Participant 2).

Another participant who serves on an SOE board, although at the subsidiary level, confirmed that the process varies. They emphasised that the nomination process followed for the main SOE board is different to that followed for the subsidiary boards.

"My process is very different to a normal process of an SOE because a typical SOE process after those interviews has been conducted and done by the boss themselves, then those names go to the shareholder representative ministry" (Participant 3).

5.4.1.2 Unconventional nomination, selection, and nomination process

The relevant Minister, as an accounting authority, has the mandate to appoint an SOE's board members. In this responsibility, they are supported by the deployment committee, which is the structure within the ruling government. The participants mentioned that the process for nominations is open for everyone to apply.

"…the board cannot appoint anyone, but the board recommends to the Minister – with us it's the Minister of Finance. And then the Minister of Finance opens up applications and says everyone applies to be part of the board and then the Minster then looks at

the different CVs that have come with his team and then they decide whom to appoint" (Participant 5).

The deployment committee is one of the structures of the ruling government, which acts as a gatekeeper between the Minister and the cabinet. However, the transparency of the nomination process ends when the roles are published in the media; however, the criteria for selection and nomination are unclear.

"There is no transparency up to the point where it goes to the deployment committee. Because prior to that they address the official's shortlist and everything else. But then the Minister has to take those names to a deployment committee first, prior to them going to the cabinet" (Participant 3).

What emerged was that the deployment committee, when considering candidates for nomination, factors in any skills gaps, as well as who could align with the governing party's strategic direction.

"… the ANC [has] something called the deployment committee [which] will look at if the organisation at the national [level]; they will look at where are all these board roles, the chair, and the deputy Chair as part of how the ANC works. Where are all these roles and they will know there are roles that are out there. What skills do we have in terms of the people we know understand the organisation and understand where we are going, then after looking at those skills they cross-map" (Participant 5).

"Look, there is a very big problem in SOEs at the moment; those processes are not standardised" (Participant 7).

The participants raised many questions regarding the integrity of the process and the calibre of the board members appointed, i.e., do they have the right skills and competencies for the job? An interesting view put forward by an executive director in an SOE is that there are challenges with the unconventional nomination and selection process currently in use, as the process is not formalised and transparent, and the manner in which it is conducted leaves many questions unanswered. The participant added that most of the board members in their SOE are not appointed based on expertise, but rather on political affiliation.

"Look, there are different challenges within the SOE space. I think the first bit is the selection of board members. The question is, are the right board members selected?

The ones with the required business acumen? The ones who understand, do they have industry-specific knowledge, for example. You need … somebody who would understand the industry broadly, are they commercially savvy? Are they astute, and very importantly, you know, have they operated at this level? And in my view, most of the board members that get appointed to these entities, it's not necessarily based on skills or experience, but it's really based on political affiliation and the degree to which they have access to political power. So that's the first challenge" (Participant 10).

Participant 5, meanwhile, confirmed that there are roles on the board that are politically influenced, such as the chair and deputy chair.

"So, as I said, the chair and the deputy chair roles have some political aspects in terms of appointment" (Participant 5).

Furthermore, participant 5's view was that by virtue of shareholders owning these entities, people who are appointed to represent the shareholders' interests must be close associates, i.e., politically connected.

"But the crucial role is the chair, so that role is political; it has to be if you own something. This time the owner is the government, which our government is now a political party right, so the political party needs to make sure that it has a relationship with whoever looks after their core assets, which are all these businesses that are crucial for the success of the company and the country" (Participant 5).

An interesting finding regarding the unconventional process is that appointed board members do not go through any assessment, e.g., interviews, nor are they engaged for their skills and expertise.

"All the Boards that I've sat in myself as we speak, I have never been interviewed. So that we are clear, I have never been interviewed and I've sat on boards for three different departments" (Participant 9).

Participant 7 painted a picture of how an ideal board nomination, selection and appointment should look to ensure that transparency and good governance are adhered to:

"The process should be that you either apply or are nominated; you then get assessed to determine whether you are the right person to give us the kinds of experience

competencies and knowledge that are required. But there are a number of boards where that is not taking place" (Participant 7).

5.4.2 Fundamental skills and capabilities

Participants were asked, "What fundamental skills and capabilities must the board possess to fulfil their oversight responsibilities?" A consistent view was provided by the participants, with the most common response being that a board needs to be competent to fulfil its oversight responsibilities. From the analysis conducted, diverse skills and competencies were identified, and two categories were created, i.e., functional, and personal competencies (see Table 7).

Table 7: Functional and Personal competencies

Categories	Knowledge and Skill	Frequency
Functional and Personal Competencies	Competency in Corporate governance	12
	Skills and expertise	10
	Ethical leadership	6
	Self-aware	5
	Strategic thinking	4
	Analytical skills	1
	Self-management	1

5.4.2.1 Competency in corporate governance

Corporate governance emerged as the most needed competence for a board to effectively conduct its oversight duties. Good governance creates a system of guiding principles that determines how boards and entities operate, therefore it is important for the board to understand these guiding principles.

"First of all, you must understand corporate governance. It's very important to understand corporate governance because at the end of the day it overarches what we do as boards" (Participant 7).

"I think one of the primary skills that one requires is really governance" (Participant 1).

What also emerged is that board members, when exercising their duties of care, should be mindful of their conduct, and always perform their duties with integrity and in the best interests of the company they serve.

"They need to understand what their key role in the organisation is; what are their duties as directors in the organisation? The fact that some directors forget that they are there to act in the interest of the company, so you've got to be mindful of your biases in terms of what you believe in and in terms of what the organisation is about" (Participant 6).

5.4.2.2 Skills and expertise

Board skills and expertise were ranked the second most important competence. Most of the participants mentioned that for directors to perform their duties in a professional manner, the board must have the requisite skills and expertise. The board should thus have a diverse and balanced skill set, as well as sector knowledge that is fit for the purpose of the entity.

"I think industry experience, whatever industry you're in… is quite critical in my view. Then you do need somebody with some financial knowledge, it doesn't always have to be – you don't need a whole room full of just CAs or actuaries – but you do need some financial skills. Then it's always good to have somebody that has been in an executive role where they were responsible for strategic issues, so that's helpful. I find that also legal is helpful – to have somebody with a legal background and/or HR background … that's a wide range of skills; you need a mix of all of those and not just people that are just financial or just legal, so a mix of those types of people" (Participant 8).

It emerged that the skills and expertise of the board should be diverse with an adequate balance of skill sets that are appropriate for the entity. Board members' skills should complement each other; it is not an expectation for the board to be experts in all fields, hence the diversity of skills required.

"… there must be a mix of different skills on board. So not everybody would be an expert in every area, within a board, you will need a whole host of different skills" (Participant 4).

To operate an SOE, boards must have great relationship management abilities and they must be good leaders in providing strategic direction to management. Board members must have intelligence, interpersonal skills, the ability to understand circumstances and influence others.

"In the state-owned entity context, first of all, you need a board that is very highly competent in emotional intelligence, and I will tell you why. A lot of relationships and stakeholder management, you are managing the shareholder, you are managing management, you are managing the public and you are also managing your fellow board members, so you should be able to manage the politics around that. Contextual intelligence is very important in the sense that you need to be able to deal with various contexts as they present themselves to you" (Participants 10).

5.4.2.3 Ethics leadership

An ethical leader emerged as one of the key leadership competencies a director should have. Another participant mentioned that ethics starts with an individual and that a director needs to lead by example. When confronted with uncomfortable matters for decision-making, directors must be able to exercise an independent voice freely.

"You need to have then ethics, in the sense that as an individual, you need to have those kinds of ethics to say in my way I operate, I want to be able to do the right things, whether someone is looking at me or not. And so, ethics, ethical leaders, leadership, or actions, in this case, it means that if something is presented to me that I still don't feel comfortable with because I'm independent, meaning that I have a voice, and I can speak freely if I don't agree with certain things" (Participant 3).

5.4.2.4 Strategic thinking

Board strategic thinking also emerged as a key skill that board members should have. The board, by its formation and structure, is expected to operate at a strategic level and allow management to run the operational level of the business; however, it is important for the board to understand how the operational side of the business is conducted.

"They also need to be strategic, so it's very important that the board is strategic and as part of the board you still need some members to also have the operational understanding of the organisation" (Participant 5).

5.4.2.5 Analytical skills

Oversight is an inherent function of a board, however for a board to fulfil this role effectively, board members need to have the analytical ability to use the information provided by management and be able to apply their minds in order to make sound decisions.

> *"Oversight basically means that in terms of the pyramid, we are sitting on top of the entity. So, if you're sitting at the board level, obviously you are in a pyramid where very little information gets back to you and that information is summarised. Meaning that you need them to be able to go through the summarised information and actually try and get a sense of the underlying data to say, based on the information that I'm getting here" (Participant 3).*

5.4.2.6 Personal competencies

Board diversity is the result of an attempt to create a broad range of demographic characteristics and skills in the boardroom. As a result, board members should be able to adapt to such an environment, and their interactions with fellow board members and management should be beneficial to the organisation.

> *"You need to be aware of the diversity of ideas that come through in a board meeting and keep an open mind in terms of the interactions, the engagements, that maybe what you thought is right might not be right and be open to influences, but make sure that you're selective in your influences to make sure that whatever you do is good and it's for the good of the company" (Participant 6).*

5.4.3 Rotation plan

Interview Question 6: "What would you offer as an appropriate rotation plan for SOE boards to retain value, ensuring the continuity of board oversight, knowledge and expertise, while introducing fresh ideas and expertise." Consistent views were obtained from most of the participants (see Table 8).

Table 8: Rotation and Succession plan recommendations

Keywords from participants on the recommendation for rotation and succession planning	Frequency
Continuity	8
Strategic mitigation	3
Staggering approach	2
Board tenure	2
Board assessment/evaluation	2
Institutional knowledge	3

Succession planning is a risk mitigation strategy that enables organisations to establish a plan if executives leave, or board terms expire that is advantageous to the organisation.

> *"Succession planning is about mitigating the risk of the organisation, not finding the correct leaders to take it forward. So, it's very important to take it forward" (Participant 7).*

It emerged that SOE boards do not have succession plans in place, which exposes them to issues with board oversight continuity in the event there is an exit or a board member's tenure expires.

> *"They are not doing well in that space at all, because I don't think they think about it in the first place that they have a need for rotation. Rotation … has to be planned for, at the time of the appointment" (Participant 11).*

The absence of a succession plan is a non-compliance activity, as per King IV's rules on corporate governance, which threatens the effectiveness of board oversight.

> *"That is the problem, in fact not in compliance with King IV. King IV does say there must be a succession plan and you must ensure some continuity when board members are changed" (Participant 4).*

It emerged that a challenge that faces SOEs is that the appointment of all board members happens at the same time, which makes it difficult to adopt a staggered method approach.

"The problem with the SOEs is that for some reason it is very rare for SOEs to try and to do the staggering. Why? Because most of the people are appointed for three years at the same time. Thereafter, they're renewed for three years at the same time" (Participant 3).

Another participant highlighted a perspective regarding how a board rotation should operate, i.e., should it be done twice a year or as and when a new board member is appointed?

"Best practice is that you should at any given point in time, whether yearly or two yearly, consider at the most a third of the board for rotation, which means whenever you bring people in, at the most you have retained two-thirds of the board. So, the best practice is annually you consider a third of the board for rotation" (Participant 7).

Another participant acknowledged that continuity is important and highlighted a significant point regarding how board tenure works:

"I think continuity is important, but one needs to turn around and say, how does the board tenure work? In our case, it's three years, re-elected every three years on a three-year sort of rotational type basis, so effectively nine years" (Participant 1).

The custodian of succession planning should be the person who is charged with the appointment process. In this context, as the respective Ministers are responsible for appointing the directors, the participants suggested that the Minister should bear the responsibility of ensuring an effective rotational and succession plan to ensure board oversight is stable.

"I believe that it needs to be elevated to the shareholder. It shouldn't sit within the entities themselves because then, it doesn't make sense if we are all talking about succession and yet we don't do the appointments. So, I think then that's why you run the show that needs to be brought in to say you are, this is how we're going to plan to make, to have continuity" (Participant 3).

An interesting finding emerged from another participant, who mentioned that an independent board performance evaluation and assessment is not conducted to determine and assess the effectiveness of the board committee, and when conducted board members conduct self-assessments among themselves, which can be ineffective. The participant was very passionate about this, saying that "If I do not do the job, you have a right to replace me."

"Department conducts an independent assessment of board members, every two years, directors that are not delivering on their duties remove and replace with competent directors. Don't leave them there for 10 years because I must do 10 years, leave them there for 10 years because you are happy with their performance" (Participant 9).

5.4.4 Conclusion for Research Question 2

Research Question 2 consisted of sub-questions 3, 4 and 5. The answers to Question 3 highlighted the inconsistent processes of how boards are nominated and selected. Conventional nominations and selections entail a transparent process that is facilitated by a nomination committee, and subsidiary board members are assessed prior to the final appointment. An unconventional process, meanwhile, is facilitated by the relevant Minister through a deployment committee. There is no full transparency in the process and appointments are politically influenced.

The answers to Question 4 set out the skills that are fundamental for board members to have in order for them to effectively discharge their oversight role. The skills required were categorised as: functional competencies – corporate governance, skills and expertise, ethical governance, strategic thinking, and analytical skills; and personal competencies – self-awareness. Lastly, the responses to Question 5 highlighted gaps and recommendations regarding board rotation and succession planning.

5.5 Results for Research Question 3

What are the barriers affecting SOE boards in effectively discharging strategic oversight over strategy implementation?

To answer Research Question 3, three interview questions were posed to the participants in order to gain insights into the barriers that impact effective oversight by individual directors, the board as a group and the SOE as a whole. In analysing the data, the researcher noted that there were overlaps in the responses provided by the participants, therefore she consolidated the findings into three categories: individual barriers, board barriers and entity barriers (see Table 9).

Table 9: Barriers that impact effective oversight

Category	Barriers	Frequency
Individual Directors Barriers		
Lack of understanding role and responsibility of board oversight	Lack of understanding board role	7
Inadequate Composition	Lack of skill and expertise	6
	Lack of confidence and participation	4
	Lack of Capacity	
Lack of Decision-making information	Information overload	8
	Lack of quality information	7
Board Barriers		
Leadership	Lack of leadership attributes	4
Relational dynamic	Familiarity and behavioural attributes	8
	Fear of governance failure	3
SOE Barriers		
Strategy and performance	Strategic initiatives: delay in Minister's approval	8
	Lack of qualified people implementing the strategy	4
External influence - Political influence	Shareholder interference	6

5.5.1 Director Barriers

The question that was posed to participants was, "What are the factors that constrain or limit the SOE individual directors (personal obligation level) from gathering, analysing and disseminating information to oversee the execution of their strategies?"

5.5.1.1 Lack of understanding of roles and responsibilities of board oversight

One barrier was mentioned that related to a lack of understanding of the roles and responsibilities of board oversight. The SOE board in exercising its leadership serves as the focal point and a custodian of corporate governance in SOEs. A participant who serves on many SOE boards mentioned that a lack of understanding of governance or the core duties of a director is a significant impediment that results in the leadership of the director being called into question.

> *"I said earlier where I said people must have very good governance and oversight understanding. So, if they don't have that because then they're not able to contribute, they don't understand what governance or what a director means, then they're not able to lead. Being a board member or director is about leading" (Participant 11).*

5.5.1.2 Composition

This category includes barriers that relate to inadequate board composition, i.e., board members should have a balance of skills, experience, and knowledge so that they can discharge their governance roles and responsibilities. It emerged that there is a lack of skills in some instances, which results in a lack of confidence and participation in conducting board oversight, which impedes a director's effectiveness and results in them not being effective.

> *"There's a lack of skills, and obviously coupled with that there will be a lack of confidence in a board member or the confidence that the board member has to engage, interact, and participate openly in discussion meetings" (Participant 3).*

> *"It's about skill, not just qualifications… you know that people will get this information for years they will accumulate the knowledge and I don't want to discount them. But 99% of the time it starts with the qualifications which are not there and then the skills" (Participant 12).*

A lack of capacity also emerged as a barrier that hinders board members from being effective in conducting their duties, for example, if they are over-committed and do not have sufficient time to prepare for meetings. The participants cited that proper due diligence needs to be conducted to understand each director's commitments.

> *"I think with individual board members, the biggest thing is capacity. When appointing members of the board I think it's very important to make sure that each board member has got the sufficient capacity to dedicate to the entity. When board members show up to a meeting and they haven't read the pack, they haven't properly applied their minds to documents" (Participant 4).*

5.5.1.3 Decision-Making Information

A lack of information from SOEs is a barrier in the decision-making information category. Some participants stated that a lack of high-quality and timeous information is a key obstacle that limits directors from making meaningful contributions and decisions.

> *"In many cases, the first problem is the availability of information. …many SOEs just don't provide information on time for board members to implement. Reports are late; reports are actually inadequate and insufficient, so board members are not getting a full view of how we are implementing the strategy" (Participant 7).*

> *"I think probably the only big area of impediment would be lack of information, so if the entity is keeping information away from the board, that could impede the board's ability to exercise their duties" (Participant 2).*

5.5.2 Board Barriers

The question posed to participants was, "What would you say are the relational dynamics among fellow directors on the board that could prevent the board from effectively overseeing the implementation of the strategy?"

5.5.2.1 Leadership

Most of the participants described a leadership barrier that is prevalent at the board level, painting a leadership culture that is hostile and rife with political interference. This impedes the board from being independent in conducting their oversight duties.

> *"Corruption, autocracy, there are a lot of dictatorships that are taking place at those boards at the moment. You've got to toe the line, it's like there are certain people with a licence to think for all of us, and they dare not be questioned, and they dare not be asked... So, it kills the very same essence of being a board" (Participant 7).*

> *"I think just bureaucracy, I don't know how else to put it... things take too long to get approved and by too many layers, and there is a lack of firm decision-making" (Participant 8).*

"There is a lack of accountability; people are too scared to make decisions within the SOE environment because they are just too scared of what the outcome of that decision would be" (Participant 1).

5.5.2.2 Relational Dynamics

Relational barriers relate to board members' conduct at meetings. One participant mentioned that familiarity is the biggest challenge in boards, when board members have worked together for a long time and friendship impedes their objectivity in fulfilling the oversight responsibility.

"I think the biggest challenge is when you have boards that have been sitting together for a long period of time, and you have board members becoming friends with each other" (Participant 4).

In addition, a lack of respect and professionalism were raised as barriers impeding board oversight.

"The other thing is just respect; there are people who just don't respect the opinions of other people without even understanding what the other parties are trying to say. So, professionalism and respect are quite key in fruitful engagements on the board" (Participant 6).

Another finding was that in the operating environment a board finds itself in, people may be reluctant to make strategic and/or operational decisions due to fear of governance failures, which impedes them from fulfilling their strategic mandates.

"I almost say within SOEs sometimes we have a fear of governance failures, and I think if you look at the emphasis placed by the AG on areas like irregular expenditure, state capture and I don't say necessarily with our board, but… I have seen it on many boards; people are frightened to launch large projects, they're frightened to spend money, they're frightened to award tenders because a lot of that can come with problems, and I almost think that fear of failure is probably one of those things that's the biggest barrier for us" (Participant 2).

5.5.3 SOE Barrier

The question posed to participants was, “What are the elements of an SOE (entity level) that are likely to impede or limit successful strategy implementation?”

5.5.3.1 Strategy and Implementation

This strategy and implementation category describes the barriers that are present at the SOE level that impede board oversight over strategy implementation. Four strategy-related barriers emerged from the data, which are summarised in Table 9.

The highest-ranked barrier was the relationship between shareholders and the board; the participants highlighted that strategic decisions that require shareholders' approval are not approved timeously, which has a significant impact on the delivery of the strategy.

> *“I think within an SOE the biggest challenge to starting off with is just managing the relationship with the shareholder and the Minister. I have seen this now in many SOEs where there are important strategic decisions that need approval from the Minister. It will go years and years before you get feedback from the Minister” (Participant 4).*

> *“They can have other views, or they just take their time on things. I think that’s probably the biggest frustration that board members would have. But I don’t know whether it can be called a hindrance but probably yes, waiting too long for approvals which is exactly what’s happening; that is a hindrance because… for the non-executives, that’s a hindrance to the company that they cannot execute on their strategies” (Participant 8).*

Another barrier linked to the strategy and performance was the expertise of the executives charged with strategy implementation. Most of the participants cited that the board has delegated the formulation and execution of the strategy, and successful implementation depends on the capability of executives.

> *“If the leadership of the CEO is weak it then borders into difficulties to the implementation of strategies because the authority to implement is delegated to the CEO. There needs to be appropriate feedback and ethical leadership and also full disclosures of risks that are associated with certain objectives that we are pursuing, and also make sure that if the opportunities are failing, they are able to actually communicate that without hiding information” (Participant 6).*

"It's the people that are executing the strategy. So, you need then to have a good properly qualified experience team that is then going to be implementing the strategy" (Participant 3).

5.5.3.2 External influence – Political interference

From an external factor point of view, it emerged that there is shareholder interference in board matters. The participants asserted that shareholders should engage in an appropriate governance structure such as an AGM; outside of that, it is perceived as interference.

"Oh, well, shareholders should continue playing the role of a shareholder, which is only at AGMs. They've got certain things that they've got the right to opine on, and their role ends. They, in government, there's also the so-called strategic statement that they need to provide to the entity. And that statement needs to guide the strategic direction of the organisation. So, they need to conclude those things and put them in place and live there. But if a shareholder comes into the organisation and is too close and gets involved in matters of the board or even the operations of the company, that is called interference. Interference is not good for any organisation" (Participant 11).

5.5.4 Conclusion for Research Question 3

Research Question 3 consisted of three supporting questions which assessed what barriers emanate from the director, board, and SOE levels. Some of the barriers highlighted could be mitigated by the factors that emerged in Research Question 1. Regarding the individual-level barriers, it can be concluded that there is a lack of understanding amongst the board members about their roles and responsibilities when it comes to board oversight, as well as a lack of adequate competencies and quality decision-making information.

The board-level barriers include a lack of leadership and the impact of relational dynamics, while the entity-level barriers are inadequate shareholder and board relationships, inadequate management teams to implement the strategy and shareholder interference.

5.6 Triangulation of data

The researcher undertook to explore the view of both non-executive directors and executive directors to obtain comprehensive insights regarding the board strategic oversight phenomenon and assure the validity of findings. The triangulation of data was only conducted on Research Question 1, to determine the understanding of the role of board oversight from each category of participants. Every theme that emerged was verified by both non-executive and executive directors, thereby adding credibility to the research findings. Table 10 presents the themes that emerged as per research question 1 and a summary of the frequency of responses.

Table 10: Triangulation matrix

Themes	No. of Non-executive Respondents (out of a total of 9)	No. of executive Respondents (out of a total of 3)	Total Respondents (out of a total of 12)
Research Question 1			
Strategic oversight	9	3	12
Strategy implementation	5	3	8
Setting strategic direction	5	2	7
Comply to the Companies Act, PFMA,	4	1	5
Capacity to implementation	2	2	4
Strategic thinking	1	2	3
Comply to the Companies Act, PFMA,	4	1	5
Board mandate	1	1	2
Set the tone at the top	1	1	2

5.7 Conclusion

The research findings were analysed and a summary of the findings per the research questions are detailed below:

Research Question 1 - In terms of the participant's understanding of the role of board strategic oversight, what factors influence that role and how culture can enable effective board oversight, there is alignment. It can be concluded that boards are the custodians of good corporate governance, which need to ensure that effective oversight over strategy implementation is conducted, that the board's mandate is adhered to, that the right tone is set at the top, and that capacity is in place for strategy implementation. Based on the data provided, there needs to be an improvement in the efficiencies of governance structures in the SOE environment in order for boards to effectively discharge their fiduciary duties. These factors also emerged from Question 2 as factors for effective board oversight. Several other factors that emerged as being necessary for effective board oversight included internal factors, i.e., setting the right strategy, strategic oversight, an effective board mandate, an adequate structure, strong leadership and the requisite skills and expertise, amongst others. The external factors discussed included consideration of foresight planning, the global economy, and customers' needs. The researcher's analysis of Interview Question 3 led to the conclusion that SOE culture is in an undesirable state, which has been described as a culture of corruption, malfeasance, self-funding, self-interest hierarchical authority and lack of performance. The best practice culture to aim for is one that includes an ethical culture, the right tone at the top, honesty, openness, performance, and transparency.

Research Question 2 - The answers to Question 3 highlighted the inconsistent processes of how boards are nominated and selected. Conventional nominations and selections entail a transparent process that is facilitated by a nomination committee, and subsidiary board members are assessed prior to the final appointment. An unconventional process, meanwhile, is facilitated by the relevant Minister through a deployment committee. There is no full transparency in the process and appointments are politically influenced.

The answers to Question 4 set out the skills that are fundamental for board members to have in order for them to effectively discharge their oversight role. The skills required were categorised as: functional competencies – corporate governance, skills and expertise, ethical governance, strategic thinking, and analytical skills; and personal competencies – self-awareness. Lastly, the responses to Question 5 highlighted gaps and recommendations regarding board rotation and succession planning.

Research Question 3 consisted of three supporting questions which assessed what barriers emanate from the director, board, and SOE levels. Some of the barriers highlighted could be mitigated by the factors that emerged in Research Question 1. Regarding the individual-level barriers, it can be concluded that there is a lack of understanding amongst the board members about their roles and responsibilities when it comes to board oversight, as well as a lack of adequate competencies and quality decision-making information. While the board-level barriers include a lack of leadership and the impact of relational dynamics, and lastly the entity-level barriers are inadequate shareholder and board relationships, incompetent executive team to implement the strategy and shareholder and political interference

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The objective of the research was to determine how SOE boards discharge their fiduciary responsibilities when exercising ongoing strategic oversight of the organisation's strategy implementation.

Chapter 6 presents the research findings discussed in the previous chapter, with the context of the study, which has been set out in chapter 1 and the literature review presented in chapter 2, integrated with the results to confirm, or disconfirm the research findings. The findings from the data analysis from the 12 semi-structured interviews will be compared with prior research on the role of board strategic oversight over strategy implementation. The objective is to extend the current literature on the factors that enable effective board strategic oversight, board skills and attributes, and the barriers that affect directors in their capacity, boards as a group, and SOEs from exercising effective strategic oversight.

6.2 Discussion of Research Question 1

RQ 1: What are factors that enable effective board oversight over strategy implementation?

Research Question 1 aimed to determine what factors enable effective board oversight over the strategy implementation of SOEs (Asahak et al., 2018; Boivie et al., 2021; Boshoff et al., 2019; Zhu et al., 2016), as it was important to understand factors enabling effective board oversight over strategy implementation in SOE.

6.2.1 Understanding of board strategic oversight role

In order to contextualise the discussion and establish the participants' views of the enabling factors of board strategic oversight of the strategy implementation, the researcher sought to establish from the participants' their understanding of the role of board strategic oversight. Table 3 shows keywords that were analysed from the participants' descriptions of their understanding of the role of board strategic oversight.

An analysis of the keywords resulted in board strategic oversight being understood to be a strategic thinking, role which sets the tone at the top and provides strategic direction of the organisation while ensuring the capacity to implement the strategy and providing continuous strategic oversight is conducted over strategy implementation. Furthermore, it was understood that mandate and regulatory requirements (i.e., Company Act, PFMA, King IV code) about the role are adhered to.

This aligns with the definition of IoDSA (2016) principle 6 on corporate governance, which indicates that "The primary leadership role of any governing body is expressed as encompassing, steering the organisation and setting its strategic direction, approving policy and planning that give effect to the direction provided, and overseeing and monitoring of implementation and execution by management, and ensuring accountability for organisation performance by means of, among others, reporting and disclosure" (p.114). While section 76 of the Companies Act prescribes that directors' fiduciary duties encompass acting in good faith, in the company's best interests, and with care, skill and diligence. Furthermore, directors are required to manage the company's business affairs by exercising control and accountability, setting strategy and performance objectives, overseeing management's performance and strategy implementation, and ensuring that appropriate resources are in place (Companies Act 71, 2008).

Furthermore, section 52 of the PFMA and Treasury Regulation section 29.1 state that an SOE board must develop a three-year corporate plan, which must include strategic objectives and outcomes identified and agreed on by the executive authority in the shareholder's compact, as well as key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives (National Treasury, 2001; Public Finance Management Act, 1999). While the board is not in the operation on a daily basis, in segregating roles in terms of the Companies Act the board delegates its power to the accounting officer to run the day-to-day operational affairs of the organisation; however, the board still retains its fiduciary duties. This delegation does not imply abdicating its fiduciary responsibilities. Several scholars confirm that many boards delegate part or all of the responsibility for developing and implementing the entities' strategy to the management (Fuzi et al., 2016; Hambrick et al., 2015; Judge & Talaulicar, 2017; Sheehan & Powers, 2018; Thompson et al., 2019), as the majority of directors serve as part-time overseers and advisors of strategy development and implementation.

Comparing these definitions and regulatory requirements, all elements described by the participants were found in the corporate governance literature, Companies Act, and PFMA. Therefore, the concept of board strategic oversight could be understood that the board is legally responsible for determining the entity's strategic direction and ensuring its long-term performance. Significantly, a board shapes an entity's performance outcomes. As the highest legal authority for SOEs, the prominent role of board members affords them the capacity to exert substantial influence and oversight (El Beshlawy & Ardroumli, 2021). Consequently, the success of board strategic oversight is crucial since it enables the board to monitor management through two processes: control decision and outcome control.

6.2.2 Factors enabling effective board oversight over strategy implementation

The study sought to establish an understanding of the factors that enable effective board oversight of the strategy implementation in SOE. The participants shared a common understanding of the factors that enable board oversight of the strategy implementation. From the data analysed, the researcher categorised the factors of effective board oversight into two: internal and external factors. The categorisation of these factors is a new insight from this study. Hence the extant literature review does not categorise the factors but describes them. Several factors emerged as internal factors rather than external factors.

6.2.2.1 Internal factors enabling board oversight over strategy implementation

Internally, the enabling factors that emerged for board oversight over strategy implementation were strategy and performance, effective oversight, governance committee, effective leadership, role clarity, composition, culture, and decision-making information.

The research revealed that board strategy setting, and performance is the factor enabling effective board oversight over strategy implementation. It was revealed that the board's primary leadership role is to set and approve the strategic direction of the organisation; however, because the board is not full-time in the day-to-day operations of the business, the board delegates strategy setting to management. This notion is supported by Boivie et al. (2021) who posit that boards play a crucial role in the success of an organisation, including the determination of corporate strategies and overseeing managerial performance. Although the board delegates this responsibility to management, the board is still ultimately responsible for SOE performance (OECD, 2018; Thompson et al., 2019). In exerting its fiduciary duties, a board has accountability to approve the strategy developed by management and thereafter oversee and monitor the implementation of the strategy. It is for this reason the shareholders devolve "decision management" to senior executives and rely on directors to exercise "decision control" over senior executives. Hence, boards oversee executives in order to protect shareholders against the moral hazard risk that develops when an agent's objectives do not entirely align with the objectives of the principal (Boivie et al., 2016; Fama, 1980; Jensen & Meckling, 1976). Boards are ultimately responsible for SOE performance, especially through their fiduciary duty.

In addition, effective oversight emerged as a key enabling factor for effective board strategic oversight, which is linked to strategy setting. The effective functioning of a board's strategic oversight is an essential component underlying good organisational performance. Because boards are in charge of overseeing the systems and processes that manage, control and govern an entity's strategy, leadership decisions, regulatory compliance and overall performance, effective boards have been linked to the strength of the entity's strategy implementation and overall performance (Asahak et al., 2018). Furthermore, the study revealed that the manner in which the board exercises effective oversight depended on the extent to which they were satisfied with the approved strategy. Zhu et al. (2016) support this view and emphasis that how the board participates in strategy formulation may have a considerable impact on how boards influence strategy formulation and, as a result, how they perform strategic oversight of their entities.

Furthermore, governance committees emerged as a factor that enables effective board oversight of the strategy implementation. It was revealed that the board sub-committees are an extension of the board. These governance structures seek to establish more effective corporate governance practices, enabling effective board oversight and entity performance (Boivie et al., 2021). Thus, it was found that most of the robust discussions pertaining to strategy implementation progress and status are discussed in these board subcommittee structures. Asahak et al. (2018) confirm this finding citing that "an effective board must have the proper board structure, [be] enabled by the right board composition, and participate in the correct board processes"(p.2). Therefore, it is important that the board has an adequate mandate, and structure in place to conduct its duties effectively.

The research further revealed that effective leadership enables the board to effectively oversee the strategy implementation. It was found that board leadership is important, particularly the leadership of the chairperson of the board. IoDSA (2016) recommend that the "board chairperson's role is to lead the governing body in the objective and effective discharge of its governance role and responsibilities" (p.53). This will enable the board's primary leadership role of steering and directing the strategy of the entity, hence leadership of the chairperson and board as a collective is fundamental to the performance of the entity (IoDSA, 2016; McLeod, 2019; Sheehan & Powers, 2018). Furthermore, the board chairperson and accounting officer (CEO) must have a civil relationship, and clear separation of the positions of CEO and chairperson of the board of directors has a positive impact on firm performance (Al-Adeem & Al-Sogair, 2019).

Furthermore, the results revealed that it is important to clarify roles and responsibilities among the board and shareholders, as well as role clarity between management and the board. The layer's powers are important in ensuring effective board oversight. Judge and Talaulicar (2017) assert that strategic oversight over strategy implementation can be challenging for many boards, yet it is one of their most critical roles. In order to alleviate this challenge for the board. Judge & Talaulicar (2017) support that board oversight role clarity between management and the board presents many challenges for many entities.

Components of board composition (i.e., independent, skill and expertise, and knowledgeable board) emerged as critical factors that enable effective board strategic oversight over the strategy implementation (El Beshlawy & Ardroumli, 2021). Principle 7 of King IV supports and emphasises that the “board is comprised of the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively” (IoDSA, 2016 p. 50). Thus, the board of directors is a collective governing body that should operate independently and in the shareholders' best interests (De Masi et al., 2020; Fuzi et al., 2016). However, while there is clear guiding regulation and corporate governance (i.e., Companies Act and King IV) on the independence of the boards, there is a challenge for SOE boards to be independent as the shareholder constantly interferes with their oversight function. Furthermore, it was revealed that for a board to fulfil its fiduciary duties and obligations honestly and effectively, it should have a proper balance of expertise, skills, and experience (Dragomir et al., 2021; El Beshlawy & Ardroumli, 2021; Fuzi et al., 2016; Kaunda & Pelser, 2022; Kuzman et al., 2018).

The last internal factor revealed by the study was decision-making, which refers to the quality of information the board receives on a regular basis from management. In order for the board to oversee the performance of the strategy, it is important that any accurate reporting which is a true reflection of progress made by the business, is timeously ready for the board to review, to support the board in making an informed decision. Sheedy and Griffin (2018) supported this finding citing that one of the ways the board exercises its strategic oversight is through hindsight which entails guaranteeing correct financial information reporting. Furthermore, the board is also accountable to all SOE stakeholders, i.e., customers, lenders, employees, and the broader public accurate and quality information issued by management enables stakeholders to make informed assessments of the organisation's strategy and performance. (IoDSA, 2016; Public Finance Management Act, 1999; Companies Act 71, 2008). Therefore, management should support the board in ensuring that quality information is produced, to enable effective board strategic oversight over strategy implementation.

6.2.2.2 External factors enabling board oversight over strategy implementation

Externally, the study revealed that stakeholder and economic outlook emerged as a factor for enabling effective board oversight over strategy implementation. It was found that for an entity to have an adequate and comprehensive strategy, therefore the board in setting the strategic direction of the organisation should consider environmental factors both macro and micro i.e., strategic foresight, global economy, climate change and customer needs and expectations (Judge & Talaulicar, 2017). Sheehan and Powers (2018) posit that foresight has the most significant impact on a firm’s performance of the three responsibilities but is the most challenging task for boards to master. The board in conducting an effective oversight role are required to make decisions concerning complex matters impacting the entity strategy plan, therefore it's important that the board have an understanding of both the internal and external environment (Boivie et al., 2016).

6.2.3 Corporate culture that enables effective board oversight

It was important for the researcher to understand the importance of corporate culture as an enabling factor for effective board strategic oversight. The participants provided strong views on the importance of the ethical culture in enabling the board to oversee the strategy implementation. Di Miceli da Silveira (2022) supports this finding and asserts that strong ethical culture promotes and prioritises act in the best interest of the organisation. There is a high expectation that board members demonstrate ethical behaviour in their conduct. Hence, Steckler & Clark (2019) assert that boards are designed to uphold an entity's specific principles, culture and identity while adhering to conventions such as laws and best practices for maximum legitimacy and acceptance. Therefore, ethical culture enables board effective strategic oversight and encourages ethical decision-making.

From the data analysis, several of themes emerged, and the researcher categorised them into positive and negative organisational culture attributes.

6.2.3.1 Positive organisational culture attributes

Positive organisational culture attributes emerged which are characterised by i.e., ethical culture, the board setting the tone at the top, and a culture of honesty and openness. Lekgothoane et al. (2020) confirms that a positive culture is about accountability, responsibility, fairness, and transparency are characteristics of ethical behaviour. The research revealed that a positive ethical culture is important for the effective running of the organisation and is a key factor that enables effective board strategic board oversight; and the board as an accounting authority is responsible for ensuring that ethical culture is embedded in the organisation. This assertion is supported by the recommendation of King IV, that the board as the governing body "should govern the ethics of the organisation in a way that supports the establishment of an ethical culture" (IoDSA, 2016 p.44). This means that effective board strategic oversight includes establishing an organisation's values and culture, and ensures that entities' decisions and activities are performed ethically, fairly and in accordance with regulatory standards (Asahak et al., 2018; Steckler & Clark, 2019; Watson & Ireland, 2021). Hence the view that culture is one of the critical enablers in achieving the strategy implementation.

There was a strong view that setting the tone at the right top enables effective board oversight; both the board and management play an equal role in setting the tone from the top for an organisation (Medcraft, 2016). Medcraft (2016) cites that overseeing culture can be difficult for boards that are not involved in the day-to-day operations of an entity. Hence, the board sets the tone and management cascades the tone across the business. It was further revealed that ethical culture encourages ethical behaviour in different ways; it enables employees to act ethically and professionally, fosters favourable workplace behaviour, is an essential component of ethical decision-making, and is directly related to higher performance, workforce performance, and job satisfaction (Van Wyk and Badenhorst-Weiss, 2017).

6.2.3.1 Negative corporate culture attributes

The research found that positive culture is important, and it enables capacity, conduct and competencies. Negative organisational culture attributes in some SOEs emerged, which were characterised by i.e., corruption and malfeasance, self-funding, hierarchy, and bureaucracy. Lekgothoane et al. (2020) confirm that hostile culture is perpetuated by organizational politics, corruption, malfeasance, and hostility. Furthermore, a picture of one of the SOEs was painted to give the researcher a view of an entity that is riddled with issues of the legacy of governance failures, political interference, looting state resources and malfeasance. It was revealed that remediating such organisational culture requires strong leadership responsibility with solid integrity of the organisational setting, which could result in improved strategic performance. George and Sahay (2018) assert that it is important for the board to demonstrate increased transparency in order to establish greater integrity. Thus, the board has a responsibility to ensure a positive and ethical culture in SOEs by establishing values and behaviours that aligned with the entity and the achievement of good governance.

6.2.4 Summary of the findings of Research Question 1

The research findings conclude that board strategic oversight of the strategy implementation is motivated by a clear understanding of the board's strategic role and internal and external factors. It is concluded that the role of SOE board strategic oversight of the strategy implementation is well understood by board members in SOE, the board fiduciary duties are guided and prescribed by the robust regulation and governance framework i.e., Company Act, PFMA and King IV on corporate governance. Furthermore, effective board oversight of the strategy implementation is motivated by internal and external factors. Internal factors include e.g., strategy and performance, effective oversight, governance committee, effective leadership, role clarity, composition, culture, and decision-making information. These internal factors were supported and confirmed by the existing literature on board strategic oversight and good corporate governance. Furthermore, the research findings conclude that board strategic oversight of the strategy implementation is motivated by external factors as well which include e.g., strategic foresight, global economy, climate change and customer needs and expectations. These factors are supported by the extant literature. Finally, is it concluded there is a greater benefit when the organisation demonstrates a positive culture that entails i.e., ethical culture, the board setting the tone at the top, and a culture of honesty and openness; such culture attributes foster effective board strategic oversight over strategy implementation and ultimate good organisation performance. However, SOE culture is riddled with negative cultural attributes i.e., governance failures, corruption, malfeasance, and political interference which are counterproductive to the effective board strategic oversight and the performance of the organisation. Both negative and positive cultural attributes have been confirmed by the extant literature.

6.3 Discussion: Research Question 2

RQ 2: Do boards possess the relevant skills that enable them to effectively discharge oversight of the strategy implementation of SOEs?

Research Question 2’s objective was to determine whether SOE boards possess the relevant skills that enable them to discharge oversight of the strategy implementation. (Dragomir et al., 2021; El Beshlawy & Ardroumli, 2021; Fuzi et al., 2016; Kaunda & Pelser, 2022; Kuzman et al., 2018). It was important to understand what skills and expertise the SOE board must effectively discharge oversight of the strategy implementation.

6.3.1 Board nomination and selection process

It was important for the researcher to understand the process followed in nominating, selecting, and appointing SOE boards. The participants had different views and opinions on this process. The results indicate that there are multiple processes of nomination, selection, and appointment in SOEs. The researcher then categorised these processes into two, namely conventional and unconventional. The extant literature does not categorise the process but outlines the nomination and selection process.

6.3.1.1 Conventional nomination, selection, and appointment

The conventional nomination process emerged, which is the process where the nomination of the board of directors is facilitated via executive search, head-hunter, or advert in the newspaper. This is a process that is facilitated by the SOEs, particularly for boards of subsidiaries (these are entities that are fully owned by the SOEs). The nomination committee which is one of the governance structures within SOEs drives the nomination and selection process. The mandate of the nomination committee is to ensure that the SOE subsidiary board skill set is adequate and where there is a skills gap, the necessary onboarding will be overseen by the committee. The conventional nomination and selection process is more stringent in ensuring transparency, and skilled and competent directors are appointed. These results align with the literature that suggests that in the private sector, the board or the nominations committee would normally conduct due diligence on potential non-executive directors and recommend their appointment to the shareholders (Kuzman et al., 2018), which suggests that the conventional process applied to the SOE subsidiary boards is similar to that of the private sector.

6.3.1.2 Unconventional nomination, selection, and appointment

The unconventional nomination, selection and appointment emerged; this is the process administered by the Minister. The Minister in his capacity as an accounting authority has the mandate to appoint the SOEs board members (Du Toit, 2005; Kaunda & Pelser, 2022). It was found that the unconventional process of nomination and selecting the Minister is supported by the deployment committee, which is the structure established by the governing political party (African National Congress (ANC)). This process has some nuances, and its transparency ends when the roles are published in the media; thereafter, the criteria for selection and nomination are unclear, which raised a question of the integrity of the process, as well as the calibre of directors appointed. The literature on effective board oversight confirms that there are deficiencies in the appointment process and inadequate consideration of leadership competencies are two of the most significant challenges of the director recruitment process for SOEs (IoDSA, 2019; Kaunda & Pelser, 2022).

Furthermore, the results indicate that most of the directors appointed in SOEs are not appointed on the merits of skill and expertise and the government through the Minister and deployment committee has completely failed in appointing the right competent directors. The Ministers' primary objective of these appointments is to fulfil personal and political goals, which are not aligned with the SOE mandate and might cause the director's independence to be questioned (Kuzman et al., 2018). Zondo (2022) in the final volume of the judicial commission of inquiry's report into state capture confirms the inconsistencies in the SOE board nomination process, and the commission recommended the establishment of a Standing Appointment and Oversight Committee to strengthen the process of nominating and appointing directors of SOEs. The commission continues to posit that the nomination of the boards of SOEs must be justified based on their abilities, expertise, experience, and knowledge and that the government, through the responsible minister, has failed to nominate adequate directors to the boards of SOEs. Therefore, there is an urgent need for this process to be enhanced and ensure transparency on how Ministers appoint the board members.

6.3.2 Fundamental skills and capabilities

The study sought to establish fundamental skills and capabilities the board must possess in order to fulfil their oversight responsibilities. Participants provided a consistent view, with a common perspective that the board should be competent in order to conduct effective board oversight of the strategy implementation. During the data analysis conducted, diverse knowledge and skills emerged and the researcher categorised them into functional and personal competencies; however, the extant literature does not categorise the competencies but outlines the board composition, i.e., skills and attributes.

6.3.2.1 Functional and Personal Competencies

Governance

The results indicate that corporate governance is the primary skill the board should possess, hence board must be competent in understanding the principles of corporate governance because it overarches how the board should conduct its duties. This finding is supported by King IV recommending that the board of directors be the custodian of corporate governance in SOEs and states that the effectiveness of the board as a group is paramount (Boshoff et al., 2019; IoDSA, 2016). Thus, good governance creates a system of guiding principles that determines how boards and entities operate; therefore, it is important for the board to understand these guiding principles.

Skill and expertise

The study revealed that for directors to perform their fiduciary duties in a more efficient and effective manner, the board must have the requisite skills and expertise. The board should thus have a diverse and balanced skill set i.e., strategic thinking, analytical skills, and personal competencies such as self-aware and self-management, as well as industry knowledge that is appropriate for the SOE. Board members' skills should complement each other; it was found that the board members are not expected to be experts in all fields, hence a diverse and balanced skill set is encouraged. These results are confirmed in principle 7 of King IV, which requires that the "board is comprised of the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively" (IoDSA, 2016 p. 50). Furthermore, directors who have an in-depth knowledge of how the industry functions and the entity's competitive environment will be in the best position to provide strategic oversight of the entity's strategy implementation (Barroso-Castro et al., 2017). In turn, the level of competence exhibited by individual directors influences the effectiveness of the board as a whole, as a result of the specific skills and competencies they exhibit (Boshoff et al., 2019).

Ethical leadership

The research results revealed that directors should demonstrate ethical leadership in the manner in which they conduct themselves and treat others. When the director is confronted with uncomfortable resolutions made by the board, he or she should be able to act independently to voice freely views and opinions. IoDSA (2016) supports and recommends that the board as the governing body "should govern the ethics of the organisation in a way that supports the establishment of an ethical culture" (p.44), which implies that effective board governance includes establishing and overseeing an organisation's values and culture, as well as ensuring that entities' decisions and activities are performed ethically, fairly, and in accordance with regulatory standards (Asahak et al., 2018; Steckler & Clark, 2019; Watson & Ireland, 2021).

6.3.3 Board Rotation

This section discusses the themes that emerged relating to the rotational plan. These are recommendations provided by the participants on an appropriate rotational plan for SOE boards, in order to ensure continuity of board oversight, knowledge, and expertise while introducing new expertise. The themes that emerged for an effective rotational plan were continuity, strategic mitigation, staggering approach, board tenure, and institutional knowledge.

The research found that the rotation and succession plan is the risk mitigation mechanism that enables entities to have a plan in place in the event that the directors resign, or their term of office expires. Hence, King IV principle 12 recommends that the governing body should establish arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity (IoDSA, 2016). Currently, there is no evidence of rotation or succession plan in place for boards, because SOEs have a common practice of rotating the entire board at the same time. (Thompson et al., 2019) posit that because SOE boards are nominated and appointed by the designated minister, their tenure is influenced by the term of office of the political party in power, which results in the tenure and rotation of boards dependent on the changes in political parties in government. The research further revealed that this approach is highly ineffective and deprives the board and entities of adequate continuity and institutional knowledge to effectively conduct strategic oversight in a meaningful manner. Thus, Kuzman et al. (2018) assert that effective board oversight influences how the board oversee and monitors the strategy implementation; however, politically motivated board member tenure and lack of a rotational plan may have a negative impact on SOE performance. By contrast, the participant recommended that a well-constructed and staggered rotational programme would be viable for retaining valuable skills and competencies and being able to maintain continuity of knowledge and experience whilst introducing new ideas and expertise. This recommendation is supported and aligned by some researchers (Dragomir et al., 2021; IoDSA, 2016, 2018; Visser et al., 2018; World Bank Group, 2022).

6.3.4 Summary of the findings of Research Question 2

The research finding concluded that it is important and critical for the SOE board to possess relevant skills and expertise that will enable it them to effectively discharge oversight of strategy implementation. The categorisation of these nomination processes is a new insight from this study. These inconsistencies can be summaries as:

The convention nomination process entails board members recruited through executive search, head-hunter, or advert in the newspaper; this process is run by SOEs through their governance structure, i.e., nomination committee (this process is mainly applied to SOEs subsidiaries). This process resembles the level of transparency to some extent in how subsidiary boards are appointed. The unconventional nomination process is administered by the Minister who is supported by the deployment committee, which is the ANC structure, hence the research findings conclude that the inconsistency creates poor corporate governance and lack of transparency as a result of political involvement. These inconstancies have been confirmed by the research literature.

Furthermore, the research findings concluded that the board should possess a diverse skill set in order to conduct an effective board strategic board oversight of the strategy implementation, it is not an expectation for the board to be subject matter experts in all fields. However, importantly is for the board to demonstrate functional and personal competencies, which are outlined as followed

Functional competency – Firstly, the board must be competent in understanding the principles of corporate governance because it overarches and prescribes a framework on how the board should conduct its duties specifical to matters of strategic oversight over strategy implementation. Secondly, the board should have a diverse and balanced skill set i.e., strategic thinking, analytical skills, and personal competencies such as self-awareness and self-management, as well as industry knowledge appropriate to SOE. Lastly, directors should demonstrate ethical leadership in the manner in which they conduct themselves and treat others. Hence, ethical culture and tone at the top are deemed to be important drivers of ethical leadership behaviour. These leadership attributes were confirmed by literature.

In addition, the research findings concluded that a rotational plan is important in ensuring that board strategic oversight continues in the event some board members' tenure comes to an end or the director resigned. A rotational plan ensures that fresh knowledge and expertise in the board are regularly introduced. The literature supported this finding.

6.4 Discussion: Research Question 3

RQ 3: What are the barriers affecting SOE boards from effectively discharging strategic oversight over strategy implementation? (Boivie et al., 2016).

Research Question 3 aimed to determine what the barriers are that limit SOE boards from effectively discharging strategic oversight over the strategy implementation (Boivie et al., 2016). Board members are required to evaluate and oversee their organisation's strategy implementation carefully, yet the literature shows that there are barriers that impede boards from conducting effective strategic oversight functions (Boivie et al., 2016; Sheehan & Powers, 2018).

6.4.1 Barriers to effective board oversight

This section discusses the themes that emerged related to the barriers that constrain SOE boards (i.e., directors, boards, and entity level) from conducting effective oversight over the strategy implementation of the entity. From an analysis of the data, the researcher observed that there were barriers that were overlapping between directors, boards, and entity levels; therefore, the results were categories in these themes, which is supported by the extant literature. There is no available literature the researcher could support some of the themes revealed by the study. Hence the findings will be regarded as a new insight.

Directors' barriers

The research found interrelated barriers impacting directors as an individual from conducting effective strategic oversight over the strategy implementation. It is important that these barriers are remediated to ensure improvement in board strategic oversight, which will enable SOE performance.

In exercising its leadership, the SOE board serves as the focal point and a custodian of corporate governance in the SOEs (IoDSA, 2016). The results of the study indicated that some of the **directors lack an understanding of board oversight,** which is the director's core responsibility. This barrier results in the leadership of the director being questioned. Furthermore, results indicate a barrier relating to inadequate board composition caused by directors' lack of skills and expertise, resulting in directors not participating meaningfully in strategic decisions. This impedes the effectiveness of strategic oversight of the strategy implementation. Several researchers corroborate and validate this finding, highlighting that the Minister appoints the SOE board, which fosters and establishes a political tie between the board member and the Minister to achieve the political agenda (Thompson et al., 2019). This results in cronyism, defined as "providing a favour to friends and associates of politicians, particularly in the nomination of these individuals to top posts in SOEs", (Dragomir et al., 2021 p.15). Moreover, this cronyism may lack the required expertise, abilities, and competence to execute board strategic oversight (Kuzman et al., 2018). Professional expertise and competencies should be the major criterion for appointing directors, and state-owned enterprise (SOE) directors should have legitimate independence (Dragomir et al., 2021). Hence according to Boshoff et al. (2019), the level of competence exhibited by individual board members affects the efficiency of strategic supervision. Therefore, failure by a Minister to conduct thorough due diligence and consult with the board to identify the required skills and experience before making any non-executive appointments may result in unbalanced skills and competencies, leading to ineffective strategic direction and oversight by SOE boards.

In addition, **lack of capacity** from directors also emerged as a barrier that hinders directors from effectively conducting their duties; for example, if the director is over-committed and lacks capacity to prepare adequately for the board meeting. It was noted that proper due diligence should be conducted before directors are appointed to ascertain their commitment. The researcher could not validate or confirm the finding due to the limited literature on barriers impacting SOE boards. Hence research on the finding is regarded as a new insight. However, King IV on corporate governance recommends that directors must commit time to commit to their fiduciary and professional obligations (IoDSA, 2016).

The results further indicate that **lack of decision-making information** is a significate barrier impacting directors; it was revealed that board packs are not distributed timeously; in some instances, information sharing is inadequate and insufficient for the director to understand and make meaningful decisions. This was supported by previous research which indicates that the board of directors lacks the opportunity to engage in the strategy process or a lack of access to business information which results in the boards' failure to conduct strategic oversight over strategy implementation effectively (Gilson & Gordon, 2019; Public Protector South Africa, 2014; Sheehan & Powers, 2018). Therefore, the ability of directors to discharge their duty of care concerning the strategic oversight of the strategy implementation depends on the quality of the information provided by the management (Sheehan & Powers, 2018).

Board barriers

Lack of leadership is a barrier impacting the board as a group in effectively conducting strategic oversight of the strategy implementation. This barrier is caused by a leadership culture that is hostile and rife with political interference; the SOE leadership environment was described as an environment that is engulfed with corruption, autocratic, dictatorship and bureaucratic attributes (Lekgothoane et al., 2020). These attributes are similar to the negative culture described in Section 6.3.2 above that emanate from the political interference (Dragomir et al., 2021; OECD, 2015a; Thompson et al., 2019). With such an environment comes a lack of accountability, where people are scared to make decisions because they fear that the outcome might negatively impact their reputation. Thus, Dragomir et al. (2021) assert that all these challenges put pressure on the boards to make controversial decisions during strategy implementation.

According to Fuzi et al. (2016), non-executive directors on the board cannot properly discharge their responsibilities unless they are fully independent. The results indicated that SOE boards experience **relational dynamics barriers** that arise due to board members' familiarity with each other, caused by the board members working together for a long-time, and comradeship that impedes their objectivity and independence in fulfilling the strategic oversight. Additional relational dynamics barriers revealed were a lack of respect and professionalism; this arises from where a director is politically connected and undermines the views and perspective of a non-political director acting unprofessional on the board. Such relational behaviour is counterproductive to the effective functioning of board strategic oversight. While the researcher could not confirm the finding due to literature limitation on SOE board oversight, Companies Act 71 (2008) and IoDSA (2016) prescribe that directors should professionally conduct themselves at all times and act in the best interest of the organisation. Therefore, all directors should comply with the legislative and governance requirements.

The other barrier revealed was the operating environment which emphasised areas such as Auditor General review outcome, irregular expenditure, and state capture, which instils fear in boards to make a strategic decision on larger strategic projects, for there is **fear of governance failure** upon the board. As a result, fear of failure becomes a significate impediment in board strategic oversight over strategy implementation. There is limited literature on barriers impacting the SOE board in conducting strategic oversight of the strategy implementation. Hence the researcher could not validate the finding. Therefore, the revealed finding will be regarded as a new insight into the study.

SOE barriers

This section discusses barriers related to SOE; these elements are likely to impede or limit entities from successfully achieving the strategy implementation. The research revealed a **significant delay in obtaining approval on the strategic initiative** from the responsible Minister, which results in strategy implementation not being achieved timeously, and consequently hinders the board from conducting effective strategic oversight over the strategy implementation. This barrier could not be validated or confirmed by extant literature due to the limited literature on actual barriers impacting SOE boards; hence, the finding is regarded as a new insight. Although, this barrier could be remediated by a clear shareholder's compact, which is an agreement outlining the SOE's primary strategy and performance areas (public interest mandate) that governs the relationship between the shareholder’s representative and the SOE (National Treasury, 2001). Furthermore, section 52 of the PFMA and Treasury Regulation section 29.1 state that an SOE board must develop a three-year corporate plan, which must include strategic objectives and outcomes identified and agreed on by the executive authority in the shareholder’s compact. Therefore, all strategic deliverables planned for the financial year must be clearly articulated in the shareholder compact and approved by shareholders to avoid unnecessary delays during the year.

Another barrier emanating from the SOE level was linked to the strategy, and performance was related to the **lack of competent leadership** executive team capability. It revealed that if the leadership of the executives (i.e., Chief Executive Office) in the organisation is weak, it will be difficult to implement the strategy. The incompetency of SOE executive leadership could not be confirmed with literature; the finding will be regarded as a new insight. However, according to Boivie et al. (2016), Fama (1980) and Jensen and Meckling (1976), shareholders delegate "decision management" to senior executives and rely on board members to exert "decision control" over senior executives. To safeguard shareholders from the moral hazard risk that arises when an agent's objectives are not aligned with those of the principal, it is crucial for boards to monitor CEOs. Therefore, the executive leadership team should have adequate qualifications and experience. Ethical leadership and transparency from executives are important in supporting an effective board strategic oversight over the strategy implementation, as the board places significate reliance on management to deliver the strategy.

Another barrier revealed was the external influence which was described as where a **shareholder and politician interferes** with the operational and strategic matters of the entity that are within the board delegation of power. That is called interference, and such conduct is not good governance, as such interference results in the board being able to conduct effective strategic oversight and ultimately impacting the organisation's performance. Dragomir et al. (2021) support this finding and assert that the poor performance of SOEs is due to a lack of independence by directors due to political interference. Therefore, political interference over the board result in operational inefficiencies and poor SOE performance.

6.4.2 Summary of the findings of Research Question 3

The research finding in this research question concluded that there are barriers that constrain SOE boards from conducting effective oversight over the strategy implementation of the entity. These barriers were categorised as per the extant literature, i.e., directors, boards, and entity level. The researcher could not find literature that supports these SOE board oversight barriers. Barriers are summarised as follows:

Director barriers relate to capacity, which is a lack of an understanding of board oversight which is the core responsibility of the director; the barrier was confirmed by literature. Another barrier that the research concluded on was the lack of capacity from directors, which hinders directors from effectively conducting their duties; for example, if the director is over-committed and lack time to prepare adequately for the board meeting. Therefore, detailed due diligence needs to be conducted to understand director commitment. The barrier could not be confirmed with the existing literature, which has been regarded as a new insight. Furthermore, lack of decision-making information is a significant barrier impacting directors; it was concluded that boards are not receiving board packs timeously, which disempowers the board to engage meaningfully with information. This results in strategic decisions not being made or deferred due to the late submission of information. The existing literature supports this barrier.

Board barriers are impacting the board as a group. The research finding concluded that lack of leadership and relational dynamics affect the effectiveness of board strategic oversight of the strategy implementation. This barrier is caused by a leadership culture that is hostile and rife with political interference. The SOE leadership environment was described as an environment engulfed with corruption, autocratic, dictatorship and bureaucratic attributes. Furthermore, the research finding concluded that the SOE operating environment, which placed emphasis on areas such as Auditor General (AG) review outcome, irregular expenditure, and state capture issues, instil fear in boards to make a strategic decision on larger strategic projects, which results in fear of governance failure upon the board. As a result, fear of failure becomes a significant impediment in board strategic oversight over strategy implementation. This finding the researcher could not support with literature. Therefore, it is regarded as a new insight.

The research finding concluded that there are barriers that emanate from SOE that impede on-board strategic effectiveness, delay in obtaining approval on the strategic initiative from the Minister, which results in strategy implementation not being achieved timeously and consequently hinders the board from conducting effective strategic oversight over the strategy implementation. Another barrier was political interference, both barriers hinder the board from conducting effective strategic oversight over the strategy implementation. The existing literature supported these barriers.

6.5 Conclusion

The research findings were discussed, and a summary of the findings per research question was provided. The enabling factors, board skills, and attributes and barriers for effective board strategic oversight of the strategy implementation in SOE were presented. A framework has been developed from these findings, which should serve as guidance for SOE as they improve the role of board strategic oversight. The framework will be presented in the next chapter.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

The objective of the research was to determine how SOE boards discharge their fiduciary responsibilities when exercising ongoing strategic oversight of the organisation's strategy implementation.

The inherent interest in the State-Owner Entities' board strategic oversight stems from the ongoing pressure to improve SOE performance and poor corporate governance. The 2008 global crisis prompted governments to review SOEs' impact on budgets and the financial stability of the entities(Frederick, 2011; Srivastav, & Hagebdorff, 2016; Thompson et al., 2019). In reality, a substantial portion of the SOE sector has been engulfed by chronic underperformance, low returns on government investments, and an ongoing need for shareholders' support, whether in the form of explicit guarantees or implicit subsidies (OECD, 2015). Some of these inadequacies are consequences of substantial corporate governance failures, such as lack of board oversight, poor board selection and appointment, inadequate managerial accountability, excessive political interference, corruption, and unclear SOE objectives (Dragomir et al., 2021; OECD, 2015a; Thompson et al., 2019)

While one of the core fiduciary obligations of the board of directors is to determine the organisation's direction and then evaluate the executives recommended strategy (Sheehan & Powers, 2018; Thompson et al., 2019), a critical challenge for board members is effectively overseeing their organisations' strategy implementation. This difficulty emanates from the board members' lack of substantial opportunity to engage in the strategy process or lack of access to business information to make meaningful inputs. For this reason, the study explored the three components of board strategic oversight, enabling factors, board skills and attributes and barriers to holistically understanding the role of board strategic oversight, particularly in SOEs. The study should guide SOEs as they improve their corporate governance environment.

This chapter summarises the findings of this study on the factors, board skills and attributes, and barriers expressed in the framework, which is built based on the King IV corporate governance framework. In addition, the contribution to both theory and business practice is presented in this chapter, including the study's limitations and areas of consideration for future research.

7.2 Principal conclusion

The function of boards has come under intense scrutiny due to a series of high-profile corporate scandals that highlighted apparent incompetence on the part of boards regarding strategic oversight in the private and public sectors. Consequently, the board of directors is under increased pressure to demonstrate a meaningful oversight responsibility over the strategic performance and contribution to their entities while simultaneously creating sustainable value through strong governance principles (IoDSA, 2021). With this mounting pressure, the question arises of how SOE boards exercise ongoing strategic oversight over the strategy implementation. According to board members, what are the enabling factors and barriers to effective strategic oversight have been an overarching question the research needed to address. To answer this question, it was important to understand the factors, board skills and attributes and barriers of board strategic oversight of the strategy implementation in the context of SOE.

This study answers three research questions on the four components, i.e., enabling factors, board skills and attributes and barriers impacting the directors, board and SOE, and the overall research question. The research findings are summarised in the framework – Figure 4 below and discussed in detail in the following section.

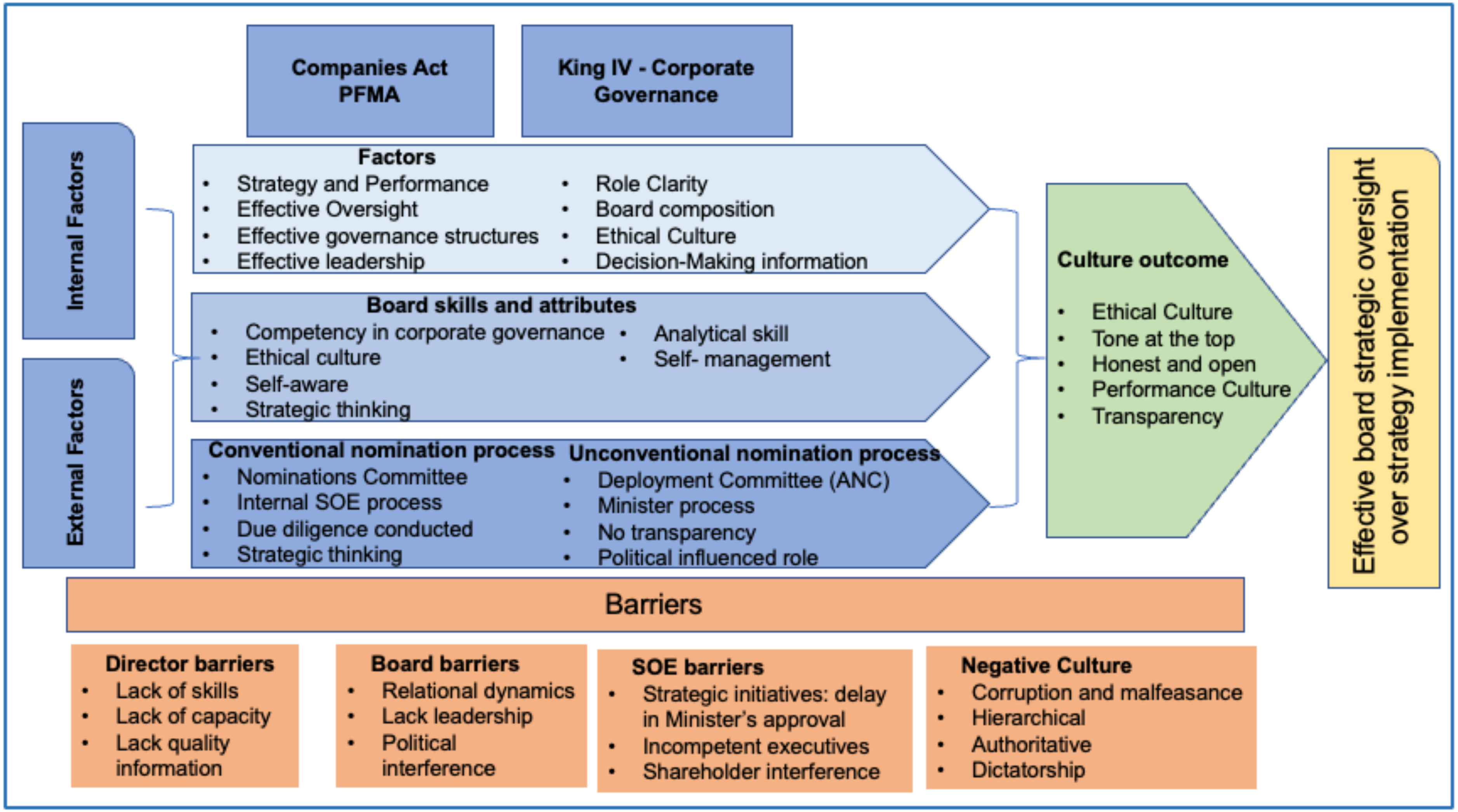


Figure 4: Framework for effective board strategic oversight

7.2.1 Factors enabling the effective board oversight over strategy implementation

As shown in Figure 4 above, for the board to effectively conduct strategic oversight over strategy implementation, internal and external factors and organisational culture attributes must be demonstrated.

In terms of internal factors, the board strategy setting and the performance emerged as critical factors for effective board strategic oversight for the success of an organisation (Boivie et al., 2021). These functions are equally significant in state-owned and private companies (Fuzi et al., 2016; OECD, 2018). The primary leadership role of the board encompasses the ongoing strategic oversight of the implementation of strategy and operational plans by management against agreed performance measures and targets (IoDSA, 2016; McLeod, 2019; Sheehan & Powers, 2018). This means that the board is legally (i.e., Companies Act and PFMA) responsible for determining the entity's strategic direction and ensuring its long-term performance. Significantly, a board shapes an entity's performance outcomes. As the highest legal authority for SOEs, the prominent role of the board affords them the capacity and exerts substantial influence and oversight (El Beshlawy & Ardroumli, 2021).

Furthermore, the governance committee was found to be a factor that enables board strategic oversight over the strategy implementation. It was revealed that the board sub-committee structures are a significant governance structure for the board. These governance structures seek to establish more effective corporate governance practices, enabling effective board oversight and entity performance (Boivie et al., 2021). Most of the discussions regarding strategy implementation are first discussed in these sub-committees, to the extent that if the sub-committees are competent board could be used as a “rubber-stamp” for sub-board decisions (Boivie et al., 2021; Judge & Talaulicar, 2017). Therefore a well-structured board enabled by board composition and a clear process is important in enabling board oversight (Asahak et al., 2018).

In addition, it was found that board leadership is important, particularly the leadership of the chairperson of the board. The role of the chairperson is key in leading the board objectively and effectively and ensuring that the board fulfils its governance mandate (IoDSA, 2016). Furthermore, research revealed that the roles of the board and shareholders, as well as the board and management, must be clearly separated and clarified. The layer's powers are important in ensuring effective board strategic oversight Therefore, the separation of the positions of CEO and chairperson of the board of directors has a positive impact on firm performance (Al-Adeem & Al-Sogair, 2019). Strategic oversight over strategy implementation can be difficult for many boards, despite being one of their most important responsibilities. However, to enable effective board oversight, role clarity between management and board oversight presents many obstacles for many entities (Judge & Talaulicar, 2017).

Moreover, some of the components of board composition emerged, which are independence, skill, and expertise, and a knowledgeable board. The research revealed that these board composition components are critical factors and influence the quality of board strategic oversight of the strategy implementation (El Beshlawy & Ardroumli, 2021). An effective board is a well-constituted board that is well-balanced, and independent and is formed of directors who possess the required skills, experience, and time to commit to their professional obligations (Department of Public Enterprises, 2021; IoDSA, 2016). However, it was found that while there is clear guiding regulation and corporate governance (i.e., Companies Act and King IV) on the independence of the boards, the SOE board finds it difficult to be independent in conducting its oversight duties, due to constant shareholder and political interference. Furthermore, it was revealed that for a board to fulfil its fiduciary duties and obligations honestly and effectively, it should have a proper balance of expertise, skills, and experience (Dragomir et al., 2021; El Beshlawy & Ardroumli, 2021; Fuzi et al., 2016; Kaunda & Pelser, 2022; Kuzman et al., 2018).

The final internal factor highlighted by the study was decision-making, which relates to the board's regular receipt of high-quality information from management. For the board to oversee the performance of the strategy, it is crucial that the board has timely access to reliable reporting that accurately reflects the business's development so that it can make an informed decision. This conclusion was reinforced by Sheedy and Griffin (2018) who noted that one of the ways the board exerts strategic oversight is through hindsight, which includes ensuring accurate financial information reporting. In addition, the board is accountable to all SOE stakeholders, including customers, lenders, employees, and the public. Accurate and high-quality information supplied by management helps stakeholders to make informed evaluations of the organization's strategy and performance.

In terms of an external factor, the research found that stakeholder and economic outlook emerged as a factor for effective strategic board oversight over strategy implementation. The research results revealed that the board needs to consider economic factors i.e., strategic foresight, global economy, climate change, and customer needs and expectations when setting the direction of the organisation, this will drive a comprehensive strategy. Thus, foresight has the most impact on a company's performance but is the most difficult for boards to achieve (Sheehan & Powers., 2018). Moreover, for the board to exercise effective oversight, it must make decisions on complicated problems affecting the entity's strategy. Therefore, it is essential that the board has a thorough awareness of both the internal and external environments (Boivie et al., 2016).

The research further revealed that ethical culture is important in enabling the board to oversee the strategy implementation. Strong ethical culture promotes and prioritises acting in the best interest of the organisation. There is a high expectation that board members demonstrate ethical behaviour in their conduct. Hence, Steckler and Clark (2019) assert that boards are designed to uphold an entity's specific principles, culture and identity while adhering to conventions such as laws and best practices for maximum legitimacy and acceptance. The corporate culture attributes were distinguished into two categories, i.e., positive, and negative corporate culture attributes. In terms of positive culture, it was found that ethical culture and tone at the top are deemed to be important drivers of ethical behaviour, however, overseeing culture can be difficult for boards who are not involved in the day-to-day operations of an entity. Therefore, both the board and management play an equal role in setting the " tone from the top" for an organisation (Medcraft, 2016, p.158). While the negative corporate culture attributes that emerged were characterised by a hostile culture that is perpetuated by political interference corruption, self-funding, bureaucracy, malfeasance, and hostility. These are the characters used to describe the current state of culture for most SOEs.

7.2.1 Board relevant skills to discharge board oversight

The research found that there are multiple processes of nomination, selection, and appointment in SOE. These processes were categorised into two, namely conventional and unconventional. The conventional nomination process of a board is through executive search, head hunters, or newspaper advertisements. This nomination process is facilitated by the nomination committee which is a governance structure within an SOE that oversees all subsidiary boards (entities that are wholly owned by SOE) that report to the group SOE. The board or the nominations committee would normally conduct due diligence on potential non-executive directors and recommend their appointment to the shareholders (Kuzman et al., 2018). The conventional nomination and selection process is more stringent in ensuring transparency and that skilled and competent directors are appointed. While the unconventional nomination, selection, and appointment processes are overseen by the Minister in his capacity as the accounting authority entrusted with appointing SOE board members (Du Toit, 2005; Kaunda & Pelser, 2022), it was revealed that Minister receives support from the deployment committee, which is the political structure established by the ruling political party (African National Congress or ANC). This process has some nuances, and its transparency ends when the roles are announced in the media; beyond that, the criteria for selection and nomination are unclear, raising concerns about the process's integrity as well as the calibre of directors selected. According to the research on effective board oversight, inadequacies in the appointment process and inadequate assessment of leadership competencies are two of the most significant issues of the director recruiting process for SOEs (IoDSA, 2019; Kaunda & Pelser, 2022).

Furthermore, the study found that skills and capabilities are fundamental to enabling effective board strategic oversight. It was revealed that the board should have functional and personal competencies to be effective in conducting board strategic oversight. Key competencies which were found to be important for the board to have are: the (i) the board is the custodian of corporate governance, therefore it's important for the board to understand the principle of corporate governance (Boshoff et al., 2019; IoDSA, 2016); (ii) good governance calls for a board to fulfil its fiduciary duties and obligations honestly and effectively, i.e., a board should have a proper balance of expertise, skills, experience, diversity and independence (Dragomir et al., 2021; World Bank Group, 2022); (iii) the board must demonstrate ethical leadership in its conduct (Van Wyk & Badenhorst-Weiss, 2017). However, the results indicate that most of the directors appointed in SOE are not appointed on the merits of skill and expertise and the government through the Minister and deployment committee has completely failed in appointing the right competent directors. The Ministers' primary objective of these appointments is to fulfil personal and political goals, which are not aligned with the SOE mandate and might cause the director's independence to be questioned (Kuzman et al., 2018). The final volume of the report of the judicial commission of inquiry into state capture confirms the inconsistencies in the SOE board nomination process and the commission recommended the establishment of a Standing Appointment and Oversight Committee to strengthen the process of nominating and appointing directors of SOEs (Zondo, 2022).

The research revealed that the rotation and succession plan is the risk control mechanism that enables entities to have a plan in place in the event that the directors resign, or their term of office expires. In SOEs boards are nominated and appointed by the designated minister, and their tenure is influenced by the term of office of the political party in power, which results in the tenure and rotation of boards dependent on the changes in political parties in government according to Thompson et al. (2019). Thus, Kuzman et al. (2018) assert that effective board oversight influences how the board oversees and monitors the strategy implementation; however, politically motivated board member tenure and lack of a rotational plan may have a negative impact on SOE performance. Thus, the research recommends that a well-constructed and staggered rotational programme would be viable for retaining valuable skills and competencies and being able to maintain continuity of knowledge and experience whilst introducing new ideas and expertise (Dragomir et al., 2021; IoDSA, 2016, 2018; Visser et al., 2018; World Bank Group, 2022).

7.2.3 Barriers to effective board oversight

The study revealed that there are barriers that constrain SOE boards (i.e., directors, boards, and entity level) from conducting effective oversight over the strategy implementation of the entity.

In terms of directors' barriers, it was found that directors lack an understanding of board oversight, which is the director's core responsibility. This barrier results in the leadership of the director being questioned, because of a lack of skills and expertise. This barrier impacts the effectiveness of strategic oversight of the strategy implementation. The cause of this barrier is due to the Minister appointing the SOE board, which fosters and establishes a political tie between the board member and the Minister to achieve the political agenda (Thompson et al., 2019). This results in cronyism, defined as "providing a favour to friends and associates of politicians, particularly in the nomination of these individuals to top posts in SOEs", (Dragomir et al., 2021 p.15). Moreover, this cronyism may result in a lack of the required expertise, abilities, and competence to execute board strategic oversight (Kuzman et al., 2018). Furthermore, it was found that this lack of capacity hinders directors from effectively conducting their duties; for example, if the director is over-committed and lacks the capacity to prepare adequately for the board meeting. It was revealed that proper due diligence should be conducted before directors are appointed to ascertain their commitment. The extant literature could not confirm the barrier. Hence research on the finding is regarded as a new insight. In addition, a lack of decision-making information was found to be another barrier impacting directors' effective strategic oversight. The barrier emanates from the board of directors' lack of the opportunity to engage in the strategy process or a lack of access to business information which results in the board's failure to conduct strategic oversight over strategy implementation effectively (Gilson & Gordon, 2019; Public Protector South Africa, 2014; Sheehan & Powers, 2018).

Board barriers, these are barriers impacting the board as a group. The study revealed that a lack of leadership impacts the board from conducting effective board strategic oversight over strategy implementation. This barrier is caused by a hostile leadership culture that is riddled with political influence; the SOE leadership environment has been described as an environment engulfed in corruption, autocracy, dictatorship, and bureaucracy (Lekgothoane et al., 2020). These characteristics are similar to the negative culture mentioned in Section 6.3.2 above, which is the result of political interference (Dragomir et al., 2021; OECD, 2015a; Thompson et al., 2019). With such an environment arises a lack of accountability, where people are afraid to make decisions for fear that the outcome may damage their reputation. All of these challenges put pressure on boards to make contentious decisions during strategy implementation (Dragomir et al., 2021). In addition, relational dynamics were found to be a group barrier impacting the effectiveness of board strategic oversight, which arises from board familiarity with each other, as a result of working together for a long-term relationship has been formed, that impedes board independency in fulfilling the strategic oversight responsibilities.

In terms of SOE barriers, the study revealed that SOEs experience a significant delay in obtaining approval on the strategic initiative from the Minister, which results in strategy implementation not being achieved timeously, and consequently hinders the board from conducting effective strategic oversight over the strategy implementation. This barrier could not be validated or confirmed by extant literature due to the limited literature on actual barriers impacting SOE boards; hence the finding is regarded as a new insight. Another SOE barrier is the lack of competent leadership executive team capability. It was found that if the leadership of the executives (i.e., Chief Executive Office) in the organisation is weak, it will be difficult to implement the strategy. This exerts pressure on the board as it will challenging to conduct effective board strategic oversight. The incompetency of SOE executive leadership could not be confirmed with literature; the finding will be regarded as a new insight. Furthermore, shareholder and political interference were found to impede the operational and strategic matters of the entity that are within the board delegation of power. Hence Dragomir et al. (2021) assert that the poor performance of SOEs is due to a lack of independence by directors due to political interference. Therefore, political interference over the board result in operational inefficiencies and poor performance of the SOE.

7.3 Theoretical contribution

This research contributes to theory because there has been limited research on the board on how boards exercise strategic oversight, particularly in SOEs. Some new insights have emerged from the study; for example, the categorisation of the factors, as well as the categorisation of the nomination and selection process. Previous research has examined factors and nomination processes reported on them in a uncoordinated manner. Furthermore, the categorisation of factors, board skills and expertise, and the barrier into themes is a new insight that this study found. Overall, the researcher hoped that the study has provided some needed guidance on the role of the SOE board in exercising strategic oversight of the strategy implementation.

7.4 Business implications

This study has implications for shareholders, directors, boards and SOEs who need to ensure that effective board strategic oversight over the strategy implementation is achieved.

- **Minister shareholder representative**

The designated Minister as the SOEs shareholder representative is charged with safeguarding SOE's financial sustainability. In addition to this mandate, the Minister has the power to appoint and dismiss the board and must try and ensure that the appropriate non-executive directors are appointed and that the directors have the necessary skills and capabilities to lead the SOE. The participants in this study confirmed that there is inconsistency in how the Minister goes about appointing directors, the nomination process has elements of political interference. Furthermore, some directors do not have the prerequisite skills and expertise to lead the SOE. Appointing incompetent directors in such a crucial leadership role results in SOE failure and inadequate board strategic oversight. Therefore, this study provides guidance to the Ministers on the criticality of appointing competent directors in order to ensure that effective SOE board strategic oversight of the strategy implementation is achieved. The Minister is advised to promptly adopt and implement the Zondo Commission on state capture recommendation the establishment of a Standing Appointment and Oversight Committee to strengthen the process of nominating and appointing directors of SOEs.

- **Board**

SOE board needs to release and understand that their role is critical and has legal duties of directors arising from the Companies Act, PFMA, and King IV. While the board is accountable to the shareholder, this should not impede their independence. The board and its directors should act in good faith and in the best interest of the SOE, with lack of leadership having been indicated as a barrier that is caused by political interference and the dictatorship attributes of the shareholder. The board should always uphold its fiduciary duties and continue to perform its primary leadership role of setting the strategic direction of the organisation and ensuring adequate delegates of this responsibility to management. In exerting its fiduciary duties, a board has accountability to approve the strategy developed by management and thereafter oversee and monitor the implementation of the strategy. The study provides guidance to the board of directors on adherence to the regulation and governance framework, which prescribed the role of board oversight over the strategy implementation. Those regulation and governance frameworks must be applied, and compliance must be adhered to.

- **SOE**

It was established that positive culture is important not just for the board but for the entire organisation, it encourages ethics, good performance and effective board oversight. Participants in this study described culture as the "glue that brings everything together." However, it was established that, in general SOEs are engulfed with negative culture, which is a hostile culture that is perpetuated by organisational politics, corruption, malfeasance, and hostility. Such an environment will impede the board from effective exercise its board strategic oversight role. It should be a joint effort between the SOE executive and board to remediate and improve the culture. Remediating such organisational culture requires strong leadership responsibility with solid integrity of the organisational setting, which could result in improved strategic performance.

7.4 Limitations of the research

As stated in Chapter 4, qualitative research is prone to a variety of biases (Cassell & Symon, 2011; Roulston, 2010) which is why consistency is essential when conducting research using this method. The following are limitations discovered during the research process.

- The focus of the study was on the SOE sector which may limit the transferability of the research to other types of sectors.
- The participants were high-profile participants, i.e., board members (both non-executive and executive directors) of the SOEs, and because of the political nature of the entities, participants were reluctant to share information freely.
- Furthermore, the sample size was not balanced as most of participants were non-executive and the insight from the executive directors was overweighed by that of the non-executive.
- With the researcher being an employee of one of the major SOEs, qualitative research findings could be at risk, with researcher-introducing biases, and assumptions.

7.5 Suggestions for future research

Extensive literature on the board's strategic oversight over strategy implementation particularly in SOE is still lacking. Therefore, based on the findings of this study, a number of avenues can be explored for future research as follows:

- A quantitative study could be undertaken on the role of SOE board strategic oversight over strategy implementation in order to increase the population and expand on the unit of observation which is the schedule 2 SOEs.
- There were new categories/themes that emerged on the enabling factors, board nomination process and barriers of board strategic oversight of the strategy implementation. Further research on these themes could be undertaken in order to understand the categories/themes in depth. In addition, further research could be conducted to establish any relationship between enabling factors and board barriers.
- Future research could be conducted in the private sector and the focus is on director, board and entity barriers that could impede the boards' strategic oversight of the strategy implemented to compare barriers experienced by SOE board members and those of private sector boards.
- This study was conducted at a point in time. A longitudinal study on the same topic should be conducted to measure the effectiveness of the board's strategic oversight of the strategy implementation over a period.

7.6 Conclusion

SOE boards play an important role in an organisation's success, including determining corporate strategies and overseeing managerial performance. As a result, many boards find strategic oversight over strategy implementation difficult, even though it is one of their most important duties. This research, which included 12 semi-structured interviews with participants from five sectors - financial, insurance, broadcast, aviation, and energy, was explored to establish the enabling factors, board skills and attributes, and barriers for effective board strategic oversight of the strategy implementation. The research found 18 factors that enable effective board strategic oversight of the strategy implementation, which were categorised into internal and external factors. While with board skill and attributes, only seven board competencies were found categorised as functional and personal competencies and eight themes of conventional/unconventional nomination process. A total of 12 barriers were found categorised into directors (6), board (3) and SOE (3) affecting SOE boards from effectively discharging strategic oversight over strategy implementation.

This study's findings are presented in a framework that is supported by the board effectiveness model. This research contributes to theory by bringing together the internal and external categorisations of enabling factors of board strategic oversight, as well as the conventional and unconventional categorizations of board nominating processes. The outcomes of the study will hopefully enable SOE and the board to effectively apply the factors, ensuring that the board has the necessary skills and attributes, and resolving the stated barriers.

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APPENDICES

Appendix 1: Invitation letter to participate in the research

Subject: Invitation to participate in SOE Board Strategic Oversight study

Dear Participant,

My name is Tammy Tisane and I am currently an MBA student at the Gordon Institute of Business Science (GIBS). I am in my second and final year, where I am required to conduct business research. My research topic is “the role of SOE board in conducting strategic oversight of the strategy implementation. The study’s objective is to determine;

- What factors enable effective board oversight over the strategy implementation of SOEs
- Whether SOE boards possess the relevant skills that enable them to discharge oversight of the strategy implementation.
- The barriers that limit SOE boards from effectively discharging strategic oversight over the strategy implementation

I am therefore looking for participants in the research and you came highly recommended because of your knowledge and experience. The data collection, which will be in the form of semi-structured interviews will commence in July and until mid-August. The interview questions will relate to your views, opinions and experiences in board strategic oversight. The interview is expected to last about an hour, and the information and insights gained through the interview will hopefully help me to better understand the role of board strategic oversight in SOE. The information received during interviews will be treated with confidentiality and will not be used for any purposes other than the research.

Please let me know if you will be willing to participate in this research, and if so, please let me know your availability from July until mid-August. You can provide me with a couple of timeslots that I can choose from. Interviews will be at your convenience and participation is voluntary, hence I will come wherever it’s convenient for you.

I look forward to hearing from you.

Kind Regards

Tammy Tisane

083 278 3366

Appendix 2: Consent Forms

INTERVIEW CONSENT FORM

State-Owned Entity Boards exercising ongoing strategic oversight of a strategy implementation

Researcher: Thamaries Tisane, MBA Student at the Gordon Institute of Business Science, University of Pretoria

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I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research exploring the factors that enable and impact SOE boards in exercising strategic oversight over strategy implementation. The study aims to gain insights into how SOE boards effectively discharge their oversight responsibility over the organisation's strategy implementation. The interview is expected to last about an hour and will help us understand the strategic oversight phenomenon.

Your participation is voluntary, and you can withdraw at any time without penalty. Your name/details will not be published. The interview is about your experience as a non-executive, not the company where you serve as a director. The audio recording of this interview is also voluntary, and you may choose not to be recorded. All data will be kept confidential and electronically and will be reported without identifiers. If you have any concerns, please get in touch with my supervisor or me. Our details are provided below:

Thamaries Tisane	Dr Len Konar
Signature Researcher	Signature of Participant
___________________________	___________________________
Date:	Date:

Appendix 3: Consistency Matrix

Research Question	Sections in literature Review	Data Collection tools	Analysis Technique
Research Question 1: What are the factors that enable effective board oversight over the strategy implementation of SOEs?	2.5 Role of board oversight over strategy implementation 2.6 Factors enabling effective Board oversight over strategy implementation.	Interview questions 1.1 – 1.3 of the interview guide	Thematic analysis
Research Question 2: Do boards possess the relevant skills that enable them to effectively discharge oversight on the strategy implementation of SOEs?	2.7 Board composition.	Interview questions 2.1 – 2.3 of the interview guide	Thematic analysis
Research Question 3: What are the barriers affecting SOE boards in effectively discharging strategic oversight over the strategy implementation?	2.8 Barriers to effective board oversight.	Interview questions 3.1 – 3.3 of the interview guide	Thematic analysis

Appendix 4: Ethical Clearance Letter

Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear Thamaries Tisane,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

Appendix 5: Thematic Map

Research Question	Code Groups	Codes
1	Understanding of the boards' oversight role	* Strategic oversight
		*Strategy implementation oversight
		Setting strategic direction
		*Capacity to implementation
		Comply to the companies act, PFMA,
		*Strategic thinking
		Board mandate
		*Set the tone at the top
		Strategic oversight
	Strategy and Performance	Setting right strategy
		*Mechanism to monitor performance
	Oversight	*Monitoring of the strategy
	Committee and Governance	Board mandate
		Adequate structure
		Enabling environment
		Committees' mandates
	Effective leadership	Strong chairperson leadership
		Relationship between board and executive
	Role and responsibility	Role clarity – board and shareholders
		Role clarity – board and management
	Composition	*Skills and expertise (competent)
		*Independence
		*Knowledgeable

	Culture	Ethical culture
	Decision-making information	Key performance matrices
		Risk dashboards
	Stakeholder and Economic	Foresight – foreseeable changes in future
		Economy globally
		Climate change
		Customers
	Positive Culture Attributes	*Ethical culture
		*Tone at the top
		Honest and open
		Culture of performance
		Transparency
	Negative SOE Culture Attributes	Corruption and malfeasance
		Self-funding and self-sustaining
		Hierarchical/authoritative
		Lack of performance
2	Conventional Process	Nomination committee
		Interview process
		Background screening
	Unconventional Process	Ministerial process
		Deployment committee
		Integrity and transparency
		Politically influenced roles
		Selection process
		Competency in Corporate governance

	Functional Competencies	Skills and expertise
		Ethical governance
		Strategic thinking
		Analytical skills
	s	Self-aware
	Rotation and succession	Continuity
		Strategic mitigation
		Staggering approach
		Board tenure
		Board assessment/evaluation
		Institutional knowledge
3	Role and responsibility	Lack of understanding board role
	Composition	Lack of skill and expertise
		Lack of confidence and participation
		Capacity
	Decision-making information	Information overload
		Lack of quality information
	Leadership	Leadership attributes
	Relational dynamic	Familiarity and behavioural attributes
		Fear of governance failure
	Strategy and performance	Strategic initiatives: delay in Minister's approval
		Lack of qualified people implementing the strategy
	External factor	Shareholder interference