

**Exploring Board Characteristics and Performance Effectiveness in  
Developing Countries State-Owned Enterprises (SOEs)**

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## **Abstract**

In the wake of various State-Owned Enterprises (SOEs) scandals involving the board of directors, the performance of these entities' boards came into question from multiple sources. There has been an increasing call for SOE reforms, especially in developing countries where they have been flooded with looting and plain right theft of resources meant to provide basic needs for the general citizens.

This research aimed to explore and gain new insights and understanding of how the characteristics of boards of directors that are known to build effective boards can contribute to the performance effectiveness of these entities. The study aimed to understand how appointing independent directors contributes to SOE performance effectiveness. It further explores how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness. The research aimed to add to the limited literature discussion on board characteristics in the context of SOE in developing countries.

Board characteristics such as independent directors, board composition and size, and board skills have been linked to company performance in the private sector. The depth of scholarly literature available discusses these characteristics from the perspective of other companies. Still, not much was said about SOE boards using these characteristics in the context of performance.

The qualitative study explored how board characteristics and performance effectiveness can build effective SOE boards in developing countries. Fourteen semi-structured interviews were used to gather data with participants serving on commercial SOE boards in Namibia, a developing country. The data were analysed systematically using a thematic approach.

The research findings revealed a deficiency in ethical leadership within State-Owned Enterprises (SOE) boards. Additionally, the study highlighted instances where directors exploit board fees for personal benefit without positively impacting SOE performance. Furthermore, it noted that board sizes follow legislation rather than a best practices framework. As a recommendation, the study proposes the formation of an independent nomination committee to ensure that individuals appointed to SOE boards possess a comprehensive understanding of governance best practices.

**Keywords**

Board Characteristics, State-Owned Enterprise (SOE), Developing Countries, Performance Effectiveness

## **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 Philosophy in Corporate Strategy at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to conduct this research.

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27 November 2023

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## List of abbreviations and acronyms

BODs	Board of Directors
GIBS	Gordon Institute of Business Science
IMF	International Monetary Fund
NED	Non-Executive Director
OECD	Organisation for Economic Cooperation and Development
PEGA	Public Enterprises Governance Act
PwC	PricewaterhouseCoopers
SOE	State-Owned Enterprise

# **CHAPTER 1: INTRODUCTION**

## **1.1 Introduction to the Research Problem**

This qualitative research study explored board characteristics and performance effectiveness in developing countries' State-Owned Enterprises (SOE). This study aimed to understand how board characteristics could create efficient boards that support SOE performance effectiveness.

The board characteristics and performance effectiveness of developing countries' state-owned enterprises (SOE), also known as public enterprises in some countries, were examined in this study. State-owned enterprises were created to provide basic needs such as water, electricity, and housing to citizens in their countries. Over the years, SOEs have become a self-enriching centre for the few elites at the expense of marginalised citizens deprived of basic needs (Apriliyanti & Randøy, 2019). Despite the growing interest in public entity governance, little research has been conducted on board characteristics' contribution to performance effectiveness in SOEs (Assenga et al., 2018).

Thakolwiroj and Sithipolvanichgul (2021) highlighted that board structure comprising various board characteristics contributes to the effectiveness of companies. The study aimed to close a knowledge gap by investigating how board characteristics contribute to SOE performance effectiveness. The background context and an explanation of the research questions are also provided, which helps to facilitate this exploration. The chapter will provide an overview of the research's purpose and importance.

## **1.2 Background to the Research Problem**

### **1.2.1 Theoretical relevance**

Thakolwiroj and Sithipolvanichgul (2021) define Board Characteristics as corporate governance internal mechanisms that expand on the board's features. The characteristics of the board include composition, size, CEO duality, independence, skills, frequency of board meetings, diversity (age, gender, nationality, expertise, educational and functional background), and committee. A board of directors is defined as a group of people appointed to represent the interest of the shareholders and is generally constituted considering these characteristics (Borlea et al., 2017). The board leadership is critical to ensuring that goals and strategies developed are used to measure the company's performance. Furthermore, a board plays a crucial role in monitoring and providing feedback to company shareholders (Simpson, 2014).

SOEs are commercial entities whose main objective is to provide basic needs to citizens and where the government has a direct controlling stake (Abang'a et al., 2022). In the public sector, as the majority shareholder, the government has the right to appoint the board of directors and the top management team and make significant decisions in these companies. In most cases, it is done without consideration for good governance (Abang'a et al., 2022). According to Apriliyanti and Randøy (2019), SOEs, also known as public enterprises, were established to assist the government in fulfilling essential functions, such as providing electricity and water to citizens, employing many citizens, and increasing government revenue. Lazzarini and Musacchio (2018) asserted that public enterprises are less efficient and profitable than private companies. The researcher believes that the inefficient and non-profitable results in SOEs result from poor performance monitoring. Furthermore, governments divert resources to pet projects that benefit a few individuals, not society, as per their mandate (Apriliyanti & Randøy, 2019).

Apriliyanti and Randøy (2019) further highlighted that the government's political interference in the governance of public enterprises, as the majority shareholder, renders these public entities ineffective regarding performance. Their research builds on (Kuzman et al., 2018), who found that political interference in SOE governance allows governments to constitute governance structures to fulfil politicians' interests, not society's. The function of SOEs is primarily to assist the government in meeting most of its obligations towards its citizens and other stakeholders; however, this has been difficult for many developing countries' governments due to deficient boards of directors and poor reporting systems (Simpson, 2014).

Borlea et al. (2017) stated that successful companies have been linked to boards of directors based on various board characteristics. However, how these board characteristics contribute to SOE performance effectiveness in developing countries has not been clarified. Board characteristics such as composition, size, CEO duality, independence, skills, frequency of board meetings, diversity, and committee have been linked to successful company performance. Critics of SOE performance effectiveness in developing countries have led to calls to enhance board effectiveness and capabilities through board characteristics (Shawtari et al., 2017).

According to Kanakriyah (2021), companies' performance depends on the board characteristics' efficiency; developing countries' SOE performance also depends on improving their board effectiveness by enhancing their board characteristics. Kanakriyah (2021) further revealed that company performance was linked to the board of directors that was constituted, considering board characteristics and removing any factors that have no added value to the board's work.



Board characteristics such as board independence, the board size, diversity among board members, and the number of meetings are possible factors for the company's success. Many researchers have focused on discovering how much board directors influence companies' success; however, none have linked board characteristics to developing countries' SOE performance effectiveness (Shawtari et al., 2017). Furthermore, there appears to be a dearth of literature discussing SOE performance in board characteristics and how boards constituted using these tools to build effective organisations (Assenga et al., 2018). The researcher believes scholars need to study how board characteristics contribute to SOE performance effectiveness, especially now that many developing countries are working on reforming these breeds.

### **1.2.2 Business relevance**

According to PricewaterhouseCoopers (PwC) (2015), SOEs are slowly becoming influential globally. To better position themselves within the global economy, some countries have focused on improving their SOEs to become better companies competing globally for market share (PwC, 2015). While some countries do their best to position their SOEs as catalysts for economic growth, the same cannot be said about developing countries' SOEs (Abang'a et al., 2022). In addition, SOEs have become significant players in the global economy; their presence in international markets has initiated renewed discussion about their effects on other countries (International Monetary Fund [IMF], 2020).

Although SOEs are slowly becoming influential globally, most of the SOEs among the Fortune Global 500 companies are mainly from China, Asia, Europe, and North, South, and Central America. Chinese SOEs have driven the increased presence of SOEs in the global economy. The motivation for these SOEs to compete internationally has been attributed to good corporate governance, which has kept developing countries' SOEs from reaching international stages (PwC, 2015). Developing countries' SOEs' non-performance in business sustainability has been attributed to a lack of good corporate governance and relevant business cases that will allow them to compete globally. However, there is evidence that poor performance and the demise of SOEs as businesses can be linked to a lack of boards constituted, considering board characteristics that are known to build effective boards. Furthermore, public-sector governance issues need more attention than private ones (IMF, 2020).

The problem of embattled SOEs is a phenomenon that has engulfed developing countries' governments for decades with no clear reform policies on the horizon. For years, SOEs have relied on significant government bailouts, even those supposed to be profit-driven and raise revenue to cover tax collection shortages (Simpson, 2014). SOEs have been characterised by board dysfunction and infighting among senior leadership.

Frequent battles between boards and senior executives and other factors, such as a lack of a board of directors constituted considering various board characteristics, have impacted the effectiveness of many SOEs' boards of directors (Apriliyanti & Randøy, 2019).

### **1.3 The Research Problem**

Limited literature discusses board characteristics and performance effectiveness in developing countries' SOEs (Abdeljawad & Masri, 2020). In addition, governance scholars have yet to explore how board characteristics can effectively enhance developing countries' SOEs' performance (Kanakriyah, 2021). The significant role of SOEs in developing countries' economies cannot be underestimated; the citizens of these countries must understand how their tax money can be used to create value in these entities through better board management (Thompson et al., 2019). According to Borlea et al. (2017), a board is a group of people appointed to represent the interests of the shareholders. In addition, the board of directors of a company is the highest authority appointed to preside over meetings on behalf of shareholders and lead the company business. Therefore, for SOEs as companies, their board is the highest authority contributing to its success or failure. Hence, the importance of these boards being constituted considering board characteristics that build effective boards (Kanakriyah, 2021).

The division of ownership and management entities for SOEs in developing countries is challenging due to a lack of oversight, managerial and technical difficulties, and weak boards of directors constituted without consideration of good governance practice (Abang'a et al., 2022). Therefore, this study explores board characteristics and performance effectiveness in SOEs. The study aimed to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explores how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness.

To effectively oversee an organisation's operations and provide strategic direction, a board must have the following qualities, also known as board characteristics: board composition, size, CEO duality, independence, skills, frequency of board meetings, diversity (age, gender, nationality, expertise, educational and functional background), and committee. Board composition and size is the total number of directors on the board; independent directors, known as Non-Executive Directors (NED), and board expertise or skills is the set of abilities that board members bring to the table (Thakolwiroj & Sithipolvanichgul, 2021).

#### **1.4 The Research Question (RQ)**

More is needed to know about board characteristics and performance effectiveness in developing countries' SOEs. Thompson et al. (2019) argued that the board of directors of SOEs should be prepared to offer strategic guidance as the highest decision-making body. Furthermore, as a result, these boards must be formed while considering the various factors that go into creating effective boards, including board composition, size, CEO duality, independence, skills, frequency of board meetings, and diversity (age, gender, nationality, expertise, educational and functional background), and committee (Thompson et al., 2019). The scholars further outlined that it is challenging in emerging economies to build effective boards because fewer qualified individuals are willing to serve as directors for public enterprises (Thompson et al., 2019). The researcher believes that qualified directors are reluctant to serve on SOE boards due to political interference, which is in line with an argument made by (Kuzman et al., 2018).

Furthermore, Thompson et al. (2019) stated that when creating a competent and effective board, the diversity of individuals in terms of age, skills, race, gender, and educational background is crucial. According to the scholars, boards should be staffed with directors with the necessary business expertise and acumen to maintain board independence. Outside directors are another crucial characteristic of a committee that can improve its operation by bringing openness and discussion to the boardroom (Thompson et al., 2019). According to earlier research, board size is crucial in ensuring a diverse board with sufficient individuals to make up the various subcommittees required for best practice and active discussion (Simpson, 2014). Thompson et al. (2019) assert that effective board practices (independence, skill, size, composition, and incentive) can result in performance effectiveness (enhance performance, support strategic decision-making, encourage transparency, and monitor and control management) in an organisation. The scholars also claimed that boards constituted, considering these characteristics, are better qualified to keep an eye on the performance of their organisations.

The researcher claims that none of the scholars has examined how these board characteristics affect SOE performance. Based on these characteristics, their studies have only examined how other non-public enterprises perform. The literature of various scholars supports this. According to Thompson et al. (2019), SOE boards face problems like ineffective leadership brought on by people appointed as shadow directors in exchange for political favours, inconsistent composition, and a lack of expertise among the directors tasked with monitoring the operation of these entities.

Simpson (2014) asserts that SOEs are characterised by inefficiency, abuse, a lack of control and monitoring resources, and a lack of business management skills; as a result, monitoring issues are likely to arise when SOEs pursue their interests, which conflict with the goals of the state owners and may lead to a conflict of interest. The literature shows that different board characteristics help create effective boards, improving company performance mainly in line with the private sector, and there is limited literature discussing how these board characteristics can enhance SOE performance similarly to how they contributed to companies in other sectors. We then put forth the following important research questions to try and fill the knowledge gap, considering the various discussions about these characteristics in other sectors:

*RQ1: How does appointing an independent board of directors contribute to SOE performance effectiveness?*

*RQ2: How do the board composition and size impact SOE performance effectiveness?*

*RQ3: How do board skills contribute to SOE performance effectiveness?*

## **1.5 Research Aims**

This research aimed to develop insights and a new understanding into how board characteristics that are known to build effective boards can contribute to the performance effectiveness of developing countries' SOEs through exploration and in-depth discussions. It further closes the knowledge gap by investigating how board characteristics contribute to SOE performance effectiveness.

The study further aims to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explores how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness. Finally, the study aimed to contribute to the dearth of studies on board characteristics in developing countries SOE.

## **1.6 The Scope of the Research**

The study explores board characteristics and performance effectiveness in developing countries' SOEs. According to the United Nations, developing countries have a moderate to low Human Development Index (HDI), an underdeveloped industrial base, and a relatively low standard of living. The index compares poverty, illiteracy, education, life expectancy, and other factors.

The study will focus on commercial, State-Owned Enterprises known as public enterprises in Namibia. According to the IMF, Namibia is a developing country because of its lower economic performance. According to Alawattage et al. (2007), a developing country, a less developed country, or an emerging market has a lower GDP and a less developed and sophisticated economy than developed countries. In developing nations, the average income per person is lower, and residents typically have less access to high-quality healthcare and education. Because they begin with relatively low GDP, developing nations frequently experience faster growth rates than developed nations (Alawattage et al., 2007).

The study is crucial because many developing countries only use SOEs to provide essential public services like water, electricity, transportation, telecommunications, and postal services. In most cases, they also fully represent other urban economic sectors. Therefore, preserving their effectiveness and competitiveness is crucial for promoting economic growth, providing public services, and ensuring the more significant enterprise sector's ability to compete downstream. When run efficiently and openly, SOEs can enhance public service delivery, address market inefficiencies, and create more equitable and competitive markets. To ensure the sustainability of these significant organisations, it is prudent that the SOE's highest decision-making body, their boards, operate effectively, efficiently, and transparently (Organisation for Economic Cooperation and Development [OECD], 2015).

The study was restricted to exploring board characteristics and performance effectiveness in commercial SOEs. This study focused on public enterprises headquartered in Namibia's capital, Windhoek. To better understand board characteristics and performance effectiveness, this study focused on public enterprises in Windhoek, home to about 90% of Namibia's public enterprises (Kefas, 2014).

Furthermore, according to the Public Enterprises Governance Act No. 1 of 2019 (PEGA) (Republic of Namibia, 2019), Namibia is home to twenty-two (22) classified commercial public enterprises, with Windhoek serving as the headquarters for 90%. The researcher would have hoped to examine the boards of directors of all public enterprises to understand better the board characteristics and performance effectiveness of the boards of directors. However, it was impractical, given the nature of the study and the resources at hand. Commercial enterprises are selected because they are mainly established to contribute towards government revenues. However, over the years, many have been depending on bailouts from state coffers, and all this is because of poor governance issues (Simpson, 2014).

## 1.7 The Significance of the Research

It was the first study in Namibia to look at board characteristics and performance effectiveness in public enterprises. Despite accounting for 10% of the world's GDP, management academics still largely unstudied public enterprises (Bruton et al., 2015). As a result, this research study was significant because the Namibian society, the recipients of public services, depends on it.

The research added to the knowledge gap of boards of directors in SOEs, particularly research in developing countries. The study aimed to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explores how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness.

A discussion about how to increase board effectiveness, efficiency, and transparency has also arisen, given the significance of the board of directors in SOEs in many developing economies. The study also examines crucial governance framework issues for boards' performance and behaviour in developing countries' SOEs (Thompson et al., 2019).

The study benefited management academics and practitioners by offering crucial insights into how board characteristics affect SOE performance in developing economies. A public enterprise's board of directors is accountable to taxpayers as the society whose interest it was appointed to protect. The study's findings were relevant to public and private sector organisations working with public enterprises. They provided a deeper understanding of the role of board traits in public enterprises' performance effectiveness. The results of this study provided guiding points for selecting public enterprise boards. Given that little to no research has been done on board characteristics and performance effectiveness in public enterprises, the study's focus made it essential for strategic management scholars (Bruton et al., 2015).

## 1.8 The Definition of Constructs

For this study, key constructs are defined as follows:

**Board Characteristics** are the structures and composition attributes that make up a governance board in an organisation. The attributes that make up a governance board include the size of the board, composition in terms of diversity of its directors, the expertise and experience that contribute to board skills, and the independence of these directors that shape the governance and decision-making process of organisations (Thakolwiroj & Sithipolvanichgul, 2021).

**Performance effectiveness** in boards refers to how well the directors individually and collectively perform in terms of their roles and responsibilities (Garcia-Torea et al., 2016).

### **1.9 The Format of the Study**

The research paper is presented in seven (7) chapters. Chapter 1 is the introduction to the business problem. Chapter 2 outlined the literature review and a context to build the research questions. This flows into Chapter 3, which describes the primary research questions as informed by the literature gaps identified in the literature review. Chapter 4 discusses the research methodology and design. The research findings are presented in Chapter 5 and organised based on each research question. Chapter 6 discusses the research findings by linking them thoroughly to the literature. Chapter 7 concludes the research paper with a call for further research into the topic and recommendations for various stakeholders.

### **1.10 Conclusion**

The research problem that served as the basis for the study was presented in this introductory chapter. More information is needed describing the board's characteristics and performance effectiveness in public enterprises. Therefore, the research study wants to explore board characteristics and performance effectiveness at selected SOEs known as public enterprises in Namibia. The researcher hopes that other public enterprises that were not chosen gained from the study's conclusions and suggestions. The literature on SOE board characteristics and performance effectiveness is reviewed in the next chapter.

The next chapter discusses the literature review.

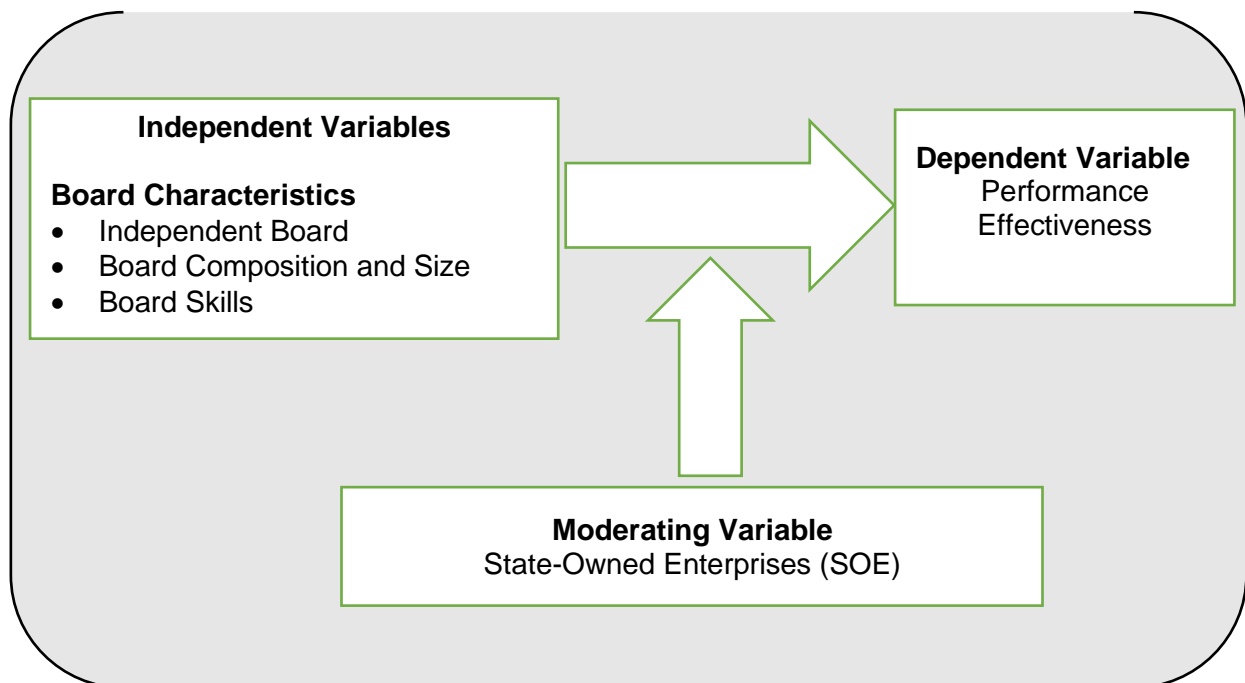
## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

The previous chapter discussed the problem under research. It further highlighted the motivation for this research study.

A literature review was conducted to answer the research questions, focusing on high-ranking peer-reviewed journals published in the last five years. The review started by providing an overview of developing countries and state-owned enterprises (SOEs) to provide context for the study. After that, it discusses and analyses the key constructs of the research questions.

First, the Board of Directors (BODs) was discussed, analysing the agent role they play in the setting of the governance structure. Next, according to various scholars, board characteristics and company performance were discussed, drawing on the main characteristics that build effective boards and enhance company performance. Finally, agency theory was discussed to understand the relationship between agents and principals in the context of SOE.



**Figure 1:** Literature review framework of board characteristics and SOE performance effectiveness

Source: Researcher's own (2023)



The literature review framework illustrated in Figure 1 guided the researcher in reviewing existing knowledge and researching how board characteristics contribute to SOE performance effectiveness.

The review concludes with a summary of the literature. The literature review structure is indicated in Table 1 below.

**Table 1:** *Structure of the literature review*

<b>2.1 Introduction</b>				
<b>Section Number</b>	<b>Main Headings</b>	<b>Subsection 1</b>	<b>Subsection 2</b>	<b>Subsection 3</b>
2.2	2.2 Overview of Developing Countries	2.2.1 State-Owned Enterprises Performance in Developing Countries		
2.3	2.3 Board of Directors (BOD)			
2.4	2.4 Board Characteristics and Company Performance	2.4.1 Board of Directors Independence	2.4.2 Board Composition and Size	2.4.3 Board Skills
2.5	2.5 Agency Theory			
<b>2.6 Conclusion</b>				

*Source: Researcher's own (2023)*

## **2.2 Overview of Developing Countries**

The United Nations has divided countries into developed and developing. The countries in North America, Europe, Russia, Japan, Australia, and New Zealand are developed (Alawattage et al., 2007). In contrast, all the other remaining countries are known as developing. Furthermore, in contrast to their counterparts, developing countries are known to have a lower Human Development Index (HDI). The United Nations uses the HDI, which measures a country's education, health, and purchasing power performance.

According to Alawattage et al. (2007), developing countries are known to have lower levels of industrialisation, a lower level of average income per person, and a higher level of population growth. The researcher believes these features mainly define the characteristics of many developing countries. Alawattage et al. (2007) stated that developing countries are also known for other characteristics, such as low institutional capacity, high levels of corruption, and limited involvement of stakeholders. Institutional capacity is the ability of country institutions to identify, set, and pursue objectives that are in the best interest of its citizens. The high level

of corruption in developing countries is known to be driven by top officials who use government resources for their financial gain. Due to low institutional capacity and high levels of corruption, stakeholders have limited involvement in government decision-making, and they are hardly consulted.

These characteristics of developing countries, such as corruption, have a dire impact on the SOE's performance to generate social benefits for society, such as the provision of electricity, transport, and water, which becomes scarce due to the mismanagement of resources by those in power for their gain. The looting and mismanagement of SOE are escalated by corrupt boards, whose members are politicians who position their benefit at the cost of society (Okhmatovskiy, 2010).

The researcher agrees that most developing countries' governments have limited institutional capacity due to a lack of accountability, inefficiencies in administrative functions, insufficient funding, and limited expertise in most disciplines. Furthermore, the high level of corruption in developing countries has become severe, leading to problems in delivering essential services such as water, electricity, health, and infrastructure. The problems of high corruption can be attributed to the high poverty level among citizens. Alawattage et al. (2007) urged that most developing countries still face limited institutional capacity and low income levels for most citizens and their civil servants leading to high corruption.

### **2.2.1 State-owned enterprises (SOE) performance in developing countries**

Having discussed the overview of developing countries above, Rudy et al. (2016) stated that although there are many definitions of State-Owned Enterprises. The OECD (2009) defines SOEs as companies established by the government to provide essential services to citizens, such as electricity, transport, telecommunications, water, and increasing government revenue. Furthermore, the government appoints supervisory officials such as boards and Chief Executive Officers. SOEs are 100 per cent state-owned in most developing countries. Specific characteristics define state-owned Enterprises in developing countries; according to Lazzarini and Musacchio (2018), these companies are less efficient and profitable than private companies. The inefficiency and non-profitability of SOEs in developing countries result from poor performance monitoring. As per their mandate, governments divert crucial resources to pet projects that benefit a few individuals, not the whole society.

The researcher agrees with those characteristics; however, one would further argue that SOEs are assets of citizens that the government was appointed to manage on their behalf. The researcher believes SOEs belong to the citizens as their taxpayer money is used to fund

their operations. The government should ensure that these assets generate societal value and are managed professionally and transparently (Rudy et al., 2016).

Apriliyanti and Randøy (2019) further highlighted that the government's political interference in the governance of these public entities, as the majority shareholder, renders them ineffective. The scholars further went on to identify three (3) factors that hinder the performance of SOEs executing their mandate. These factors were political interference, lack of qualified independent and skilled directors who can protect and balance all stakeholders' interests, and proper constitution of boards in line with the international best corporate governance practice. Therefore, the study aimed to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explored how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness. Further, the study aims to contribute to the knowledge gap to understand how these board characteristics contribute to SOE performance effectiveness.

Although the scholars identified those factors that hinder the performance of SOEs, their research was based on countries whose governments do not accept political interference in the affairs of their SOEs, such as Indonesia, United Arab Emirates, Russia, and China; these countries' SOEs collectively account for over 20% of the world trade. Hence, the argument on the conceptual decision-making model in SOE will not apply to many developing countries' SOEs. Thus, political interference in SOEs is acceptable in developing countries, and sound corporate governance systems do not exist. SOEs have commonly become a battlefield for the few elites to enrich themselves and their family.

Kuzman et al. (2018) argued that the board of directors of SOEs in developing countries is not appointed on merits but on political ties to advance the agenda of specific individuals. Directors appointed in these ways may lack appropriate governance knowledge, competencies, and experience in carrying out board responsibilities based on best practices. The study aims to understand how these board characteristics contribute to the effectiveness of SOE performance. These directors and other senior SOE officials are subject to removal when the new ruling party government takes over, hindering the advancement of SOE objectives. Supporting this argument, Thompson and Alleyne (2023) argued that the board of directors is essential for SOE performance. They argued that BODs should not be appointed as a façade without proper competition and a transparent selection process based on international best practices such as the Cadbury framework.

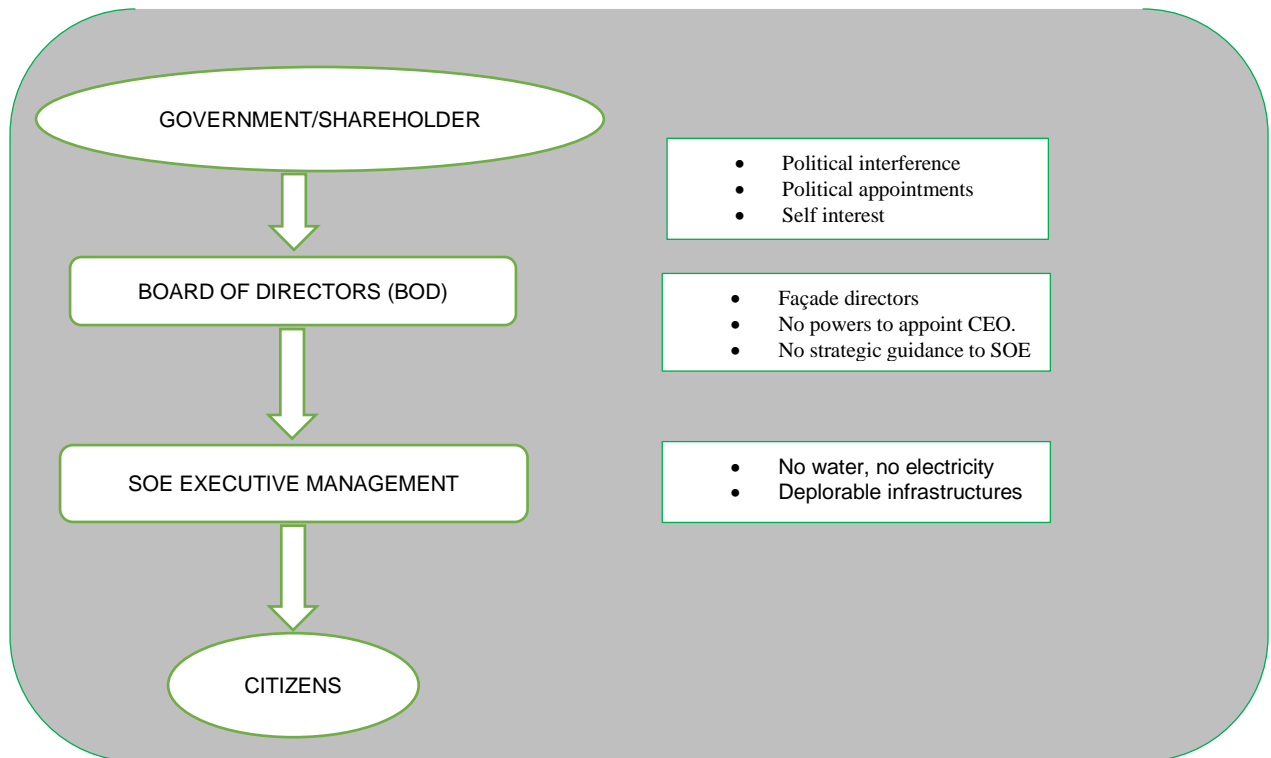
The argument of the scholars is correct; however, even with proper legislation that should govern the appointment of SOE directors, Ministers disregard that same legislation to advance their political party agendas. In many developing countries, SOEs are used as vehicles for the mismanagement of public funds and hardly serve their mandate to provide critical service to citizens who otherwise will be left destitute. In a developing country such as Namibia, directors are appointed through political means, not their expertise (Kefas, 2014). For years, SOEs, or Public Enterprises as they are called in Namibia, have been embattled in scandals mainly due to poor corporate governance practices around the board of directors' appointments.

Mans-Kemp and Viviers (2019) discussed the importance of having nomination committees in appointing the board of directors. The scholars discussed that to achieve the right mix and balance, the board needs to be constituted, taking into consideration the various board characteristics, but most importantly, a mixture and balance of various features such as age, gender, race, and experience to ensure diverse representation on board. Implementing nomination committees can only achieve this mix and balance of board of directors' appointments. As far as the researcher is concerned, the use of nomination committees is a concept rarely considered in developing countries. As most literature has indicated, the board of directors' appointment in developing countries is mainly done from a political standpoint and not based on international best practices, such as having a nomination committee that will put forward names of potential candidates who are fit and proper to serve as directors. In developing countries such as Kenya, Tanzania, and Namibia, appointing a board of directors is mainly vested in the Minister responsible for SOE management (Kefas, 2014).

Thompson et al. (2019) argued that a lack of accountability and transparency is another factor that hinders the performance of SOEs in developing countries. SOE officials in developing countries are hardly held to account for any mismanagement or failure to carry out their fiduciary duties, which, in most instances, leads to the demise of these companies (Masli et al., 2018). The scholars further argued that a lack of independence of board members and management, inaction in the performance of crucial fiduciary duties due to a lack of board skills as individuals or as a collective, and a lack of solid personal and behavioural skills lead to ineffective board functioning which contributes to SOEs performance failure (Masli et al., 2018).

Furthermore, Garcia-Torea et al. (2016) argued that board effectiveness depends on how seriously boards carry out their fiduciary duty, as directors' roles contribute significantly to companies' financial performance and sustainability. The researcher argued that there is a lack of consequence management implementation in many developing countries' governments. Directors who fail to carry out fiduciary duties are shifted from one failed SOE

board to the next. Unlike in developed countries where investigation reports into directors' failure to carry out their fiduciary duties lead to punitive measures such as in the case of Enron's board, in developing countries, commission of inquiries into failed SOEs are left unpunished (Masli et al., 2018). As far as the researcher is concerned, the table below illustrates most developing countries' typical governance structure setting in SOE.



**Figure 2:** *Depiction of SOE governance structure*

**Source:** *Researcher's own (2023)*

### 2.3 Board of Directors (BOD)

Board of Directors (BOD) are individuals appointed to protect the interest of shareholders in a company. The individuals are appointed to serve the interests of shareholders by providing guidance and strategic advice to the company's management (Wang et al., 2020). The directors appointed are expected to always act in the company's best interest by exercising their fiduciary duty or duty of care. Wang et al. (2020) state that by exercising the duty of care, directors are always expected to equip themselves with all relevant information, conduct further research, make meaningful contributions, and always make decisions in the best interest of the company they have been entrusted to protect.

According to Scholtz and Kieviet (2018), a board of directors is a group of individuals elected to serve as representatives of the shareholders and are expected to provide governance

structures and make decisions that are in the company's best interest. Furthermore, Simpson (2014) argued that BODs are the highest leadership of any organisation and the final decision-makers representing the interest of shareholders and, at times, other stakeholders. Thus, it is expected that individuals need to have a range of skills and attributes that will ensure that they comprehend information and make decisions at the highest level to ensure that companies yield returns for the shareholders and are sustainable in carrying out their core business mandate.

Masli et al. (2018) found that performance-effective organisations focus on their long-term strategy and goals as a crucial component of corporate success. The focus of effectiveness is not on cost but rather on targeting the correct tasks and completing them promptly. Corporate governance research focused on the function and efficiency of the board of directors. In supporting this view, the researcher believes that the board is expected to set the tone from the top and ensure that top management is competent in managing the daily company operations by providing guidance and carrying out their non-executive role diligently and carefully. Boards have come under increasing scrutiny due to growing social protests and concerns about the performance and governance of companies in all sectors. Still, public enterprise boards have been criticised the most (Masli et al., 2018). Thus, board members are entrusted to carry out their tasks correctly and always have the company's interest first.

Nordberg and Booth (2019) found that the board of directors' work involves complex interactions of individuals with different schools of thought. They are brought together to ensure that companies under their stewardship perform and create shareholder value. However, most research has focused on measures that can be used to determine the board of directors' effectiveness using various board characteristics to measure companies' performance. Not much research has explored the effectiveness of board characteristics in public enterprises in emerging economies (Nordberg & Booth, 2019).

#### **2.4 Board Characteristics and Company Performance**

Various scholars have recently investigated board characteristics and their link to company performance. According to Abdeljawad and Masri (2020), the level to which the board would effectively carry out its responsibilities and tasks depends on several factors manifested by specific board characteristics. These characteristics, such as CEO duality, board size, board independence, board diversity, board skills, and frequency of board meetings, impact company performance.

Abdeljawad and Masri (2020) argued that the board of directors is an essential tool for company performance and that the success and survival of companies are linked to how well

boards are constituted, considering board characteristics. Board characteristics such as board composition and size greatly influence company performance in the sense that a large board is good as it widens the pool of expertise but can lead to ineffectiveness, as various opinions must be considered before a decision can be taken. On the other hand, smaller boards allow for quick and effective decision-making. On board composition, the mix of executive and non-executive directors was crucial for company performance, as it allows for effective monitoring (O'Connell & Cramer, 2010).

Shawtari et al. (2017) examined board characteristics and company performance among state-owned enterprises in Malaysia as part of the SOE transformation policy. The scholars found that improving board effectiveness involved constituting boards considering characteristics such as board composition, board size, board leadership, and board meetings. The scholars argued that in developed countries, boards are constituted based on various characteristics, and company performance is evidence, especially financially. The researcher believes that the scholars failed to show how these board characteristics are expected to improve the performance of SOE in Malaysia as part of the transformation policy. The researcher believes that the scholars should have considered Malaysia SOE in their study to contribute to the knowledge gap on how board characteristics contribute to SOE performance, effectively bridging the contexts for other emerging countries.

Using an international perspective, Pucheta-Martínez and Gallego-Álvarez (2020) investigated the effects of board characteristics on company performance. The scholars highlighted that boards of directors are essential in ensuring that companies' performance creates value for the various stakeholders. As such, the constitution of boards should consider characteristics that will build effective boards.

The researcher believes that the scholarly studies focus on an international perspective drawing on the backs of successful companies' boards. The study highlighted that these boards use their supervisory role to monitor companies' performance, drawing on the pool of expertise in the boardroom. The study did not consider the perspective of developing countries' SOEs that struggle to constitute effective boards. Thus, the study aimed to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explores how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness.

Monitoring company performance based on building effective boards considering board characteristics such as board size, board independence, board diversity, board skills, CEO

duality, female directors, board compensation, and frequency of board meetings is mentioned extensively in the literature. However, not much was linked to the application of these characteristics to SOE boards in developing countries (Abdeljawad & Masri, 2020; O'Connell & Cramer, 2010; Pucheta-Martínez & Gallego-Álvarez, 2020; Shawtari et al., 2017). It strikes the researcher that little literature concentrates on the context of developing countries SOE. Furthermore, it was mentioned in Kuzman et al. (2018) and supported by Thompson and Alleyne (2023) that boards in developing countries are not constituted based on nominating directors on merits but instead based on political allegiance and business contacts. Supporting the previous scholars, Abang'a et al. (2022) also argued that SOE directors in developing countries ignore best practice frameworks such as the King IV; hence, most make decisions that are not in the best interest of the SOE but rather that of the appointee.

Makhlouf et al. (2017) acknowledged that effective boards can be achieved in developing countries like Jordan. However, for a board to be appropriately formed, several traits, such as independence, the board size, skills, composition, female directors, and CEO/Chairperson duality, need to be considered, as these attributes determine board effectiveness and promote shareholder values. Constitutions of boards considering board characteristics have been suggested in various Codes of Best Practices worldwide as critical factors contributing to board effectiveness. Furthermore, Kouaib et al. (2020) linked board characteristics to building sustainable company performance. The scholars claimed that sustainable company performance emanates from effective board builds on characteristics such as board size, board independence, and diversity, which can affect the company's bottom line. Since the role of BOD is to promote the interest of shareholders and stakeholders, these board characteristics should play a critical role in the development and success of company performance in both the public and private sectors.

From the perspective of public sector organisations, Simpson (2014) argued that, like their private sector counterparts, public sector boards are also expected to be made up of soft and intricate features. The complicated features identified were the separation of the role of CEO and chairperson, appointing non-executive directors, small board size, a good balance of directors' skills and competencies, the constitution of sub-committees, effective board evaluations, and transparent appointment of directors. The soft features identified were clarifications of the roles and responsibilities of directors, CEO and chairperson relationships, directors and management relationships, directors working as a team, culture, trust, and open dissent.

The OECD guidelines mentioned similar features regarding board characteristics and constitution. The board characteristics include board size, composition, nomination process,



board functions, work of boards, board skills, and board evaluation and remuneration. The scholarly research was vague concerning how public sector organisations, especially SOEs, can implement the constitution of their boards based on the mentioned features. The reason for the vagueness could be that SOE boards are influenced by external factors such as political interference.

Assenga et al. (2018) investigated the impact of board characteristics on the financial performance of listed companies in Tanzania. Board characteristics such as the presence of outside directors, the board size, CEO/Chair duality, gender diversity, and board skills were found to be crucial for listed companies' financial performance. Like the other studies, the scholarly provided insights using listed companies, although Tanzania is a developing country. The insights regarding board characteristics and financial performance could have been insightful if applied in the context of SOE in Tanzania.

Supporting the previous scholar, Abang'a et al. (2022) investigated how corporate governance influences the financial performance of SOE in Kenya. However, the study suggested that specific corporate governance provisions, such as board characteristics, are essential for SOE's financial performance. The study did not entirely focus on board characteristics and how they can impact the performance of SOE in a developing country such as Kenya. The study focused on corporate governance.

Arora and Sharma (2016) investigated corporate governance mechanisms, such as board characteristics and company performance in India as an emerging country. The scholars highlighted a need to improve and reform corporate board structure by examining board characteristics and how they contribute to the company's financial performance. The scholar further highlighted that board characteristics play an essential role in ensuring that a company does not fail because of governance issues due to weak board structures. Although the study did not refer to SOE in the context of an emerging country like India, the application that the board's constitution should consider the various characteristics can apply to SOEs even though their studies were based on manufacturing companies in India.

Pieces of literature have widely discussed board of directors' characteristics as an essential mechanism for directors to provide oversight. Solarino and Boyd (2023) stated that specific board characteristics, such as board independence and company performance, should be linked as part of performance indicators of good governance. Company failures, in many instances, have been linked to a lack of board independence due to the conflict of interest of directors serving their interests and failing to protect the interests of shareholders. These characteristics have been singled out as necessary for company performance because

outside directors are seen as better suited since they do not have any relationship with management and will continuously pursue the interests of shareholders (Solarino & Boyd, 2023).

Fernandez and Sundaramurthy (2020) suggested that board experience is an essential factor that cannot be ignored in helping boards fulfil their strategic role effectively. In supporting the other scholars, the scholars discussed that a board could be built considering the various board characteristics such as board size, composition, gender diversity, CEO duality, and board meetings, if there is a lack of human capital in terms of board experience, it should not be overlooked. According to Fernandez and Sundaramurthy (2020), only a limited number of directors can confidently show and display board experience in boardrooms. The lack of human capital in terms of experienced directors has been outlined as a concern for the company's failure to build boards, taking into consideration characteristics that create effective boards. If there is a limited number of experienced directors, determining the required board size and composition in terms of expertise could be difficult. Furthermore, the CEO might be forced to serve as the chairperson, and sub-committee meetings might be difficult to constitute due to a lack of experienced directors.

The researcher agrees with the scholar's discussion that a lack of human capital regarding experienced directors might hinder companies from constituting their boards, considering the various characteristics that build effective boards. However, the case for SOE boards has not been because of a lack of human capital but rather the fact that the constitution of these boards has been done following political pressure and interest following political pressure and self-interest without much consideration for the consequences of ignoring the best practices approach as argued by Kuzman et al. (2018). So yes, there might be limited experienced directors to constitute effective boards, but are board of directors characteristics even considered with the limited directors?

According to Li and Wahid (2018), directors' tenure diversity builds effective boards as a characteristic to be considered when constituting boards of directors. Prior works of literature have linked board effectiveness to director tenure. Director tenure has been associated with experience that allows for better monitoring and guidance of the company to ensure performance. Director tenure as a board characteristic has been argued by scholars that experience cannot be brought and that it is built over years of practice and learning from failed attempts. This argument supports Fernandez and Sundaramurthy (2020), who discussed that experience is vital for building effective boards when considering board characteristics. However, considering some of these factors, the limited number of experienced directors sometimes makes it difficult for boards to be constituted.

However, some governance experts have raised concerns about director tenure, arguing that longer director tenure might lead to a loss of independence, and a shorter tenure might not positively impact the company. Li and Wahid (2018) thus also argued that consideration of diverse director tenure can be used in the way of mix and balance of having both senior and junior directors, which can lead to experience and knowledge sharing in terms of old school and agility approach that both ages bring to the boardroom. Building on both scholars' arguments, the researcher agrees that when it comes to board experience is a critical component that cannot be ignored; however, without the proper framework of constituting boards in developing countries, SOE cannot argue that their failure to build effective boards taking into consideration these board characteristics is because of lack of directors who had longer tenure and build board experience over the years.

Nordberg and Booth (2019) identified that although board work is seen as complex and requires individuals who can manoeuvre through the complexity without losing their independence. Corporate boards' work processes will be easier if board characteristics are considered when boards are constituted. It will allow individual directors to know how they can use their knowledge and skills to complement the other members if there is evidence of diversity on boards in terms of size, the composition of different expertise, separation of CEO and chairperson, and gender. The benefits of diversification in terms of how the board is constituted in terms of various characteristics Concannon and Nordberg (2018) argued that seasoned directors have multiple identities, which are beneficial for companies as the experience and knowledge gained over the years accumulate in the boardroom and is complimented by others with similar skills and thus contribute to company performance.

Board characteristics that influence company performance, board composition and size, directors' independence, and board competency in terms of skills have come up in numerous literature as factors that influence board effectiveness in ensuring company performance (Adawi & Rwegasira, 2010). However, none of the literature discussed how board characteristics contribute to developing countries' SOE performance effectiveness. Therefore, the study aimed to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explores how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness.

#### **2.4.1 Board of Directors Independence**

Most literature has discussed the issue of the boards in length on whether more outside directors bring more independence and improve company performance. Board independence

plays a crucial role in ensuring board effectiveness. Independence is explored through the presence of outside directors known as Non-Executive Directors (NED) in a more significant proportion on a company board. The board of directors' independence has been indicated as an essential aspect of corporate governance reforms that lead to better supervision of board effectiveness (Makhlouf et al., 2017). In support, Adawi and Rwegasira (2010) stated that the number of outside directors on a board as non-executive directors could bring the balance of power under control by reducing the influence of the CEO's overboard decisions. Additionally, Thakolwiroj and Sithipolvanichgul (2021) stated that the appointment of outside directors to boards leads to transparency and a better decision-making process in the interest of the company, as these directors carry out their duty of care without the fear of job security.

Pucheta-Martínez and Gallego-Álvarez (2020) also examined the issues of board independence from the perspective that outside directors are professionals without any relation to the company, so they are most likely not to influence the company decisions as they are expected to always act in the best interest of the shareholders. Bhat et al. (2018) further support the idea that independent directors act as control mechanisms on behalf of shareholders. Additionally, independent directors bring fresh perspectives that are not diluted and make decisions that are impartial and in the company's best interests. The researcher supports the argument of the scholars; however, how does appointing these independent directors contribute to SOE performance effectively, given that there seems to be a lack of literature that provides insight into these characteristics in the context of SOE performance? It is not easy to support without reservations.

Notwithstanding this, Lazzarini and Musacchio (2018) stated that the political appointment of SOE's board of directors could cloud directors' independence. Board of directors' appointments in SOEs are mainly done without proper selection competition and rarely done on merits. The researcher thus agrees that the selection and appointment of the board of directors along political fraction leads to appointing directors with deficient skills, knowledge, or capabilities to carry out their fiduciary duties in line with good governance standards, which in turn leads to board ineffectiveness as the board is not independent. Kuzman et al. (2018) concluded that the lack of independence has led to the SOE's performance ineffectiveness as directors cannot discharge their fiduciary duties in the company's interest but rather in that of the appointing authority.

On the contrary, Masli et al. (2018) argued that outside directors are professionals who are appointed on a part-time basis, and at times, they have their daily work commitments and sometimes do not give sufficient time to board works as a priority, and this leads to decisions that are taken without sufficient preparation or research on the subject matter due to lack of

time on the directors end. Furthermore, some outside directors may lack the business expertise to make the technical contribution required to make critical decisions in the company's interest.

Even if it is a good idea to appoint outside directors to protect the shareholders' interest, there are many factors that the company needs to consider before choosing directors and not only rely on the outside directors' notions. It can be argued that outside directors can be positive and negative; on the positive, they bring that external perspective, and on the negative, if they have multiple commitments like full-time employment outside, it can be harmful.

Thompson et al. (2019) stated that board independence was ranked as the most critical characteristic of the board of directors in prior literature. The literature advances the argument that outside directors can play a significant role in a company's performance as they introduce transparency, enhance boardroom debates, and further enhance the monitoring function of directors. In the same way, the importance of outside directors' appointments was linked to SOE performance. These boards should be staffed with directors who are well articulated in business acumen and expertise in their field of studies rather than based on political ties. As far as the researcher is concerned, the board of directors should be appointed on merits and along political ties. However, developing countries' governments are yet to realise the benefit of appointing outside directors who do not have political ties to SOE boards.

According to Bhat et al. (2018), the government, as the appointing authority and the majority shareholder in most SOEs, can appoint directors who advocate for their interests. If conflicting interest arises with minority shareholders, having the most power may influence the board's decision-making process toward the state's interests. Given that the government controls most SOEs as the majority shareholder, what differences will the board of directors constitute in line with board characteristics contribute to the SOE performance?

Regarding board independence, Li and Wahid (2018) look at the element of the board concerning a variety of directors' tenure lengths, including having a mixture of senior and junior directors maintain knowledge continuity and independence, which contribute significantly to board effectiveness. Naciti (2019) elaborated that independence implies that the greater the number of outside directors on the board, the more influence the board will have in protecting shareholders. Therefore, the more significant proportion of independent directors increases board effectiveness as the focus is on protecting shareholders' interest, but can the same be said about the independence of SOE boards? Based on the review of the literature and a lack of literature linking board independence to SOE performance, the researcher put forward the following research question on board independence:

*RQ1: How does appointing an independent board of directors contribute to SOE performance effectiveness?*

#### **2.4.2 Board composition and size**

Determining the correct size of the board of directors has been difficult, with various governance research proposing different views. From the management theories perspective, large boards have proven more challenging to coordinate and manage to ensure quick decisions than smaller ones (Makhlouf et al., 2017). Garcia-Torea et al. (2016) elaborated that large boards are complex and challenging to manage regarding board size. In contrast, small boards enhance members' participation, involvement, and cohesiveness.

According to Kouaib et al. (2020), power and diversity should not be overlooked due to size as a large board of directors is more effective as they can better guide management and reduce agency conflicts given the diversity and experience that the members offer, which can contribute to board effectiveness and excellent company performance. The agency and resource dependency theory found a negative and positive relationship between board size and company performance. The views are that large boards create more costs with coordination and communication issues; conversely, more minor boards limit experience and diversity (Makhlouf et al., 2017). In the same way, it was stated in Kefas (2014) that larger boards can be problematic to manage, especially in the context of SOE, as these directors are known to serve on multiple boards, making time management difficult for board meetings.

On board composition and size, Adawi and Rwegasira (2010) asserted that board composition is a critical factor that should not be overlooked when it comes to the board of directors' appointments because of the need to build and maintain the right mix and balance. Furthermore, finding the right calibre and ability of directors is a critical factor that determines company performance based on building effectiveness in boards. Finding the right individuals who are suited to the task at hand and perform well in executing their role is of great importance, as the opposite can be disastrous, as has been seen in the case of developing countries' SOE boards as illustrated in Lazzarini and Musacchio (2018).

Abdeljawad and Masri (2020) stated that board size indicates advisory and monitoring functions in company performance. Furthermore, board size increases based on company size, industry, and performance. It was argued that a large board could be costly, making coordination, effective communication, and efficient decision-making complex. In contrast, small board sizes do not require much effort in coordination and communication. However, they can struggle to monitor management and CEO effectively (Abdeljawad & Masri, 2020).

The researcher believes that board size should be determined based on the company's complexity and industry. Board size should not be a one-size-fits-all approach or a limit on how many directors should be appointed. However, the board size should be based on the company's needs, considering the complexity, financial and industry performance, and whether a larger or smaller board is required to enhance directors' participation (Makhlouf et al., 2017; Garcia-Torea et al., 2016; Abdeljawad & Masri, 2020). At the same time, a company operating in a more complex environment requires vast diversity, experience, and extended tenure directors to create more effectiveness for the board (Kouaib et al., 2020).

Board composition and size have been listed as significant characteristics, and their influence on company performance has been evidenced in the effectiveness of boards (Al-Matari, 2020). Furthermore, it has been stated that the board must consist of external and internal directors of various diversity in terms of experience, knowledge, age, race, skills, qualification, and tenure. This was attributed to internal directors holding the technical knowledge about the company, while external ones will bring in the oversight role and strategic guidance. The composition of skills and experience in the boardroom made up of the mixture will aid company performance greatly (Al-Matari, 2020).

Researchers have paid attention to board size, debated it to great lengths, and stated different views, especially regarding what is considered an optimal board size (Shawtari et al., 2017). It was argued that the board's ability to communicate effectively becomes difficult with a larger board as opposed to a smaller board; however, a larger board allows for robust debates from a pool of experienced individuals, while a smaller board might pose a challenge when it comes to constituting sub-committees in line with best practice frameworks (Shawtari et al., 2017).

Concerning board composition and size, Pucheta-Martínez and Gallego-Álvarez (2020) asserted that given the strategic decision taken by the board, these characteristics are of great importance. Moreover, these characteristics are important dimensions of any company board structure and can be used to measure company performance (Pucheta-Martínez and Gallego-Álvarez, 2020). In general, many researchers believe that larger boards are more inefficient because it takes a while to reach agreements on issues, owing to multiple interests and schools of thought. However, it can be considered that the board's composition with various expertise numbers will bring different opinions that can help the company with its external image, including prestige and legitimacy (Pucheta-Martínez & Gallego-Álvarez, 2020).

The researcher believes that board composition and size are important characteristics that enhance company performance. Thus, the study aimed to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explores

how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness.

According to the above discussion, board composition and size play a significant role in ensuring that the board of directors contributes effectively to company performance regardless of sector. Given the lack of literature that explicitly links board composition and size to SOE performance effectiveness, the researcher put forward the following question:

*RQ2: How do the board composition and size impact SOE performance effectiveness?*

### **2.4.3 Board skills**

In various literature, various studies documented the importance of the board of directors' skills and competencies in ensuring company performance effectiveness (Borlea et al., 2017). In support, Abang'a et al. (2022) asserted that individuals appointed as directors to companies' boards should have the right skills to enhance performance. In addition, board functions require competent individuals who can, at a high level, provide critical thinking in discharging their roles of monitoring, advisory, and resource mobiliser. Furthermore, directors' appointments should ensure the right mix and balance of skills and competencies required for companies to perform well under board leadership. Additionally, Al-Matari (2020) argued that there is a need for top management, especially board individuals, to be certified professionals through internationally recognised governance bodies as a way of ensuring that all directors appointed possess the right skills and competencies.

As far as the researcher is concerned, professional certification for directors should be a mandatory requirement. Although studies above put forward the importance of directors being skilled and competent in discharging their roles. It is not evident from the studies how a director's competency will be tested, and there was no mention of crucial skills for all directors. Abang'a et al. (2022) studies are based on Kenya SOE corporate governance. However, the author failed to show how SOE directors' competencies can be assessed, especially since the scholars mention that board skills and competency are essential for SOE's financial performance.

Directors' skills are essential in guiding boards of directors to effectively fulfil their fiduciary and strategic roles (Fernandez & Sundaramurthy, 2020). Masli et al. (2018) claim that behavioural attributes such as the ability of directors to be assertive and ask challenging questions to improve company performance contribute to board effectiveness. The researcher agrees with scholars' claims that behavioural attributes skills, which include the ability to ask tough questions and research additional information, are crucial for directors' competency.



Other skills, such as networking ability, were also mentioned as essential as it shows the director's maturity to create boundaries, know when to participate in which conversation, and know how to conduct themselves outside the board rooms (Masli et al., 2018).

Assenga et al. (2018) state that all directors must have core governance skills as a minimum requirement to serve in directorship roles. Directors need to understand their fiduciary duties and demonstrate the required knowledge of corporate governance to build board effectiveness. To capacitate these skills, directors must hold multiple directorships in various sectors to develop their portfolios and grit (Masli et al., 2018). In support, the researcher believes that directors should be qualified to apply the basic governance rules and clearly understand their roles and responsibilities when appointed.

According to Rubin and Segal (2019), technical and industry skills are other critical components in creating an effective board since directors can and often serve on multiple boards. The researcher agrees that individual directors can build skills by serving on multiple boards; however, this can also cause directors to be overloaded with board work, hampering their performance, as time is of the essence when preparing for board meetings. However, how does serving on multiple boards build board characteristics that contribute to SOE performance effectiveness? Furthermore, this can also be problematic as individuals might secure board seats only to benefit from sitting allowance and not necessarily because they want to upskill directors' grit. This can be why some developing countries have limited the number of board seats that directors serving on SOE can accept, as is the case for Namibia (Kefas, 2014). The researcher argued that limiting board seats is not a solution if SOE directors are to build characteristics that contribute to effective boards; the appointing authority should instead come up with a selection or rotation of directors by implementing the best practice framework used to nominate and appoint directors to serve on boards instead of limiting their board seats.

Mans-Kemp and Viviers (2019) stated the importance of organisations appointing directors on the recommendation of a nomination committee as the assurance that those directors are well skilled in technical and soft skills in line with the best practice framework such as the King IV director development, which is crucial for organisation performance effectiveness.

Furthermore, the nomination committee uses a rigorous process by engaging with a recruitment agency to source for retired executives with expertise and experience who have been exposed to boardroom theatrics to be nominated and appointed as directors to serve on the board. Through this process, the committee ensures that only skilled individuals who can contribute effectively to boards are appointed (Mans-Kemp & Viviers, 2019).

The ability of directors to be multifaceted in understanding the technical and industrial operations has become crucial to building board skills. Merendino and Melville (2019) stated that before accepting a directorship position, directors should be aware that they are responsible for directing and providing leadership; hence, their qualifications should match their roles. The researcher believes that a board as a unit should be able to demonstrate its behavioural attributes, governance, and technical and industry skills to contribute to company performance.

The study aimed to understand how appointing independent directors contributes to the effectiveness of SOE performance. It further explores how the board composition and size impact the SOE performance effectiveness and how board skills of directors contribute to the SOE performance effectiveness. Given the lack of literature that shows how board skills can contribute to SOE performance effectiveness, the researcher put forward the following:

*RQ 3: How do board skills contribute to SOE performance effectiveness?*

## **2.5 Agency Theory**

The agency theory presents divergent views on the impact of various board characteristics on company performance. However, other theories exist, such as stewardship and resource-based (Thakolwiroj & Sithipolvanichgul, 2021). This research paper is related to the agency theory.

The agency theory foundation lies in a political philosophy view, which paints a picture of master and servant. The relationship between the master and the servant is that the master provides all the resources and has control and power, while the servant controls the information the master will need to act (De Camargo Fiorini et al., 2018). The researcher believes that the agency theory outlines the typical relationship SOE boards in developing countries have with their principal, the government. These relationships involve the game of power and control and, in most cases, to the detriment of the citizens.

De Camargo Fiorini et al. (2018) stated that the agency theory offers insights into the management behaviour of SOEs in developing countries. These enterprises' heart is about incentive, power, control, authority delegation, and decentralisation. The agency theory plays out in SOE involving the relationship between the government (principal/shareholder) and the enterprise (agent/SOE). The theory has since included other parties appointed by the principal as an agent (board) to perform certain functions under contractual agreements on behalf of the principal (government), and this involved delegating some operational decision-making authority to the agent (SOE) (De Camargo Fiorini et al., 2018).

Bathala and Rao (1995) asserted that the board of directors is appointed to manage the conflicts between management and shareholders by providing critical oversight and monitoring functions as agents. Additionally, Abdeljawad and Masri (2020) asserted that in the agency theory, at times, the goal of the management is different from that of the shareholder, and that is why there are conflicts; hence, the board is appointed to manage this conflict through exercising control, supervision, and the monitoring of the overall company performance to protect the interest of the shareholders. Scholtz and Kieviet (2018) support the agency theory; a company's owners, shareholders, or principals appoint its director to control and respect their interests.

The researcher argues that using the agency theory to link the board characteristics to SOE performance is appropriate. Thompson et al. (2019) outline that the agency theory links the dramatic relationship of the board of directors in SOEs within the context of a developing country in terms of principal-principal (PP) conflict and principal-agent (PA). The claim is that the relationship between the PA and the agent (BODs and management) works and makes decisions for the principal (government). However, in most instances, each party pursues its agenda and self-interest. Furthermore, the problems with the agency theory in developing countries SOE arise when there may be divergences between management and the principal (government) on the one side and between politicians and the assert owners of the SOE (citizens) on the other hand (Thompson et al., 2019).

When it comes to the board of directors' independence, its impact on company performance is discussed from the viewpoint of the agency theory. The agency theory viewpoint on the matter of directors' independence is that the more Non-Executive directors are appointed to a board, the easier it will be for them to monitor and control the operations of the company and keep management on guard (Abang'a et al., 2022) The board of directors' responsibility is to ensure that the agent (the CEO) acts in the best interest of the principals (the shareholders). Agency problems arise mainly because of information distribution between agents and principals.

The agency theory perspective regarding board composition and size is that these board characteristics impact company performance. On the one side, it is argued that a giant board improves monitoring capacity, networking, and expertise, contributing to better company performance. On the other hand, a large board with a diverse composition makes it difficult to manage and control due to differences of opinion, making coordination very difficult (Abang'a et al., 2022).

Individuals appointed to serve on the board of directors are expected to have the right skills and competency to ensure that the company they are entrusted with as agents' performance is superior (Adawi & Rwegasira, 2010). Board skills and competency are critical resources for a company to outperform in its industry. Therefore, as shareholders concluded, it has never been more crucial for principals to appoint agents with the right skills and competency to look after their interests(Adawi & Rwegasira, 2010).

## **2.6 Conclusion**

The board of directors' characteristics as a measure of performance effectiveness in public enterprises are gaining traction. Public enterprises account for emerging government spending, and developing countries are no exception; however, they are constantly criticised for inefficiency. Some developing countries, such as Namibia's government, have taken steps to improve the performance of public enterprises by introducing legislation that will govern the enterprises known as the Public Enterprises Governance Act No.1 of 2019, known as PEGA (Republic of Namibia, 2019). However, the debate whether this legislation is followed to the letter or merely there for appearance without practical implementation is a topic for future research.

More research is needed to focus on board characteristics and performance effectiveness in emerging economies and, more specifically, the effectiveness of boards of directors in public enterprises. However, research on the board of directors' effectiveness in public enterprise is still being determined. By examining how board characteristics affect board effectiveness and focusing on Namibia's public enterprises, this study aims to close the knowledge gap.

In conclusion, this chapter focuses on the literature reviewed by scholars researching similar patterns. The company's board characteristics and performance effectiveness are at the core of their research. In all corporate scandals, the first question is: Where was the board? The question brings others to mind: what does it take to be an influential director? What makes the board effective? The effectiveness of the board of directors has always been the departure point for many policymakers when things go wrong at a company (Nordberg & Booth, 2019).

Boards are essential to public enterprises' success and corporate governance. The board has ultimate responsibility, including through its fiduciary duty, for developing corporate strategies and overseeing public enterprises' performance. In this role, the board is a go-between for the company's executive management and the state as a shareholder. This role is no less critical in state-owned enterprises than in private companies. According to the OECD recommendations, the board should be required to act in the company's and the state's best interests (OECD, 2018). The research questions will be discussed in the following chapter.

## CHAPTER 3: RESEARCH QUESTIONS

### 3.1 Introduction

The preceding chapter reviewed the literature on board characteristics and performance effectiveness in developing countries' SOEs.

This chapter focuses on highlighting the research questions that motivated the study. The research questions were designed in line with the literature that informs the study.

### 3.2 The Research Question (RQ)

To answer the research questions, the researcher adopted a qualitative method for data collection, analysis, and interpretation. According to Bell et al. (2019), qualitative research is the process of gathering and analysing data without using numbers. (Busetto et al., 2020) described the qualitative method as a study of natural phenomena to answer questions about why something is happening using observation and other complex assessment processes to find improvements.

#### 3.2.1 Research question 1

*How does appointing an independent board of directors contribute to SOE performance effectiveness? (Thakolwiroj & Sithipolvanichgu, 2021; Pucheta-Martínez & Gallego-Álvarez, 2020; Thompson et al., 2019).*

This question was drawn from the literature to provide more insight into understanding how board characteristics contribute to SOE performance to gain insights into how appointing independent directors contributes to SOE performance effectiveness.

Appointing outside directors to boards leads to transparency and a better decision-making process in the company's interest, as these directors carry out their duty of care without fearing job security. These board characteristics have been highlighted as contributing factors to organisation performance effectiveness (Thakolwiroj & Sithipolvanichgu, 2021; Pucheta-Martínez & Gallego-Álvarez, 2020; Thompson et al., 2019).

#### 3.2.2 Research question 2

*How do the board composition and size impact SOE performance effectiveness? (Abdeljawad & Masri, 2020; Adawi & Rwegasira, 2010; Al-Matari, 2020).*

This question assists in exploring how board characteristics contribute to SOE performance effectiveness to gain a new understanding of how board composition and size impact SOE performance effectiveness.

Board composition and size are critical factors that should not be overlooked when it comes to board characteristics because building effective boards require a mix of the right skills and a balance of numbers to impact organisational performance (Abdeljawad & Masri, 2020; Adawi & Rwegasira, 2010; Al-Matari, 2020).

### **3.2.3 Research question 3**

*How do board skills contribute to SOE performance effectiveness?* (Abang'a et al., 2022; Assenga et al., 2018; Rubin & Segal, 2019).

Research question three aims to provide insights into how board skills contribute to SOE performance effectiveness.

Directors are expected to be technically competent in the core governance skills as a minimum requirement to serve in directorship. Individuals appointed to serve as directors should have the right soft skills and industry knowledge to guide and steer the organisation in the right direction (Abang'a et al., 2022; Assenga et al., 2018; Rubin & Segal, 2019).

### **3.3 Conclusion**

In conclusion, the chapter discussed the main research questions and their relevance to the study. The researcher consulted various literature to support the research questions in the study. The research questions reflected what the researcher knows about the problem under exploration. Interview guide questions were developed to probe further and explore areas the main questions might not have covered.

In the next chapter, the research methodology and design will be discussed.

## **CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN**

### **4.1 Introduction**

The previous chapter discussed the research questions.

This chapter outlines the research methodology and design used in this study.

The research method was carefully selected for the study rigour and to answer the research questions, ensuring the credibility and validity of the research question (Bell et al., 2019).

Bryman (2008) stated that a methodology is concerned with discovering the study methods that bridge the practices and assumptions, contributing to various writers' discussions that focus on beliefs instead of patterns. Furthermore, research methodology concerns the procedures and methods used to identify, select, process, and analyse information about a research topic (Bell et al., 2019).

### **4.2 Research Methodology (Qualitative)**

To answer the research questions, the researcher used the qualitative method. According to Bell et al. (2019) state that qualitative research is the process of gathering and analysing data without using numbers. Busetto et al. (2020) described the qualitative method as a study of natural phenomena to answer questions about why something is happening using observation and other complex assessment processes to find improvements.

The method was selected because of similar studies by Simpson (2014), which explored boards and governance of state-owned enterprises and (Kakabadse et al., 2010), the performance of non-executive directors in state-owned enterprises also used the same method as their research was exploratory and used qualitative methods for data collection. Furthermore, given that research of a similar nature has yet to be conducted within the Namibia context, the researcher needed to have an in-depth conversation through interviews to establish patterns and gain more insight; thus, the research method will be suitable.

The research questions are exploratory as they focus on how board characteristics determine the performance effectiveness of the board of directors of SOEs. The interpretivism approach was appropriate to explore how the characteristics of the board of directors contribute to board effectiveness. Some aspects result from social constructs, such as behavioural attributes, ethics, and intelligence. Studies of the social world interpret human beliefs and reasoning without quantitative data to understand why things happen the way they do through social constructions (Bell et al., 2019).

The purpose of the research questions nature was to understand and explore insights and a new understanding of how board characteristics contribute to SOE performance effectiveness. Understanding how people shape their world and reality through how they interact with and give meanings and experiences to context, the ontology of this research was social constructionism. Therefore, the fitting choice of this paradigm was interpretivism (Bell et al., 2019).

### **4.3 The Population of the Study**

Bell et al. (2019) define the study population as the entire unit of individuals the researcher will consider for research. The total number of units (individuals, organisations, events, objects, and items) from which the sample is drawn for the measurements can also be defined as the population (Bell et al., 2019).

The researcher identified the population from which the research data was gathered and analysed. The study population for this research were all board members of all SOEs in Namibia.

The choice of the board of directors of commercial SOE was appropriate for the research setting as they are the highest decision-making authority within this organisation, and their insights and understanding were essential to the study. Furthermore, this was the nuance research exploring board characteristics within the context of Namibia SOE, hence the choice of the research setting.

As of February 2023, there were 71 State-Owned Enterprises (SOEs) in Namibia, of which 38 are non-commercial, 22 commercial and 11 financial institutions and extra-budgetary funds (Ministry of Finance and Public Enterprises, 2023).

### **4.4 Unit of Analysis and Level of Analysis**

Kumar (2018) defines the unit of analysis as the main thing that the researcher will use to gather data for the study. Damşa and Jornet (2021) further describe the unit of analysis as the key component of any methodology that determines the research focus when conducting the inquiry. Therefore, for this research, the unit of analysis was the individual board members of the SOEs.

The unit of analysis was the individual board members of the SOEs. The individual directors were a good choice because they guide and steer SOEs, contributing to millions of citizens' social benefits. Their insights and understanding of how board characteristics contribute to SOE performance effectiveness provided context from the SOE perspective to fill the



knowledge gap. The unit of analysis relates to who or what the researcher used to gather the data. The level of analysis was at the board level. The board is vital to SOE's success by providing oversight and guidance (Naciti, 2019).

The board ensure that SOE makes sound business decisions that benefit shareholders. At the level of analysis, the board is the highest decision-making body within SOE (Naciti, 2019). The level of analysis relates to the focus of the research or what the research question is about; the research is about the board of SOEs. The research focuses on the board as the highest governing body of a company that represents the shareholder's interests.

According to Kumar (2018), the level of analysis is defined as the focal point within the environment that one chooses the object to focus on. In the case of this research, looking at the research question, the level of analysis was the board of SOEs in Namibia.

#### **4.5 Sample Method, Sampling Criteria, Sample Size**

The individuals that make up the sample are taken from a larger population. Whitehead and Lopez (2013) define sampling as choosing the group from which the researcher collected their research data. According to Bell et al. (2019), two (2) sampling methods can be used in research. Probability sampling involves a random selection, allowing the researcher to make statistically solid inferences about the whole group. This sampling is used in quantitative analysis. The second sampling method is non-probability, which involves non-random selection mainly based on convenience or other criteria the researcher sets to allow them to collect data quickly. This sampling method is used primarily in exploratory and qualitative research (Bell et al., 2019).

Non-probability sampling is further divided into four concepts, which are convenience, snowball, quota, and purposive. Purposive sampling involves the researcher selecting the most helpful sample for the research. This sampling allowed the researcher to gain in-depth knowledge of a specific subject matter rather than a whole population as it focuses on a small and specific sample (Bell et al., 2019).

The researcher used non-probability purposive sampling to select the individual board members from the 22 commercial SOEs to interview. The sampling was appropriate for the study because the research aim was to explore through discussions to gain insights and a new understanding of how board characteristics contribute to SOE performance effectiveness. The choice of sampling allowed for diversity of opinion from various participants. Further, the sampling technique targets participants with experience as SOE NED to answer the exploratory research questions (Bell et al., 2019).

Commercial SOEs were chosen because of their importance for the country's economy, as they were mainly established to contribute to government revenues, but of late, have been involved in mismanagement, leading to them depending on government bailouts, unlike the non-commercial SOEs that mainly focus on social benefits (Bozec et al., 2002).

Whitehead and Lopez (2013) recommended purposive sampling in qualitative research as it is designed to provide information for in-depth study. The researcher agreed with the scholar as purposive sampling allowed for diverse views and in-depth discussion. The researcher's selection criteria for individual board members were directorship experience in SOEs. On average, each SOE board comprises five (5) members, which equates to a sample size of approximately 110 members. According to the literature, a 10% response rate is expected for qualitative or similar studies (Levitt et al., 2018).

With a 10% response rate, the expected number of interviews from a sample of 110 people was 11. However, according to GIBS standards, the minimum number of participants for the interview should be 12 to 15, which was in line with other scholarly guidance suggesting that anywhere from 5 to 50 participants is sufficient (Dworkin, 2012).

The researcher expects a response rate higher than 10% for this study, giving the research the minimum number of participants.

The researcher planned a sample size of 15 participants, and a final sample size of 14 participants from various commercial SOEs was achieved. The sample size achieved saturation at 14 participants and allowed for diverse views and opinions on the research topic, as in exploratory research (Braun & Clarke, 2021). However, the research setting resulted in a large sample size and given the type of discussions, the saturation point was reached very fast; hence, no further insight was gained.

Braun and Clarke (2021) state that the saturation point is when collecting more data does not generate new information or ideas. For future studies, the researcher recommends that the research setting be narrowed to a specific industry SOE or even three SOEs within a specific industry.

The researcher used the LinkedIn professional network to reach out to participants. Furthermore, the researcher scouted the commercial SOE website and contacted participants by writing emails inviting them to participate in the research study. Participant bias was mitigated through reaching out to participants with whom the researcher had no previous engagement (Levitt et al., 2018). The researcher believes the approach worked as many participants were curious to add their voice to the topic of SOE performance effectiveness, as

the sustainability of these SOEs is in everyone's interest. However, future researchers are encouraged to consider engaging the Ministry of Finance and Public Enterprises to gain faster access to directors.

In the invitation email, the researcher provided a brief introduction highlighting what the research aimed to explore and advised that the interview would be between 45 and 60 minutes. The researcher highlighted their interest in their knowledge and experience; no preparation was required. Furthermore, the researcher communicated that their identity would be anonymously captured and reported (Braun & Clarke, 2021). The researcher believes that anonymity aids participation, as they had confidence that their participation will not be linked, allowing them to discuss the topic freely.

#### **4.6 Research Instrument**

A research instrument is a tool that one can use to gather, quantify, and analyse information about a research interest area (Bell et al., 2019). These tools are most frequently used in the social sciences, health sciences, and education to evaluate boards of directors and staff (Bell et al., 2019).

A research tool may be an interview guide, questionnaire, test, survey, or checklist (Whitehead & Lopez, 2013).

Ravindran (2019) defines a research instrument as a researcher's tools used to gather data. Various instruments are based on their structure or format, purpose, nature, and accessibility. Questionnaires, interview guides, checklists, and surveys are the most popular instruments. Instruments are chosen based on the research question. The credibility of a tool depends on its validity and reliability (Maxwell, 2012).

##### **4.6.1 Semi-structured interviews**

In the qualitative method, interviews are the preferred approach for data collection. The interviews can be unstructured, semi-structured, or structured (Bell et al., 2019). A semi-structured interview protocol was selected as the research instrument for this research. The researcher compiled interview questions to conduct in-depth interviews, probes, and follow-up questions. The researcher designed the interview protocol in an open-ended way to encourage participants to speak freely (Bell et al., 2019).

Although the interview was unstructured, the research instrument comprised two sections: Section A focuses on demographic profiles, ensuring that the research participants include

views from diverse backgrounds and experiences, while Section B contains nine (9) open-ended questions developed from the three research questions (Levitt et al., 2018).

The first three questions focused on appointing independent directors and how they contribute to SOE performance effectiveness. The second set of three questions focused on board composition, size and how it impacts SOE performance effectiveness. The last three questions will examine board skills and how they contribute to SOE performance effectiveness (Naciti, 2019).

A researcher conducted a pilot interview to test and refine the interview guide to ensure it would appropriately answer questions. The final data set did not include the pilot interview (Whitehead & Lopez, 2013). To support the main research questions, the researcher developed the nine (9) sub-questions for the research instrument:

**Table 2: Research instrument - Interview guide**

Question No	Question description
<b>Demographic Questions</b>	
	How long have you served in directorship for State-Owned Enterprises and other non-government entities?
	What is your highest academic degree, and what field of study is it in?
	What rank do you hold within the SOE board of directors?
	Are you working full-time for an SOE or only serving in a directorship role?
1	How do independent boards of directors contribute to SOE performance effectiveness?
2	From your experience, what are some of the factors that impact the independence of SOE directors?
3	From your knowledge, what are the criteria for selecting independent directors on the SOE board?
4	From your experience, what makes the best board composition of the board of directors? Furthermore, how does board composition affect SOE performance effectiveness?
5	How does board size affect SOE performance effectiveness? Does a small or larger board have an impact on SOE performance?
6	Based on your knowledge, what factors determine the size of the board of directors?
7	From your experience, how should individual directors' competency assessments be conducted before appointment to SOE boards?
8	Based on your knowledge, what personal qualities and behavioural skills does the SOEs board need in its directors?
9	From your experience and knowledge, what are the key skills and competencies all SOE directors should have? Please list a few and explain.

Source: Researcher's own (2023)

According to Josselson (2013), the research instrument was designed, and the guide started with some demographic questions. Besides gathering data, the demographics question aimed to build rapport with the participants and let everyone feel comfortable before starting the interview questions.

## 4.7 Data Gathering Process

### 4.7.1 Data collection

The researcher collected data by interviewing 14 participants from various commercial SOEs in Namibia using the same interview with nine open-ended questions developed from the research questions (Whitehead & Lopez, 2013). The researcher only started collecting data after obtaining ethical clearance from the university. The researcher sent a consent form to each participant with the invitation, and each interview only started once the signed consent form was received.

The researcher conducted 13 of the 14 interviews remotely through Microsoft Teams, and one interview was conducted face to face as the participant had internet connection problems. All interviews were recorded with the participant's permission. Immediately after the interviews, all recordings were transcribed verbatim to clean up using the Microsoft Word Dictate tool. All participant's names, as recorded by Microsoft Teams, were removed manually by the researcher. The transcription was checked against the Microsoft Teams transcript to ensure the accuracy of the original interview.

The researcher scheduled the interview for 60 minutes, and most final interviews were between 30 and 60 minutes, with the average interview lasting 40 minutes. The researcher used the transcription and the recording to analyse the data (Braun & Clarke, 2006). The table below depicts data on how anonymity was maintained.

**Table 3:** *Participant data anonymity*

Serial Number	Position on Board	Interview Type	Interview Length (Min)
Participant 1	NED and ARC Chairperson	Virtual	45 minutes
Participant 2	NED and Sub Committee member	Virtual	50 minutes
Participant 3	NED and Sub Committee member	Virtual	45 minutes
Participant 4	NED and Sub Committee member	Virtual	58 minutes
Participant 5	NED and Sub Committee member	Virtual	30 minutes
Participant 6	NED and Sub Committee member	Face to Face	36 minutes
Participant 7	NED and Chairperson	Virtual	45 minutes
Participant 8	NED and Sub Committee member	Virtual	38 minutes

Serial Number	Position on Board	Interview Type	Interview Length (Min)
Participant 9	NED and Sub Committee member	Virtual	52 minutes
Participant 10	NED and Sub Committee member	Virtual	37 minutes
Participant 11	NED and Chairperson	Virtual	34 minutes
Participant 12	NED and Sub Committee member	Virtual	37 minutes
Participant 13	NED and Sub Committee member	Virtual	30 minutes
Participant 14	NED and Sub Committee member	Virtual	48 minutes

Source: *Researcher's own (2023)*

The researcher ensured participant confidentiality and anonymity by ensuring no individual participant was identifiable. Each participant was referred to as a number, and all data from that participant was labelled using that number.

#### 4.7.2 Data analysis approach

Following Braun and Clarke's (2006) research, data collection was analysed using the thematic method. The method allowed for the identification, analysis, and interpretation of data. Thematic analysis was used to identify themes within the data. Braun and Clarke (2006) state that a theme is an important, repeated pattern of meaning concerning the research question, as judged by the researcher.

The researcher generated and interpreted the codes in relation to the research questions. The researcher used ATLAS. Ti qualitative software to analyse the interview transcript. The researcher analysed the data following these steps: firstly, by reading the interview transcript to become familiar with the data. This was followed by generating codes and searching for themes. After that, the researcher reviewed the themes, defined them, conducted deep data analysis, and wrote the results report (Braun & Clarke, 2006). The analysis followed the steps suggested by Braun and Clarke (2006).

**Table 4:** *Data analysis steps*

Steps	Description
Step 1	Go through the transcript carefully
Step 2	Generation of codes
Step 3	Generating themes
Step 4	Reviewing themes
Step 5	Defining and naming themes
Step 6	Writing a report

Source: *Researcher's own adapted from Braun and Clarke (2006)*

The detailed description of how the data analysis was conducted is illustrated in Chapter 5.

According to Braun and Clarke (2006), ATLAS.ti is a qualitative research tool used to analyse data visualisation, build literature reviews, code transcripts and field notes, and create network diagrams. The software allocates different codes to interview lines in the text by doing so, so it differentiates various concepts and groups them accordingly. The researcher was unfamiliar with the software but used it with classmates' assistance for the first level of coding. However, it proved challenging, and the researcher resorted to manual coding.

#### **4.7.3 Data storage**

The data was stored and reported without identifiers and was therefore anonymised. Consent forms were stored in a different folder separate from the interviews. All data collected was password protected and securely stored on a private computer, with a backup to a secure iCloud account.

#### **4.8 Research Quality and Rigour**

External reliability and internal validity are important aspects of qualitative research to build confidence in the data acquired (Bell et al., 2019). It became even more critical for the researcher to ensure credibility when the data collection method deployed was interviewing. When conducting the interview, the researcher relies on participants' perspectives and experiences as first-hand information (Bell et al., 2019).

According to Bell et al. (2019), external reliability demonstrates the ability of the researcher to carry out the study in such a way that other researchers can repeat the results to ensure reliability. In qualitative research, reliability stems from the research instrument. If the research instrument is unreliable, the study will be flawed with errors and reporting that is not accurate. Furthermore, internal validity is a more quantitative research measure but also applies to rigorous qualitative research, which shows that a logical and systematic process was followed (Bell et al., 2019).

Lindgreen et al. (2021) asserted that trustworthiness in qualitative research demonstrates credibility, is dependable, confirmable and has the potential to be transferable. Credibility refers to good practice of triangulating. Dependability in this research was demonstrated by keeping an easily accessible structured audit trail, and it shows that the researchers adhered to the ethical clearance guidelines and acted in good faith (Bell et al., 2019).

Braun and Clarke (2021) refer to the ability of the researcher to research as they said they would follow a robust, logical, and accurate theory. Finally, to ensure the integrity of the data,

the researcher followed rigorous steps when analysing the data collected to ensure that the data were of good quality and that the participants' views were reflected as accurately as possible (Braun & Clarke, 2006).

#### **4.9 Ethical Issues and Confidentiality**

Ethical considerations in research refer to principles, including voluntary participation, informed consent, anonymity, secrecy, the possibility of harm, and results communication, that will guide research designs and methods (Connelly, 2014).

Participants' confidentiality and anonymity were secured as no individual participant or company names or identifiers had been stored or reported. All data were stored and reported without identifiers and, therefore, anonymised.

The participants were requested to grant permission by signing consent forms. Consent forms are stored separately from the data collected. A copy of the consent form is attached in the appendix.

The purpose of the study was explained to the participants at the beginning of each interview. The researcher assured the participants that their contribution to the study was strictly for academic purposes (Bell et al., 2019).

The University of Pretoria (Gordon Institute of Business Science) ethical clearance process was followed, and data collection was only conducted once an ethical clearance certificate was issued. A copy of the ethical clearance approval is attached in the appendix.

The data for the research were newly solicited from human subjects and were qualitative. The nature of the study did not require that data be collected from any vulnerable respondents. No incentive was offered to the respondent to participate in the study.

There was no requirement for any organisation to take part in this study. Therefore, no request for written permission from any organisation was made.

All data collected are stored on a securely private computer and backed up to a secure iCloud. The data collected have been secured by a password that is only known by the researcher.

#### **4.10 Limitations of the Study**

There were some limitations to this research. According to Bell et al. (2019), limitations are things beyond the researcher's control and might hinder or affect the research quality and completion.



The main limitation of the research design was that a novice researcher conducted the research. As a novice researcher without experience, there might have been some limitations in how the interviews were conducted, how data were analysed mainly through coding, and how research findings were compiled into a report. Nonetheless, the researcher mitigated the lack of experience by following the interview approach described (Josselson, 2013). Furthermore, the researcher followed the thematic step-by-step process described in Braun and Clarke (2006) to overcome the data analysis limitations and report writing. Additionally, the researcher attended the monthly GIBS research workshop to learn about applying the research methodology and its design.

The second limitation of the research design was the coding software Atlas. Ti, the researcher, had no prior knowledge of the software and its application. Eventually, to overcome this limitation, the researcher resorted to manual coding.

The third limitation concerns the research setting, which only focuses on Namibian SOEs. The limitation was overcome by triangulating the findings. The findings from different people were compared to various literature. This way of triangulation avoids the bias of relying on a single country's findings, which ensures that the findings can be applied in the context of other developing countries.

Finally, the participants' schedule was another limitation; the researcher needed help to get participants for the interview. However, the researcher overcame this limitation by prescheduling the interviews based on their calendar availability.

#### **4.11 Conclusion**

The chapter discussed the research design and methodology employed in this study. A qualitative research methodology was used in the study. The methodology allowed the researcher to explore the topic through in-depth interviews to gain insight and new understanding in the context of developing countries. The sample for this study was 14 individual directors serving on SOE boards. Semi-structured interviews were conducted through Microsoft Teams.

The next chapter will discuss the presentation of research results.

## CHAPTER 5: PRESENTATION OF FINDINGS

### 5.1 Introduction

In this chapter, the researcher will present the key findings from the data gathering and analysis process in response to the research questions from Chapter 3. The chapter will include a detailed description of the thematic data analysis steps that were applied, the presentation of the findings in the form of themes, and the supporting evidence from the participants' responses that were captured verbatim. The presentation is aligned with each research question contained in the interview guide.

### 5.2 Thematic Data Analysis

A total of 15 participants were purposively selected for this study. However, saturation was reached at 14 participants during the interview process. The researcher observed that they had reached data saturation when they began to hear the same answers repeatedly. At this point, the researcher stopped the interview and started analysing the data collected.

Following Braun and Clarke's (2006) research, the data collected were analysed using the thematic method. The method allowed for the identification, analysis, and interpretation of data. Thematic analysis was used to identify themes within the data (Braun & Clarke, 2006). Braun and Clarke (2006) stated that a theme is an important, repeated pattern of meaning concerning the research question. Following Braun and Clarke (2006), the researcher used a six-step approach in the analysis of data, and these were the steps:

#### ***Step 1: Going through the transcript carefully***

The researcher conducted the interview and became familiar with the data and the participants during the process. Furthermore, after each interview, the researcher read through the transcript and cleaned it by removing the participants' date stamp, time and names as the interviews were recorded using Microsoft Teams. During this time, the researcher also replayed the interview to ensure that words that were not captured correctly by Teams were corrected. All participants were granted permission for their interviews to be recorded.

#### ***Step 2: Generation of codes***

After going through the transcript carefully, the next step was to generate the codes. First, the researcher organised the data into a meaningful flow according to the interview guide questions. The data from the 14 interviews was uploaded to Atlas. Ti is a qualitative data software that can automatically generate codes.

The coding software was embedded with AI coding, and the researcher had to manually allocate the suggested codes and discard some that did not relate to the research questions using an inductive process. A total of 224 codes were generated during the first level of coding; the researcher reviewed, refined, and merged codes based on similarities using a manual process to generate 117 second-level codes. The researcher downloaded this code into a Microsoft Excel worksheet and continued the coding process manual to generate the final codes.

### ***Step 3: Generating themes***

Following step 2, the researcher allowed the data to generate themes aligned with the research questions. The researcher reviewed the second-level codes, identified patterns, and started categorising them to develop themes. Several codes were combined into a single theme, and some became themes.

### ***Step 4: Reviewing themes***

After generating the themes, the researcher had to ensure they were helpful and accurately represent the data. The researcher compared the themes against the research questions to see if they were aligned. During this process, the researcher critically reviewed the themes to see if they were aligned and, if they were not aligned, changed to make the themes work better. Themes were also split or combined and discarded in some cases.

### ***Step 5: Defining and naming themes***

This step involved defining and naming themes; it involved the researcher understanding what each theme means and discovering how it provides insight into the data. The researcher named the themes to make them easier to understand and more accessible to align with the research question.

### ***Step 6: Writing a report***

Finally, the researcher wrote up a data analysis report. Like all previous academic writing styles, a thematic analysis report requires an introduction and conclusion for each research question analysis.

## **5.3 Results**

The researcher described the six-step approach to analyse the qualitative data to provide context. First, the demographic characteristics of the participants for the study are discussed to provide background. Selecting suitable participants was critical to ensure that the data collected could provide insight and support the research.

### 5.3.1 Demographic analysis of participants

To gain better insights and understanding of the research participants, the researcher drew up four (4) demographic questions. The rationale behind these questions was to gain more insights into the participant's experience and expertise in the research topic. The first question about years of experience was necessary since the research aim was to explore through in-depth discussions, and experience is valuable for providing insights on the topic.

The second question examined the participants' qualifications and various fields of study. The question was looking at the knowledge and skills the directors contribute to the boards they serve, intending to understand the various qualifications of the directors and how they link to their roles.

The third question examined the rank of the various participants within the structures of SOE boards; the rationale was to gain different roles and perspectives on the research topic.

The final question examined if any participants worked full-time for an SOE or only served in a directorship role. The rationale behind this question was to understand the participant's role within the context of the research topic. The demographic data responses were summarised and grouped into four categories: *academic qualifications, board experience, board roles* and *Non-Executive Director*.

The tables below summarise a few randomly selected responses to provide insights into the participant's demographic data.

**Table 5:** Summary of some participant responses to demographic questions

Board experience: Focused on the participant's board experience in the private and public sectors.
<i>"I have been a Non-Executive Director since 2017 in the private sector and public or for public enterprises since 2019. That is seven years in total in both sectors."</i>
<i>"I got on my first SOE board in 2008 and have since grown to serve on multiple boards in the private and public sectors. That is almost 15 years or more since I became a non-executive director."</i>
<i>"I only serve on one SOE board. I was appointed for the first time in 2020 after three years. Our board term has since been renewed for another three years. So, I can say six years."</i>
Academic Qualifications: Focused on the participants' highest academic qualifications and study areas.
<i>"I hold a master's in Corporate and Commercial Law. So that is my highest education. In addition, I have the CFE certification (Certified Fraud Examiner's certification) and international Executive Development certification (Governance of Central Banks), and I have completed some leadership courses under the Senior Management Development Program from Stellenbosch and London Business School."</i>
<i>"My highest academic qualification is an MBA from Stellenbosch, and I am a professional lawyer."</i>
<i>"I have a Master of Science degree in international business."</i>
Board roles: Focused on the participants' various board roles on the various boards they serve on.

<i>"I have chaired a board of some sub-committees and been an ordinary NED. So, I have been at a very high level."</i>
<i>"I serve as an independent director and sit on two different committees. The technical committee and the Remuneration Committee."</i>
<i>"I have a few directorship roles in both the private and public sectors. On some boards, I serve as a vice Chairperson and other ordinary Non-Executive Directors."</i>
Non-Executive Directors: Focused on the participant's employment status and to find out if they work full-time for an SOE or only serve in a directorship role.
<i>"I am not working full-time for any public enterprises (SOE). I only serve as a director (NED)."</i>
<i>"No, I do not work for any SOE. I only serve on the SOE board as an NED."</i>
<i>"I am employed full-time by an SOE. However, I serve on a different SOE board to clear that up."</i>

Source: Researcher's own (2023)

**Board experience:** All participants have at least five (5) years of experience serving on SOE boards.

**Academic qualifications:** All participants have at least a master's degree.

**Board roles:** Some participants serve as ordinary Non-Executive Directors, and some are in the roles of Chairperson, while others are also chairing various board subcommittees.

**Non-Executive Directors:** Some participants work for SOE but serve as NED on different SOE boards. While others do not work for any SOE but only serve as NED.

#### 5.4 Themes Identified

Following the data analysis, nine (9) themes were identified. The nine (9) themes were identified following a coding process that provided more insights and a new understanding of the research topic.

The table below summarises the research questions, corresponding themes, and their theoretical group.

**Table 6:** Summary of research questions, themes and theoretical construct

Research Questions	Themes	Theoretical Construct
How does appointing an <b>independent board</b> of directors contribute to SOE performance effectiveness?	Ensuring Responsible Governance	Independent Board
	Independence of SOE Boards	
	Factors impacting Independence	
How does the <b>board composition and size</b> impact SOE performance effectiveness?	Board composition	Board Composition and Size
	Board size	
	Factors determining board size	

Research Questions	Themes	Theoretical Construct
How do <b>board skills</b> contribute to SOE performance effectiveness?	Competency assessments for directors	Board Skills
	Independent selection committee	
	Skills for SOE directors	

Source: Researcher's own (2023)

The research findings are referenced to the research question, as indicated in Chapter 3, and repeated below for ease of reading, as well as the potential similarities and differences of the key themes among the participants' responses.

## 5.5 Research Question 1: How does appointing an independent board of directors contribute to SOE performance effectiveness?

### 5.5.1 Introduction

The data analysis identified three (3) themes for research question 1. The themes were identified following a coding process.

The aim of the research was to explore how board characteristics contribute to SOE performance effectiveness through in-depth discussions to gain more understanding and insights from the participants and not to conduct a comprehensive review. The researcher believes that the themes identified for discussion provided more insights and understanding of the research topic, especially in the context of State-Owned Enterprises.

Three (3) themes were discussed for research question 1: *Ensuring Responsible Governance, Independence of SOE Boards and Factors impacting independence.*

Table 7 shows the three (3) themes related to independent directors' contribution to the SOE performance effectiveness.

**Table 7:** Themes relating to research question 1: Independent directors contribution to SOE performance effectiveness

Themes	
1	Ensuring Responsible Governance
2	Independence of SOE Boards
3	Factors impacting independence

Source: Researcher's own (2023)

## 5.5.2 Ensuring responsible governance

Ensuring Responsible Governance is the first theme discussing how independent boards of directors contribute to SOE performance effectiveness. The theme was identified from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

### 5.5.2.1 Evidence of ensuring responsible governance

The researcher selected participants' quotations that captured great insight relating to the theme of Ensuring Responsible Governance as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 8 below is the evidence of the Responsible Governance Theme.

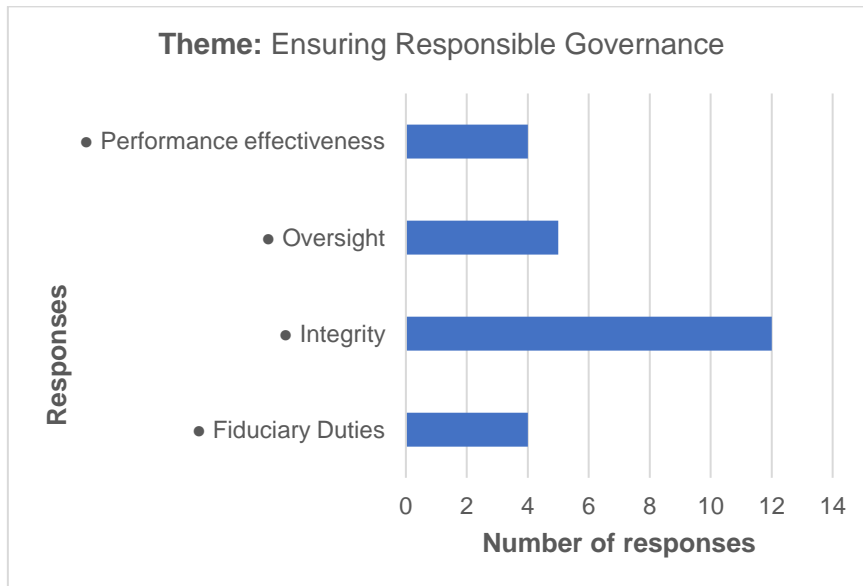
**Table 8:** Quotations of evidence ensuring responsible governance

<b>Evidence for Theme 1: Ensuring Responsible Governance</b>
<i>“Effectiveness comes from this objectivity. When you are independent, there is nothing to gain personally; your role is to contribute your professional expertise to the organisation. Non-executive board members must provide oversight and objective assessments of strategic and operational decisions, making the board and the organisation more effective”. 9:2 ¶ 19 in Interview 9.</i>
<i>“Having a board that can cover all key areas where independent decision-making is crucial is important. The size of the board should be optimal. In a complex environment, a smaller board can effectively make decisions and coordinate. I see the importance of balancing having enough expertise and not making the board too large to function efficiently. It is all about finding that balance to ensure the board can effectively oversee and guide the SOE”. 14:6 ¶ 41 in Interview 14.</i>
<i>“I think the first personal qualities that all board members should have regardless of the sector are integrity and ethics. Integrity means always doing what is in the best interest of the company they are appointed to serve. All board members should be competent in terms of knowledge, skills, and attributes. Directors should be responsible for their actions and accountable for the decisions they make. I think those for me are key qualities and behavioural skills”. 1:10 ¶ 54 in Interview 1.</i>
<i>“By law and nature, directors have a fiduciary duty towards the company, not just the shareholders but the company. Shareholders have rights to shares in a company, but the company is an owner. Directors serve the company”. 7:2 ¶ 19 in Interview 7.</i>

Source: Researcher's own (2023)

### 5.5.2.2 Cross-case and in-case analysis of ensuring responsible governance theme

**Graph 1:** Evidence of responses relating to the theme of ensuring responsible governance



Source: Researcher's own (2023)

The graph above indicates the keywords summarising the mentions by participants for the first theme discussed: ensuring responsible governance.

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Some participants indicated that independent directors ensure responsible governance through *performance effectiveness*. The participants indicated that effectiveness comes from objectivity and that one can only be objective when there is no relation to the SOE. When directors are independent and have nothing to do with the organisation, they provide responsible governance through their roles.

Other participants indicated that independent directors contribute to SOE boards by providing an *oversight* function. The participants indicated that having an external board provide independent decision-making and objective assessment. The board oversee and guides SOE without bias, as they are there to render an oversight function.

Many participants indicated that *integrity* is an integral part of individuals who want to serve as independent directors and is a huge component of what directors contribute as part of their responsibility. They should always have the organisation's best interest in mind as they are appointed to protect the interest of shareholders.



Other participants outlined that directors have fiduciary duties towards the company shareholders and should always do what is right in the SOE's interest, as that is expected of them when they are appointed independent directors to bring to the SOE boards. “*Directors serve the company*”.

Regarding the similarities, from the evidence presented, some participant's responses agreed that independent directors are responsible for ensuring that they are serving in the best interests of the company through providing *oversight*, being responsible for their actions through *integrity*, and always serving in the best interest of the company by carrying out their *fiduciary duties*.

Regarding the differences, some participants highlighted that independent directors contribute to SOE *performance effectiveness* by contributing their professional expertise and experience. This was noted as a difference as all other responses relate to ethics except those that mention performance effectiveness.

#### 5.5.2.3 Conclusion on the theme of ensuring responsible governance

The evidence of ensuring responsible governance presented similarities and differences between the participant's responses.

Regarding the similarities, from the evidence presented, some participant's responses agreed that independent directors are responsible for ensuring that they are serving in the best interests of the company through providing *oversight*, being responsible for their actions through *integrity*, and always serving in the best interest of the company by carrying out their *fiduciary duties*.

Regarding the differences, some participants highlighted that independent directors contribute to SOE *performance effectiveness* by contributing their professional expertise and experience.

A further point of difference was that many participants' responses leaned towards integrity as a considerable part of the independent director's contribution to SOE performance effectiveness.

### 5.5.3 Independence of SOE boards

Independence of SOE Boards was the second theme identified on how independent boards of directors contribute to SOE performance effectiveness. The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

### 5.5.3.1 Evidence of independence of SOE boards theme

The researcher selected those participants' quotations that captured great insight relating to the theme of the Independence of SOE Boards as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 9 below is the evidence of the Independence of SOE Boards theme.

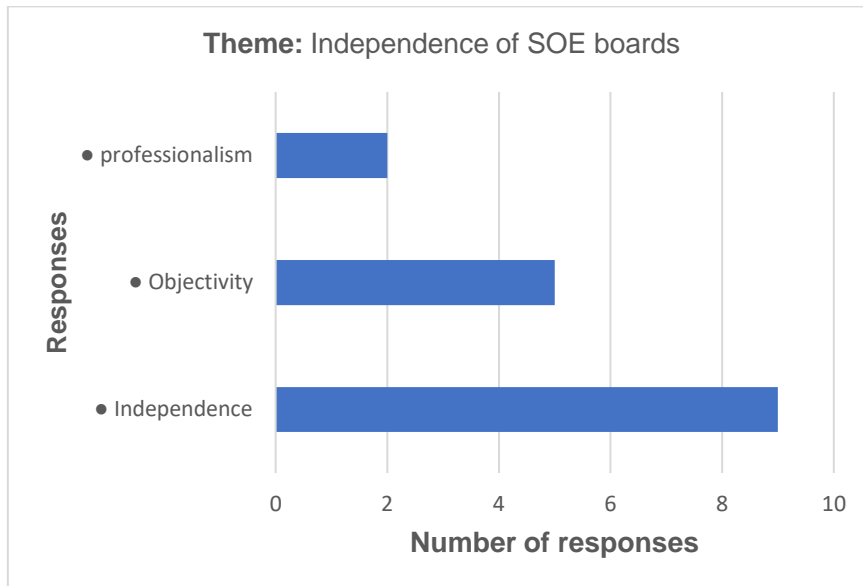
**Table 9:** Quotations of evidence of the independence of SOE boards theme

<b>Evidence for Theme 2: Independence of SOE Boards</b>
<p><i>“Independent directors bring expertise that is not always available within. They also bring an external view that is undiluted by being internal. So, they always come with a fresh perspective. They can provide more guidance based on their experiences with other companies where they are exposed to something that is not always available internally. In terms of accountability, because they are not linked to the SOE, they can be sterner towards management pushing for performance versus somebody who perhaps works with management on a daily basis”. 1:3 ¶ 21 in Interview 1.</i></p>
<p><i>“Because you are an independent director, you think independently. Once you think independently, you focus on the organisation’s best interests. The lack of independence tends to sway your thinking in being emotionally connected to the interests of whatever compromises your autonomy”. 2:6 ¶ 19 in Interview 2.</i></p>
<p><i>“Independent, so it's more about not being associated with that institution. Yes. So, we are serving as I am serving as an independent board member. The importance of that is this, you bring a non-objective view to the meeting without being privy to the internal dynamics that allow your perceptions when you decide. So it's critically important that you have several independent board members to bring that view, you know, not that the interest is you have clear objectives. You are not influenced by any of the internal dynamics within the institution”. 6:1 ¶ 19 in Interview 6.</i></p>
<p><i>“Being independent means being objective and unbiased, looking at the organisation’s decisions from a neutral standpoint. Effectiveness comes from this objectivity. When you are independent, there is nothing to gain personally; your role is to contribute your professional expertise to the organisation. Non-executive board members must provide oversight and objective assessments of strategic and operational decisions, making the board and the organisation more effective”. 9:2 ¶ 19 in Interview 9.</i></p>

Source: Researcher’s own (2023)

### 5.5.3.2 Cross-case and in-case analysis of the independence of SOE boards theme

**Graph 2:** Evidence of responses relating to the independence of SOE boards theme



Source: Researcher's own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Participants indicated that independent directors bring expertise in *professionalism* that is not always available from within SOE boards. External directors also provide more guidance based on their experiences from other companies where they are exposed to different professionals.

Many participants indicated that directors' independence is another major contributor to SOE boards. The participants indicated that independent directors think independently, and once they think independently, they tend to serve the organisation. The participants mentioned that a lack of independence tends to sway directors' interest in the boards; that is why directors need to be *independent*, said most participants.

Being independent means being objective and unbiased and looking at the organisation's decisions from a neutral perspective; bringing that *objectivity* to SOE boards is essential to the independence of SOE boards, said some participants.

Regarding the similarities, from the evidence presented, most of the participants agreed that appointing independent directors to SOE boards brings *professionalism* and *objectivity* to the boards, as these directors, according to some participants, have no interest in the SOE; as

such, they bring their best professional experience. They are objective, as internal dynamics do not influence them.

Regarding the differences, most participants indicated *independence*. The participants indicated that independence is essential for SOE boards as it means one brings a non-objective view to the boardroom without being privy to internal dynamics. The participants indicate that it is essential that SOE boards have several independent board members to bring that external perspective.

#### *5.5.3.3 Conclusion on the theme of independence of SOE boards*

The evidence of the Independence of SOE boards presented similarities and differences between the participant's responses.

Regarding the similarities, from the evidence presented, most of the participants agreed that appointing independent directors to SOE boards brings *professionalism* and *objectivity* to the boards, as these directors, according to some participants, have no interest in the SOE; as such, they bring their best professional experience. They are objective, as internal dynamics do not influence them.

Regarding the differences, most participants indicated *independence*. The participants indicated that independence is essential for SOE boards as it means one brings a non-objective view to the boardroom without being privy to internal dynamics. The participants indicate that SOE boards must have several independent members to bring that external perspective.

#### **5.5.4 Factors impacting the independence theme**

The Factors Impacting Independence was the third theme on how independent board directors contribute to SOE performance effectiveness. The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

##### *5.5.4.1 Evidence of factors impacting independence theme*

The researcher selected those participants' quotations that captured great insight relating to the theme of the Independence of SOE Boards as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 10 below is evidence of the Factors Impacting the Independence theme.

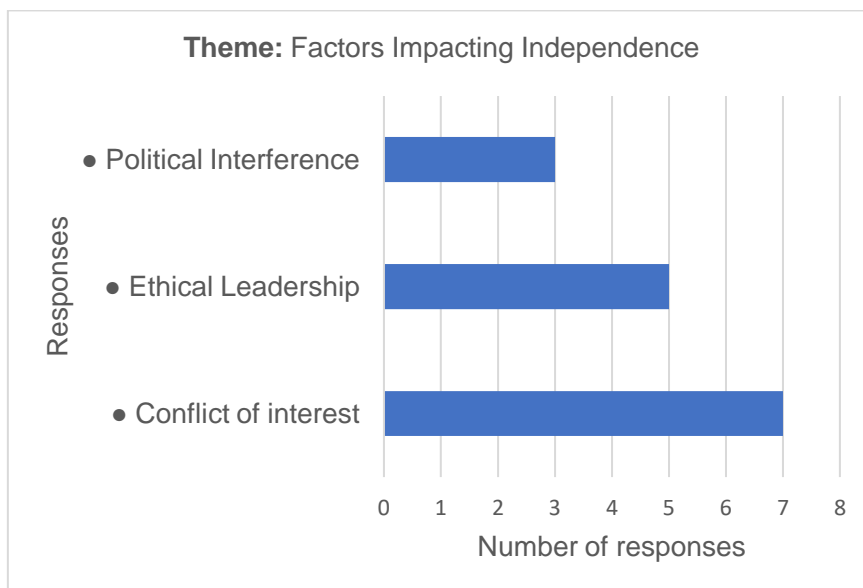
**Table 10:** Quotations of evidence of factors impacting independence

<b>Evidence for Theme 3: Factors Impacting Independence</b>
<p>“Conflict of interest can also affect directors' ability to act independently. Directors who use their positions to gain personal advantage can compromise their judgment and ability to act with due care and skill. Lastly, skills diversity is crucial. Legislation often specifies the skills required, and appointments should align with these criteria. However, this is not always the case, which can affect the ability to execute board functions effectively”. 10:3 ¶23 in Interview 10.</p>
<p>“Well, the number one is a political influence. It is so easy for a unique entity that you cannot wholly divorce from politics. So, with an SOE, that political angle tends to influence the performance over and above the quality of the boards. Are professional board members on there that can bring value to the work of the SOE”? 2:7 ¶23 in Interview 2.</p>
<p>“Ethical leadership is the first and foremost quality for me. You should maintain your collegial independence. You should debate issues objectively and sustainably, with the company's interest in mind, not personal or any other interest. You should try to foster harmony as a board as far as possible, but that harmony must manifest itself because if you debate issues, it will crystallise by itself. We should not entertain what I call rubber directors or those who just come to a meeting for the money. Say yes and amen. If you have the intellectual capacity to debate issues and walk away from the issues without feeling guilty, you should not be serving on a board”. 7:9 ¶49 in Interview 7.</p>
<p>“Firstly, the absence of a comprehensive shareholders compact between the shareholder representative and the board can lead to political interference. Secondly, a narrow relationship between the chairperson and the CEO can exclude the rest of the board from making prudent decisions. Additionally, some CEOs may have more significant political capital than their board, affecting independent decision-making. Suppose there is a lack of clarity between the board and the shareholder representative. In that case, it can lead to conflicts of interest because the board's decision may conflict with the interests of the shareholder representative. Also, the political capital of the CEO can influence decision-making, especially if it surpasses that of the entire board”. 5:3 ¶23 in Interview 5.</p>

Source: Researcher's own (2023)

#### 5.5.4.2 Cross-case and in-case analysis of factors impacting independence

**Graph 3:** Evidence of responses relating to factors impacting independence theme



Source: Researcher's own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Participants outline *political interference*, *ethical leadership*, and *conflict of interest* as factors impacting the independence of independent directors' contribution to SOE boards.

Some participants indicated that some directors appointed to SOE boards act as shadow directors to protect the interest of the appointing authority due to *political interference and influence*. The participants indicated that it is not easy for SOE boards to divorce from politics; thus, political angle tends to influence directors' performance over and above the quality of boards.

Many participants indicated that independent directors are appointed so that they bring *ethical leadership* to SOE performance effectiveness. Participants indicated that ethical leadership is the first and foremost quality that all SOE directors should bring and contribute to these boards as a board characteristic. Directors should maintain their collegial independence and debate issues objectively and sustainably with the company's interest in mind.

Other participants outlined that independent directors should guard against *conflict of interest* when appointed to SOE boards as they are to serve the interest of the SOE. Participants indicated that conflict of interest can influence directors' ability to act independently. Directors should never use their position to gain personal advantage that can compromise their judgment and ability to act with due care and skill.

Regarding the similarities, some participants highlighted *political interference* and *conflict of interest* as significant factors impacting the independence of SOE boards. Participants brought much insight into how these two factors hamper the performance of SOE boards, contributing significantly to the research topic.

Regarding the differences, some participants highlighted the importance of *ethical leadership* as an essential characteristic that all SOE directors should contribute to those boards. Ethical leadership stood out differently as it impacts SOE boards positively.

#### 5.5.4.3 Conclusion on the theme of factors impacting independence theme

The evidence of factors impacting independence presented similarities and differences between the participants' responses.

Regarding the similarities, some participants highlighted *political interference* and *conflict of interest* as significant factors impacting the independence of SOE boards. Participants brought much insight into how these two factors hamper the performance of SOE boards, contributing significantly to the research topic.

Regarding the differences, some participants highlighted the importance of *ethical leadership* as an essential characteristic that all SOE directors should contribute to those boards. Ethical leadership stood out differently as it impacts SOE boards positively.

### 5.5.5 Conclusion on research question 1: How does appointing an independent board of directors contribute to SOE performance effectiveness?

In conclusion, the research aimed to develop insights and new understanding, not to conduct a comprehensive review, but to see what new insights the researcher could gain from the discussions. Three themes were selected for discussion because they provided insights and a new understanding of the research question.

**Table 11:** Summary of themes relating to research question 1: How does appointing an independent board of directors contribute to SOE performance effectiveness

Themes
Ensuring Responsible Governance
Independence of SOE Boards
Factors Impacting Independence

Source: Researcher's own (2023)

Interestingly, most participants' responses contributed to all these themes, although some had different views.

The evidence for the three discussed themes presented similarities and differences between the participants' responses.

Regarding the similarities, from the evidence presented, some participant's responses agreed that independent directors are responsible for ensuring that they are serving in the best interests of the company through providing *oversight*, being responsible for their actions through *integrity*, and always serving in the best interest of the company by carrying out their *fiduciary duties*.

Regarding the differences, some participants highlighted that independent directors contribute to SOE *performance effectiveness* by contributing their professional expertise and experience.

Regarding the similarities, from the evidence presented, most of the participants agreed that appointing independent directors to SOE boards brings *professionalism* and *objectivity* to the boards, as these directors, according to some participants, have no interest in the SOE; as such, they bring their best professional experience. They are objective, as internal dynamics do not influence them.

Regarding the differences, most participants indicated *independence*. The participants indicated that independence is essential for SOE boards as it means one brings a non-objective view to the boardroom without being privy to internal dynamics. The participants indicate that SOE boards must have several independent members to bring that external perspective.

Regarding the similarities, some participants highlighted *political interference* and *conflict of interest* as significant factors impacting the independence of SOE boards. Participants brought much insight into how these two factors hamper the performance of SOE boards, contributing significantly to the research topic.

Regarding the differences, some participants highlighted the importance of *ethical leadership* as an essential characteristic that all SOE directors should contribute to those boards. Ethical leadership stood out differently as it impacts SOE boards positively.

Overall, the themes of ensuring responsible governance, independence of SOE boards and factors impacting independence provided insights and a new understanding of how appointing an independent board of directors contributes to SOE performance effectiveness.

## **5.6 Research Question 2: How do the board composition and size impact SOE performance effectiveness?**

### **5.6.1 Introduction**

The data analysis identified three (3) themes for research question 2. The themes were identified following a coding process.

The aim of the research was to explore how board characteristics contribute to SOE performance effectiveness through in-depth discussions to gain more understanding and insights from the participants and not to conduct a comprehensive review. The researcher believes that the themes identified for discussion will provide more insights and understanding of the research topic, especially in the context of State-Owned Enterprises.



Three (3) themes were discussed for research question 2: *Board Composition, Board Size and Factors Determining Board Size*.

Table 12 shows the three (3) themes related to how board composition and size impact SOE performance effectiveness.

**Table 12:** Themes relating to research question 2: How do the board composition and size impact SOE performance effectiveness

Themes	
1	Board Composition
2	Board Size
3	Factors Determining Board Size

Source: Researcher’s own (2023)

### 5.6.2 Board composition

Board Composition was the first theme identified for research question 2 as the study aimed to explore through discussions how board composition and size as board characteristics impact developing countries' SOE performance effectively. The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

#### 5.6.2.1 Evidence of Board Composition

The researcher selected those participants’ quotations that captured great insight on the Board Composition theme as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 13 below is the evidence of the Board Composition theme.

**Table 13:** Quotations of evidence from board composition theme

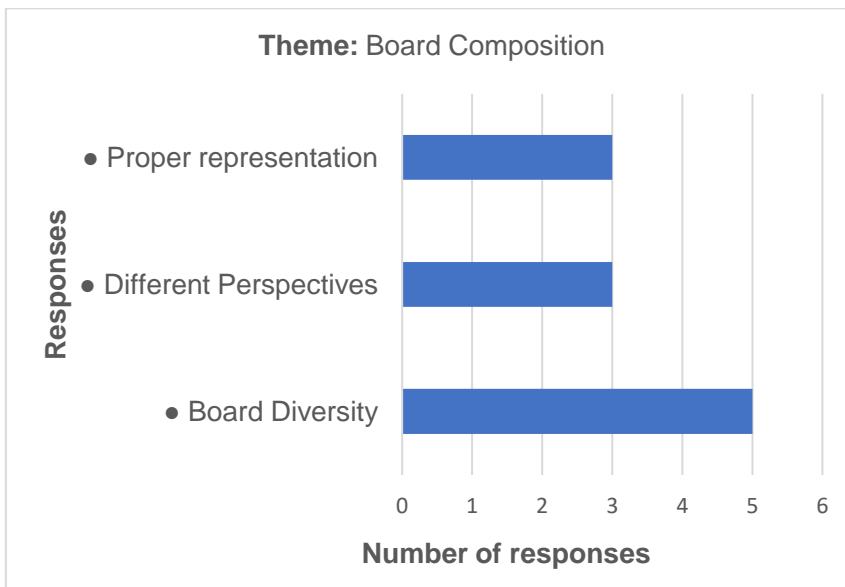
Evidence for Theme 1: Board Composition
<p><i>“You need a mix of skills, expertise, leadership, financial management, social capital, and risk management expertise. These factors contribute to effective board composition. A diverse board composition is essential because SOEs often have a developmental impact. Board members with sector knowledge appreciate the impact of their decisions on development. This diversity ensures a balanced financial approach and maintains network capital among stakeholders for the greater good of the company and the country. SOEs are about public service delivery with a purpose. Profit with a purpose”. 5:5 ¶ 31 in Interview 5.</i></p>
<p><i>“So, having the right composition means that you should ensure that each subcommittee is properly represented. This includes having different chairpersons for these committees. Proper oversight can be carried out efficiently. It is not ideal when the board chairperson is also chairing another subcommittee; it can create conflicts in providing oversight”. 11:4 ¶ 34 in Interview 11.</i></p>

<b>Evidence for Theme 1: Board Composition</b>
<p>“SOEs work differently from private companies, so having a board composition of individuals from the private and public sectors brings different perspectives”. 13:5 ¶ 34 in Interview 13.</p>

Source: Researcher’s own (2023)

#### 5.6.2.2 Cross-case and in-case analysis of board composition theme

**Graph 4:** Evidence of responses relating to the board composition theme



Source: Researcher’s own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Participants outline *proper representation*, *different perspectives*, and board diversity as critical areas that bring context to how the board's composition and size impact SOE performance.

Some participants on *proper representation* indicated that having a suitable board composition means that there should be sufficient skills representation to ensure that each subcommittee is adequately represented to contribute effectively to SOE performance. The participants stated that subcommittees function as building blocks for proper board meetings.

Other participants indicated that SOEs are a special breed that does not always function like other companies, so having individuals from various sectors brings *different perspectives* and impacts SOE performance effectively.

Other participants stated that diverse board composition is essential because SOE often has developmental impacts. Furthermore, the participants stated that *board diversity* brings together a mix of skills, expertise, experience, and social capital. These compositions contribute to effective boards and drive SOE performance effectiveness.

Regarding the similarities, from the evidence presented, most participants agreed that proper representation, different perspectives, and board diversity contribute to how board composition and size impact SOE performance effectiveness. The researcher could draw the similarities in the participants' responses and how those contributed to the overall theme of board composition and SOE performance.

Regarding the differences, the participants who spoke out from different perspectives, stating that SOEs are a special breed, brought different insights by outlining why these boards need directors from different backgrounds to contribute to SOE performance effectively.

#### *5.6.2.3 Conclusion on the theme of board composition*

The evidence of Board Composition presented similarities and differences between the participant's responses.

Regarding the similarities, from the evidence presented, most participants agreed that proper representation, different perspectives, and board diversity contribute to how board composition and size impact SOE performance effectiveness. The researcher could draw the similarities in the participants' responses and how those contributed to the overall theme of board composition and SOE performance.

Regarding the differences, the participants who spoke out from different perspectives, stating that SOEs are a special breed, brought different insights by outlining why these boards need directors from different backgrounds to contribute to SOE performance effectively.

### **5.6.3 Board size**

Board Size was the second theme identified for research question 2 as the study aimed to explore through discussions how board composition and size as board characteristics impact developing countries' SOE performance effectively. The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

### 5.6.3.1 Evidence of Board Size

The researcher selected those participants' quotations that captured great insight on the Board Size theme as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 14 below is the evidence of the Board Size theme

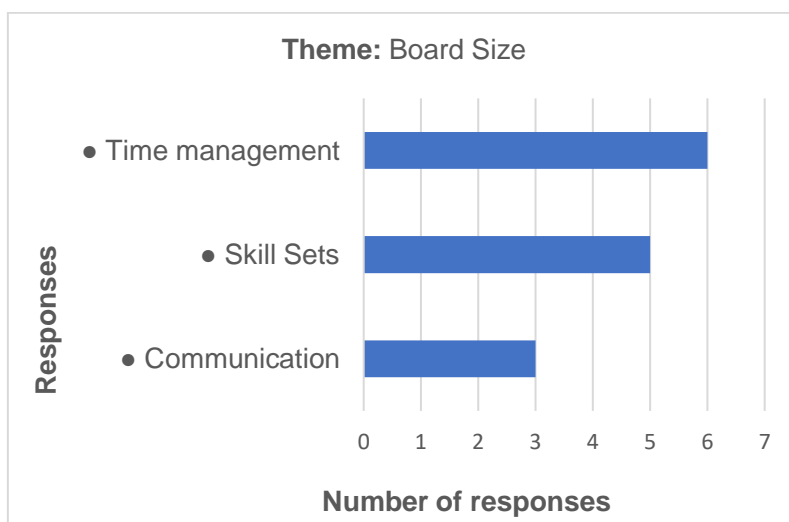
**Table 14:** Quotations of evidence from the board size theme

<b>Evidence for Theme 2: Board Size</b>
<p><i>“Board composition is, like, different skill sets. How can a diverse skill set be critical? It is also critical to combine diversity in terms of a mix of different genders, ages, years of experience, and areas of expertise. Also, it's mental, so it's good to have different heads on diversity in skills, gender diversity, and the like. And views sets, you know, people with diverse I know, that's difficult to say, but you need some people that you have different styles”. 6:4 ¶ 31 in Interview 6.</i></p>
<p><i>“The first skill is communication. It sounds effortless, and a lot of people will talk about communication skills, and it is one thing that I have observed. Another related skill is listening. You should be able to listen to understand and not just respond. Even if they disagree strongly, team players should not obstruct decisions or create gaps within the team. Efficiency is crucial, especially in commercial entities. Delays in decision-making can impact operations”. 4:10 ¶ 55 in Interview 4.</i></p>
<p><i>“Maturity mainly serves the institution's interests and agenda, not yours. Therefore, it is crucial to limit our involvement. Some people serve on multiple boards but fail to be present and effective with each one. It is important to ask yourself why you want to serve; is it to make an impact and contribute to this institution? Having too many interests can be overwhelming, especially if employed full-time. You need to manage your time efficiently and ask yourself if you have enough time to serve on this board and make the impact required. In addition, integrity is of utmost importance and should never be compromised”. 6:8 ¶ 47 in Interview 6.</i></p>

Source: Researcher’s own (2023)

### 5.6.3.2 Cross-case and in-case analysis of board size

**Graph 5:** Evidence of responses relating to the board size theme



Source: Researcher’s own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Participants outline that *time management*, *skill sets*, and *communication* provide context to how board size contributes to SOE performance.

Many participants mentioned that *time management* was crucial in boards of all sizes. The participants stated that time management influences board size and SOE performance in several ways, such as meeting durations. Larger boards require more time for meetings as many directors want to express their views and contribute to the conversations.

Other participants on time management stated that agenda management becomes a problem with larger board sizes as there are many issues to be considered for discussion. Others raised concerns about Committee work that becomes difficult to coordinate because of the large board.

Lastly, other participants on time management raised considerable concerns about SOE directors who serve on multiple boards and fail to be present and effective on all boards, as they aim to collect board fees.

Some participants discussed the relationship between board size and *skill sets* in two ways. On the one side, participants discussed that a larger board size allows for greater diversity in skill sets, which opens the boardroom for robust discussions and brings different perspectives to the decision-making process. On the other hand, a smaller board enhances board effectiveness and efficiency, leading to more focused and streamlined decision-making processes.

Other participants outline that *communication* is crucial in board effectiveness and can influence board size. The participants discussed that information flows in larger boards become more complex due to the increase in number of directors. Participants also discussed that directors' listening skills are another component of communication that could potentially delay decision-making and impact the performance of SOEs.

Regarding the similarities, from the evidence presented, although the participants discussed time management, skill sets and communication as distinct concepts related to board size, there are some similarities in how they can influence board size and SOE performance.

The similarities from the evidence are complexity and coordination; as board size increases, the complexity of managing time, skill sets, and communication tends to increase. Large

boards often require more discussion time, as the board room has more diverse skill sets to consider, and efficient communication becomes a challenge.

Regarding the differences, most of the participants' discussions have focused mainly on larger boards concerning time management, skill sets, and communication; not much has been said about how smaller boards can influence SOE performance effectively. The researcher wonders if SOE board sizes are only large.

#### *5.6.3.3 Conclusion on the theme of board size*

The evidence of different perspectives presented similarities and differences between the participant's responses.

Regarding the similarities, from the evidence presented, although the participants discussed time management, skill sets and communication as distinct concepts related to board size, there are some similarities in how they can influence board size and SOE performance.

The similarities from the evidence are complexity and coordination; as board size increases, the complexity of managing time, skill sets, and communication tends to increase. Large boards often require more discussion time, as the board room has more diverse skill sets to consider, and efficient communication becomes a challenge.

Regarding the differences, most of the participants' discussions have focused mainly on larger boards concerning time management, skill sets, and communication; not much has been said about how smaller boards can influence SOE performance effectively.

### **5.6.4 Factors determining board size**

Factors Determining Board Size was the third theme identified for research question 2 as the study aimed to explore through discussions how board composition and size as board characteristics impact developing countries' SOE performance effectively. The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

#### *5.6.4.1 Evidence of Factors Determining Board Size*

The researcher selected those participants' quotations that captured great insight on the theme of factors determining board size as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 15 below is the evidence of factors determining board size theme.

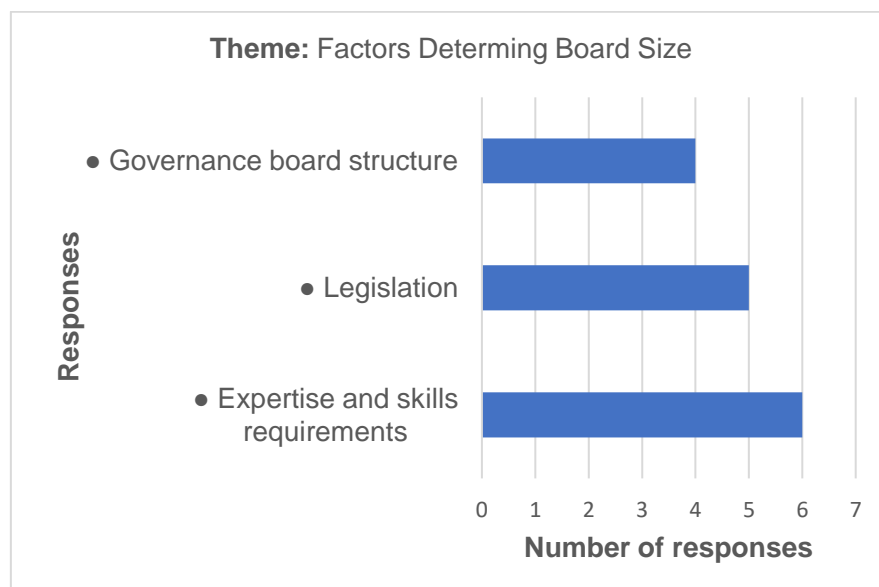
**Table 15:** Quotations of evidence from factors determining board size theme

<b>Evidence for Theme 3: Factors Determining Board Size</b>
<p><i>“Board size should be determined based on the core areas of responsibility and expertise required. There must be an optimal number of core specialists; the board should not substantially exceed that number to fill ranks. Smaller boards are often more effective, as larger boards can become unwieldy. Keep it as small as possible while meeting core responsibilities”. 14:7 ¶ 45 in Interview 14</i></p>
<p><i>“So, having the right composition means that you should ensure that each subcommittee is properly represented. This includes having different chairpersons for these committees. Proper oversight can be carried out efficiently. It is not ideal when the board chairperson is also chairing another subcommittee; it can create conflicts in providing oversight”. 11:4 ¶ 34 in Interview 11.docx</i></p>
<p><i>“Some may argue that the bigger the size, the more inefficient it becomes. Matters that could be deliberated and concluded in a few minutes can take days to reach a consensus, causing inefficiency because everyone wants their view to be heard. And at times, we are just dragging, which causes inefficiency. With a smaller board, you can address a matter, discuss it, and make quick decisions because you don’t have to consider 10 or more views, which could be irrelevant”. 4:6 ¶ 35 in Interview 4.</i></p>
<p><i>“In the case of SOEs, the law determines the size of a board. Different type of SOE has different requirements stipulated in the Act”. 7:7 ¶ 40 in Interview 7.</i></p>

Source: Researcher’s own (2023)

#### 5.6.4.2 Cross-case and in-case analysis of factors determining board size

**Graph 6:** Evidence of responses relating to the factors determining board size theme



Source: Researcher’s own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Participants outlined *Governance and board structure, legislation, expertise and skills requirements* as some of the factors that determine the board size of SOE and impact the SOE performance.

The participants stated that governance and board structure determine the board size. The participants discussed that the governance structure adopted by SOE should allow sufficient directors to constitute various subcommittees as outlined in the best practice framework.

As discussed by some participants, the legislation imposes specific requirements or guidelines regarding board size regarding SOE. The participants said that the Public Enterprises Governance Act may mandate a minimum or maximum board size based on the type of SOE.

Some participants stated that *expertise and skills requirements* determine the board size as boards consider the required SOE core areas of responsibility and expertise. Furthermore, the participants discussed that the desired skill sets, expertise, and diversity of perspectives needed on a specific board could determine the size of the SOE board and impact performance.

Other participants discussed that there is no standard optimal board size, and the factors determining board size vary based on SOE core business and circumstances if not already outlined in the PEGA.

Regarding the similarities, from the evidence presented, although the participants discussed governance and board structure, legislation and expertise and skills requirements as distinct concepts related to board size, there are some similarities in how they can influence board size and SOE performance.

The similarities in the evidence are the complexity and diversity of the SOE operations. A more complex SOE may require a larger board to accommodate a range of expertise and perspectives. Similarly, legislation and governance frameworks may consider the complexity of SOE operations and may need diverse representation on the board.

Regarding the differences, the participants who discussed the factors determining the board size from governance framework and expertise focused on the complexity and diversity of larger board sizes. However, some participants brought in the legislative viewpoint as a factor that determines the board size.



#### 5.6.4.3 Conclusion on the theme of factors determining board size

The evidence of factors determining board size presented similarities and differences between the participants' responses.

Regarding the similarities, from the evidence presented, although the participants discussed governance and board structure, legislation and expertise and skills requirements as distinct concepts related to board size, there are some similarities in how they can influence board size and SOE performance.

The similarities in the evidence are the complexity and diversity of the SOE operations. A more complex SOE may require a larger board to accommodate a range of expertise and perspectives. Similarly, legislation and governance frameworks may consider the complexity of SOE operations and may need diverse representation on the board.

Regarding the differences, the participants who discussed the factors determining the board size from the governance framework and expertise focused on the complexity and diversity of larger board sizes. However, some participants brought in the legislative viewpoint as a factor that determines the board size.

#### 5.6.5 Conclusion on research question 2: How do the board composition and size impact SOE performance effectiveness?

In conclusion, the research aimed to develop insights and new understanding, not to conduct a comprehensive review, but to see what new insights the researcher could gain from the discussions. Three themes were selected for discussion because they provided insights and a new understanding of the research question.

**Table 16:** Summary of themes relating to research question 2: How do board composition and size impact SOE performance effectiveness

Themes
Board Composition
Board Size
Factors Determining Board Size

Source: Researcher's own (2023)

Interestingly, most participants' responses contributed to all these themes, although some had different views.

The evidence for the three discussed themes presented similarities and differences between the participants' responses.

Regarding the similarities, from the evidence presented, most participants agreed that proper representation, different perspectives, and board diversity contribute to how board composition and size impact SOE performance effectiveness. The researcher could draw the similarities in the participants' responses and how those contributed to the overall theme of board composition and SOE performance.

Regarding the differences, the participants who spoke out from different perspectives, stating that SOEs are a special breed, brought different insights by outlining why these boards need directors from different backgrounds to contribute to SOE performance effectively.

The similarities from the evidence are complexity and coordination; as board size increases, the complexity of managing time, skill sets, and communication tends to increase. Large boards often require more discussion time, as the board room has more diverse skill sets to consider, and efficient communication becomes a challenge.

Regarding the differences, most of the participants' discussions have focused mainly on larger boards concerning time management, skill sets, and communication; not much has been said about how smaller boards can influence SOE performance effectively.

The similarities in the evidence are the complexity and diversity of the SOE operations. A more complex SOE may require a larger board to accommodate a range of expertise and perspectives. Similarly, legislation and governance frameworks may consider the complexity of SOE operations and may need diverse representation on the board.

Regarding the differences, the participants who discussed the factors determining the board size from the governance framework and expertise focused on the complexity and diversity of larger board sizes. However, some participants brought in the legislative viewpoint as a factor that determines the board size.

A key difference or something missing from the participant discussion was the lack of mention of small board sizes and how they allow for easier meeting coordination and quick decision-making.

Overall, the themes of board composition and SOE performance and Board Size and SOE performance and factors determining board size provide insights and a new understanding of how board composition and size impact SOE performance effectiveness.

## 5.7 Research Question 3: How do board skills contribute to SOE performance effectiveness?

### 5.7.1 Introduction

The data analysis identified three (3) themes for research question 3. The themes were identified following a coding process.

The aim of the research was to explore how board characteristics contribute to SOE performance effectiveness through in-depth discussions to gain more understanding and insights from the participants and not to conduct a comprehensive review.

The researcher believes that the themes identified for discussion will provide more insights and understanding of the research topic, especially in the context of State-Owned Enterprises.

Three (3) themes were discussed for research question 2: *Competency Assessments for Directors, Independent Selection Committee and Skills and Competencies of SOE Directors.*

Table 17 shows the three (3) themes related to how board skills contribute to SOE performance effectiveness.

**Table 17:** *Themes relating to research question 3: Board skills*

Themes	
1	Competency Assessments for Directors
2	Independent Selection Committee
3	Skills for SOE Directors

*Source: Researcher's own (2023)*

### 5.7.2 Competency assessments for directors

Competency Assessments for Directors were the first theme identified for research question 3 as the study aimed to explore through discussions how board composition and size as board characteristics impact developing countries' SOE performance effectively. The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

#### 5.7.2.1 Evidence of competency assessment for directors

The researcher selected those participants' quotations that captured great insight relating to the theme of competency assessment for directors as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 18 below shows the competency assessment for the director's theme.

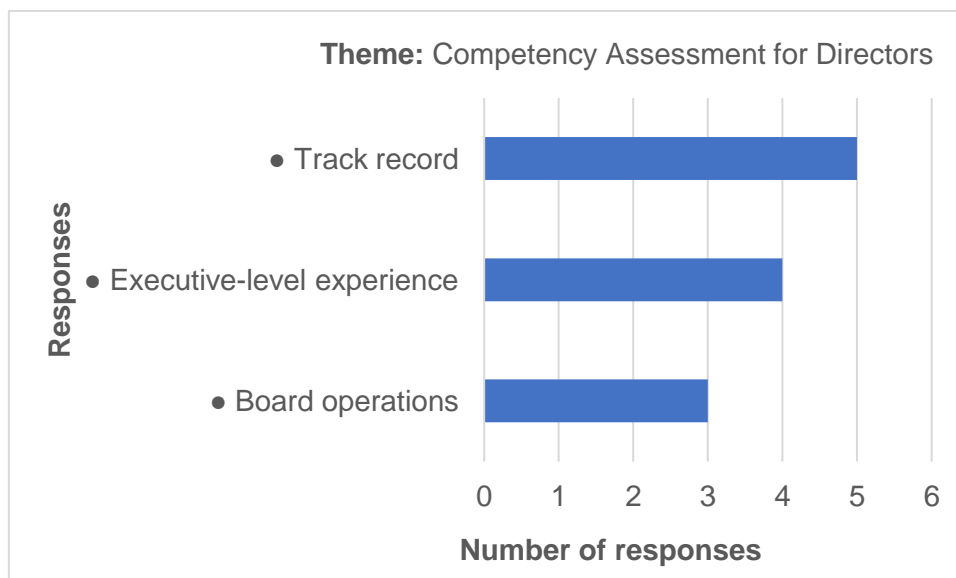
**Table 18:** Quotations of evidence from competency assessment for directors' theme

<b>Evidence for Theme 1: Competency Assessment for Directors</b>
<p><i>"Board members should be selected based on their merits and track record in their respective fields, which is crucial". 14:8 ¶ 49 in Interview 14.</i></p>
<p><i>"A director must have executive-level experience; you should have a balanced understanding of various organisational management issues. General skills include HR and financial understanding, allowing you to read financial statements and basic IT skills. General corporate governance understanding is important. Other key skills include transparency, accountability, integrity, fairness, and responsibility". 10:10 ¶ 52 in Interview 10.</i></p>
<p><i>"Directors should have a good combination of soft and technical skills. Some of the key soft skills are integrity and adaptability. COVID taught a lot of people to adapt quickly and teamwork, effective communication, problem-solving, critical thinking, innovation, and creativity. Technical skills for directors are understanding the governance framework, how boards operate, reading and interpreting financial statements, risk governance and assurance knowledge". 7:10 ¶ 53 in Interview 7.</i></p>

Source: Researcher's own

#### 5.7.2.2 Cross-case and in-case analysis of Competency Assessment for Directors

**Graph 7:** Evidence of responses relating to the competency assessment for directors' theme



Source: Researcher's own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Participants outlined that independent directors' *track record, executive-level experience, and board operations* are significant components that build board skills contributing to SOE performance effectiveness.

Some participants stated that *track record* as a competency assessment for directors refers to past experiences, achievements and performance in senior positions. The participants articulated that assessing the director's track record provides guidelines for evaluating whether the director will contribute to the effectiveness of SOE performance.

Other participants indicated that *executive-level experience* is considered a valuable competency assessment for directors. Independent directors with executive-level exposure bring a wealth of expertise, experience and perspective to the boardroom.

Other participants indicated that independent directors should have a good combination of soft and technical skills. Furthermore, the participants said that assessing *board operations* as competency assessments for directors involves evaluating their governance knowledge, understanding and experience in managing and participating in board processes.

Understanding board operations, which include most notably the abilities of directors to read and interpret financial statements, governance framework, and assurance knowledge, amongst others, is a board skill that directors should contribute to ensuring SOE performance effectiveness.

Regarding the similarities from the evidence presented, although the three discussion areas are distinct competency assessments for directors. Most participants' responses considered directors' expertise and experience. They also looked at directors' operational understanding and governance knowledge.

The participants' responses did not consider the director's qualifications and other capabilities as competencies assessments regarding the differences.

#### *5.7.2.3 Conclusion on the theme of competency assessment for directors*

The evidence of board experience presented similarities and differences between the participant's responses.

Regarding the similarities from the evidence presented, although the three discussion areas are distinct competency assessments for directors. Most participants' responses considered directors' expertise and experience. They also looked at directors' operational understanding and governance knowledge.

The participants' responses did not consider the director's qualifications and other capabilities as competencies assessments regarding the differences.

### 5.7.3 Independent selection committee

Independent Selection Committee was the second theme identified for research question 3 as the study aimed to explore through discussions how board skills as board characteristics contribute to developing countries' SOE performance effectively.

The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

#### 5.7.3.1 Evidence of Independent Selection Committee

The researcher selected those participants' quotations that captured great insight relating to the theme of the Independent Selection Committee as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 19 below is the evidence of the Independent Selection Committee theme.

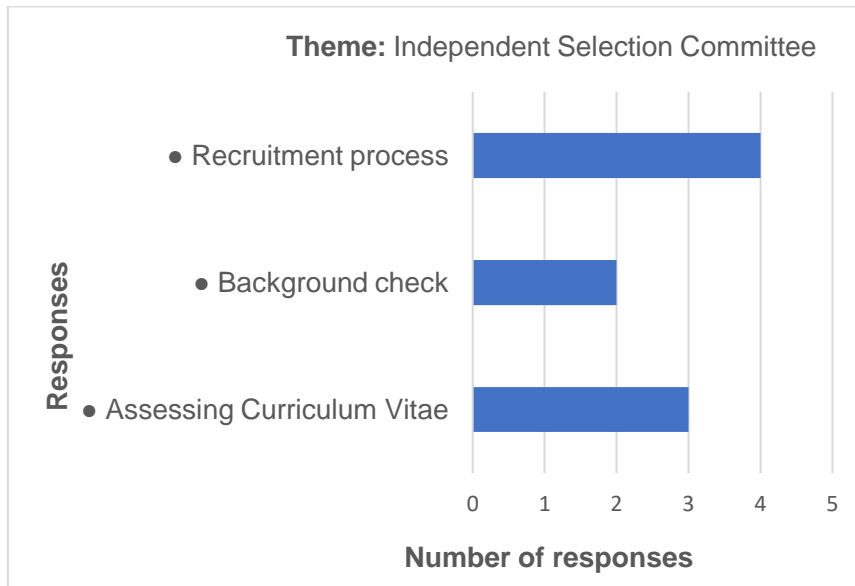
**Table 19:** Quotations of evidence from the independent selection committee theme

<b>Evidence for Theme 2: Independent Selection Committee</b>
<p><i>"You need to look at the structure of the specific board, but generally, what you are looking at cannot divorce governance and ethical leadership. Ethics is difficult to judge. But you can look at the background and so forth, but integrity, transparency, honesty, everything that makes up ethical leadership". 12:10 ¶ 53 in Interview 12.</i></p>
<p><i>"So ideally, the shareholder, who is the person in charge of the entity and owns the entity, needs to know what skills are required to put together a board that can advise the CEO and the management team on their decisions. The nature of business should drive the assessment, and, in turn, the skill sets required. The skill set that matches the core business is extremely important. So, the technical understanding of the core business should be supported by complementary skills. Based on those skill sets, you then go into the market, like how you recruit for normal positions and procure those skills, considering all independent factors". 8:9 ¶ 42 in Interview 8.</i></p>
<p><i>"I want to see that you cannot subject CEOs to all sorts of psychometric tests and not subject your board members to these tests. You have people who cannot work in teams; for boards, team cohesion is essential because, remember, there are five or seven people who must work together for the betterment of an organisation. So that is where you assess those from the papers they present you, engagements with them through greet in interviews, networking references". 2:12 ¶ 43 in Interview 2.</i></p>

Source: Researcher's own (2023)

### 5.7.3.2 Cross-case and in-case Analysis of Independent Selection Committee

**Graph 8:** Evidence of responses relating to the independent selection committee theme



Source: Researcher's own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Participants outlined that the *recruitment process* of appointing independent directors to the SOE board is solely vested in the hands of the government as the major shareholder. The shareholder is in charge and owns the entity. There is no input from an Independent Selection Committee like what they call a Nominating Committee in the best practice governance framework.

Other participants indicated that governance and ethical leadership cannot be divorced and that it is difficult to judge ethics and integrity. However, one can investigate the background checks of the independent directors to see if they are fit and proper for the role before appointment to the SOE boards.

Other participants stated that an in-depth assessment of the independent director's *curriculum vitae* should be done during the appointment process. It shows the skills and knowledge they have accumulated over the years that could have built up the board skills required to contribute to SOE performance effectiveness.

Regarding the similarities, from the evidence presented, most participants' responses indicated that an independent selection committee incorporating these components into their

selection process could demonstrate a fair and transparent process. Furthermore, selecting independent directors using a rigorous assessment indicates that only those candidates who are fit and proper are selected to serve as directors on SOE boards.

Regarding the differences, some participants highlighted the importance of ethical leadership. They stated that one cannot divorce governance and ethical leadership. They went on to indicate that ethics can be difficult to judge. However, a rigorous background check can be incorporated to ensure only those who fit and properly are selected to serve.

#### *5.7.3.3 Conclusion on the theme of the Independent Selection Committee*

The evidence from the Independent Selection committee presented similarities and differences between the participant's responses.

Regarding the similarities, from the evidence presented, most participants' responses indicated that an independent selection committee incorporating these components into their selection process could demonstrate a fair and transparent process. Furthermore, selecting independent directors using a rigorous assessment indicates that only those candidates who are fit and proper are selected to serve as directors on SOE boards.

Regarding the differences, some participants highlighted the importance of ethical leadership. They stated that one cannot divorce governance and ethical leadership. They went on to indicate that ethics can be difficult to judge, but a rigorous background check can be incorporated to ensure only those that fit and properly are selected to serve.

#### **5.7.4 Skills for SOE directors**

Skills for SOE Directors was the third theme identified for research question 3 as the study aimed to explore through discussions how board skills as board characteristics contribute to developing countries' SOE performance effectively.

The theme emerged from coding while grouping codes of similar meanings that the participants repeatedly mentioned during the coding stages.

##### *5.7.4.1 Evidence of skills for SOE directors*

The researcher selected those participants' quotations that captured great insight relating to the theme of skills for SOE Directors as evidence. The selection was done by looking at repeating discussions relating to the theme.

Table 20 below shows the theme of the Skills for SOE Directors.

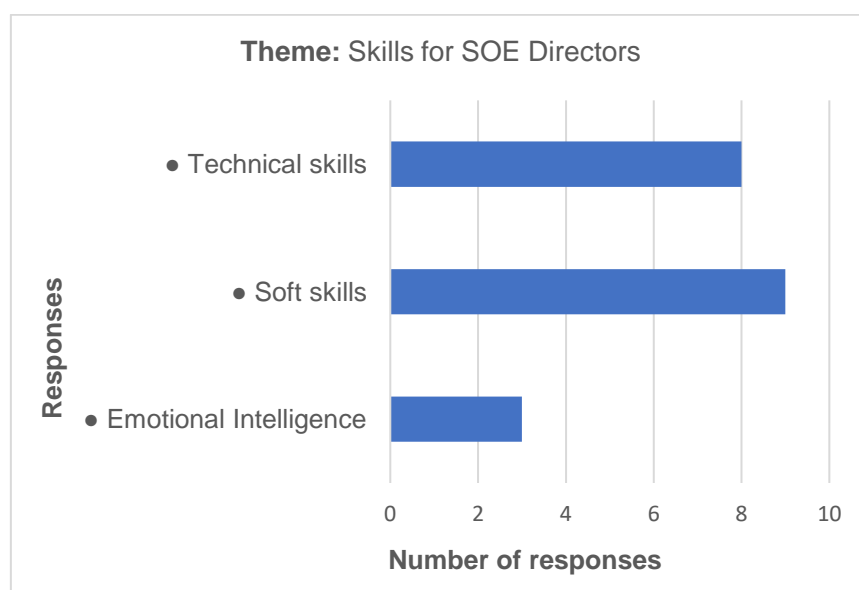


**Table 20:** Quotations of evidence from the skills for SOE directors' theme

<b>Evidence for Theme 3: Skills for SOE Directors</b>
<p>“First and foremost, directors should be able to read and understand situations in the boardroom. Meaning they should have good emotional intelligence. other key skills are transparency, ethics, accountability, and responsibility. My competency is reading and interpreting financial statements, remuneration structures, and information technology governance. I also can delegate effectively to ensure that strategy objectives are executed”. 11:9 ¶ 55 in Interview 11.</p>
<p>“Directors are supposed to be very well-skilled or all-rounder people as one could call them. Some of the key skills and competencies that directors are supposed to have is a combination of soft and hard skills. A few that I can think of now are analytical and critical skills, directors are supposed to analyse and critically review everything presented to them so that they can provide proper guidance and support. Governance, team player, finance, problem-solving, strategic thinking, and interpersonal skills. Those are some that I believe are critical”. 1:11 ¶ 58 in Interview 1.</p>
<p>“Some of them go without saying, and it is integrity. They must be able to work as part of a diverse team, meaning trust and respect are key. Directors should be able to think strategically and, most importantly, understand basic financial concepts; this is very important for me. Directors should be well-read and understand the industry in which the SOE is operating; the SOE is competing with other private companies. Lastly, they must be responsible for their action and accountable for their decision”. 2:13 ¶ 48 in Interview 2.</p>
<p>“The first requirement is that you must be highly competent in your core skill, which you have been assigned to the board to fulfil, whatever that is. Competence comes in three ways: knowledge, skills, and attributes. So, skills such as critical thinking, strategic thinking, analytical skills, transparency, fairness, objectivity, integrity, etc. On the competency side, one must be able to read and interpret financial statements and understand integrated reporting, remuneration structures, risk and board governance”. 8:11 ¶ 51 in Interview 8.</p>

5.7.4.2 Cross-case and in-case analysis of Skills for SOE Directors

**Graph 9:** Evidence of responses relating to the skills for SOE directors' theme



Source: Researcher’s own (2023)

To present the analysis, the participants provided various insights, and according to the researcher's understanding, those contributed to the theme presented in the data and were used as an indicator of potential similarities and differences.

Some participants indicated that directors should possess various *technical skills* and competencies to fulfil their roles effectively and contribute to the performance effectiveness of SOEs. Furthermore, the participants mentioned that one of the critical skills and competencies that all directors should possess is reading and interpreting financial information. To this end, participants indicated that many SOEs have been in constant financial situations because of directors' lack of financial literacy.

Other participants mentioned industry knowledge, risk management, corporate governance, technological literacy, legal, strategic planning and execution as other technical skills that all SOE directors should have to ensure that they contribute effectively to the performance of the SOE.

Some participants stated that besides technical skills, all SOE directors should possess various *soft skills* crucial for their effectiveness in the boardroom. Some soft skills mentioned in the participants' responses were emotional intelligence, leadership skills, communication skills, critical and strategic thinking, and an ethical and integrity mindset.

Most participants mentioned and singled out that the ability of directors to read and understand situations in the boardroom is a board skill that all should master as it stems from *emotional intelligence*. Directors' ability to control their emotions is a skill that contributes to SOE performance effectiveness as emotionally mature directors will guard the SOE's interest.

Regarding the similarities, from the evidence presented, most participants' responses showed that independent directors are supposed to be skilled and competent people who can carry out their duties. The similarities drawn from the participant's responses all allude to the soft and hard skills the directors should master to ensure that they contribute effectively to the SOE board.

Regarding the differences, most participants highlighted emotional intelligence as a critical soft skill that all directors should master to effectively contribute to SOE performance, which stood out for the researcher.

#### *5.7.4.3 Conclusion on the theme of skills for SOE directors*

The evidence from the Skills for SOE Directors presented similarities and differences between the participant's responses.

Regarding the similarities, from the evidence presented, most participants' responses showed that independent directors are supposed to be skilled and competent people who can carry out their duties. The similarities drawn from the participant's responses all allude to the soft and hard skills the directors should master to ensure that they contribute effectively to the SOE board.

Regarding the differences, most participants highlighted emotional intelligence as a critical soft skill that all directors should master to contribute to SOE performance effectively, which stood out for the researcher.

### **5.7.5 Conclusion on research question 3: How do board skills contribute to SOE performance effectiveness?**

In conclusion, the research aimed to develop insights and new understanding, not to conduct a comprehensive review, but to see what new insights the researcher could gain from the discussions. Three themes were selected for discussion because they provided insights and a new understanding of the research question.

**Table 21:** *Summary of themes relating to research question 3: How do board skills contribute to SOE performance effectiveness*

<b>Themes</b>
Competency Assessments for Directors
Independent Selection Committees
Skills for SOE Directors

*Source: Researcher's own (2023)*

Interestingly, most participants' responses contributed to the overall themes, although some had different views.

The evidence for the three discussed themes presented similarities and differences between the participants' responses.

Regarding the similarities from the evidence presented, although the three discussion areas are distinct competency assessments for directors. Most participants' responses considered directors' expertise and experience. They also looked at directors' operational understanding and governance knowledge.

The participants' responses did not consider the director's qualifications and other capabilities as competencies assessments regarding the differences.

Regarding the similarities, from the evidence presented, most participants' responses indicated that an independent selection committee incorporating these components into their selection process could demonstrate a fair and transparent process.

Furthermore, selecting independent directors using a rigorous assessment indicates that only those candidates who are fit and proper are selected to serve as directors on SOE boards.

Regarding the differences, some participants highlighted the importance of ethical leadership. They stated that one cannot divorce governance and ethical leadership. They went on to indicate that ethics can be difficult to judge. However, a rigorous background check can be incorporated to ensure only those that fit and properly are selected to serve.

Regarding the similarities, from the evidence presented, most participants' responses showed that independent directors are supposed to be skilled and competent people who can carry out their duties. The similarities drawn from the participant's responses all allude to the soft and hard skills the directors should master to ensure that they contribute effectively to the SOE board.

Regarding the differences, most participants highlighted emotional intelligence as a critical soft skill that all directors should master to contribute to SOE performance effectively, which stood out for the researcher.

The aim of the research was to explore board characteristics and performance effectiveness in developing countries SOE, and the three themes selected for research question 3 provided insights and understanding of how board skills contribute to SOE performance effectiveness.

## **5.8 Conclusion**

This chapter presented the key research findings from the data gathering and analysis process intending to answer the research questions presented in Chapter 3.

The analysis process followed the six-step thematic data analysis process. The analysis tool Atlas.ti partially facilitated the researcher analysis process during the first coding process. The researcher had one section that provided some context on the participants' demographic profiles, followed by the themes that emerged from the study.

The aim of the study was to explore the board characteristics and performance of developing countries SOE to develop insights and understanding and not provide a comprehensive review of the literature. Thus, not all emerging themes were selected for discussion—the themes selected for discussion provided more information and understanding of the research

questions. The emerging themes were interpreted using the three research questions from which they were associated.

In the next chapter, the research findings are discussed in line with the literature reviewed in Chapter 2.

## CHAPTER 6: DISCUSSION OF FINDINGS

### 6.1 Introduction

This chapter discussed the research findings as presented in Chapter 5 and compares these findings to the literature review from Chapter 2. Using a systematic approach, the researcher examined the findings by research question in line with the nine (9) themes identified and selected for discussion in Chapter 5, which were compared to the theoretical concept in the literature review.

The findings were discussed using a systematic approach to answer the research questions presented in Chapter 3. The study explored how the board of directors constituted based on known board characteristics contributes to performance effectiveness in developing countries SOE. The findings of this study are to gain insight into how appointing an independent board of directors contributes to SOE performance effectiveness. Furthermore, the finding aimed to understand how board composition and size impact SOE performance and how board skills contribute to performance effectiveness.

The researcher used a systematic approach to check and compare whether the Chapter 5 analysis findings were already in the literature or could be considered new contributions. Each section ends with a conclusion.

The researcher summarises the top articles for the theoretical group, as discussed in Chapter 2 in the last column of the table.

**Table 22:** Summary of the research questions, themes, theoretical construct, and scholars articles from chapter 2

Research Questions	Themes	Theoretical Construct	Literature Review scholar by construct
How does appointing an <b>independent board</b> of directors contribute to SOE performance effectiveness?	Ensuring Responsible Governance	Independent Board	Pucheta-Martinez and Gallego-Alvarez (2020), Thakolwiroj and Sithipolvanichgul (2021), Thompson et al. (2019), Naciti (2019)
	Independence of SOE Boards		
	Factors impacting Independence		
How does the <b>board composition and size</b> impact SOE performance effectiveness?	Board composition	Board Composition and Size	Abdeljawad and Masri (2020), Adawi and Rwegasira (2010), Al-Matari (2020)
	Board size		
	Factors determining board size		

Research Questions	Themes	Theoretical Construct	Literature Review scholar by construct
How do <b>board skills</b> contribute to SOE performance effectiveness?	Competency assessments for directors	Board Skills	Abang'a et al. (2022), Assenga et al. (2018), Rubin and Segal (2019)
	Independent selection committee		
	Skills for SOE directors		

Source: *Researcher's own (2023)*

The scholars that were discussed in Chapter 2 for research question 1 on the construct of an independent board were Pucheta-Martinez and Gallego-Alvarez (2020), Thakolwiroj and Sithipolvanichgul (2021), and Thompson et al. (2019).

The scholars selected for research question 2, the construct board composition and size were Abdeljawad and Masri (2020), Adawi and Rwegasira (2010), and Al-Matari (2020).

For research question 3 and the construct Board Skills, the scholars selected were Abang'a et al. (2022), Assenga et al. (2018), and Rubin and Segal (2019).

## 6.2 Discussions

A total of 14 participants who serve as board members on SOE boards were purposively selected for this study. The purposive selection was necessary because the study was qualitative, and to ensure that different views and diverse opinions were captured for the study, the sampling method was selected. Out of the 14 participants, six (6) were male and eight (8) female. The researcher returns to the literature in Chapter 2 to compare the research findings and answer the research questions.

### 6.2.1 Discussions for the research questions

In this section, the researcher used a systematic approach to compare the findings to the literature review for each selected nine (9) themes. Furthermore, the themes were discussed in the context of the research questions.

### 6.3 Research Question 1: How does appointing an independent board of directors contribute to SOE performance effectiveness?

Research question 1 aimed to understand how appointing an independent board of directors contribute to SOE performance effectiveness. Table 23 is an extract from Table 22, which shows the themes from Chapter 5.

**Table 23: Themes of Independent Board**

Research Questions	Themes	Theoretical Construct	Literature Review scholar by construct
How does appointing an <b>independent board</b> of directors contribute to SOE performance effectiveness?	Ensuring Responsible Governance	Independent Board	Pucheta-Martinez and Gallego-Alvarez (2020), Thakolwiroj and Sithipolvanichgul (2021), Thompson et al. (2019), Naciti (2019)
	Independence of SOE Boards		
	Factors impacting Independence		

Source: Researcher's own (2023)

One theoretical construct arises from the literature review, with three comparable themes emerging from the participants' data. Independent Board is the theoretical construct in this research question. Independent Board is framed around three themes: ensuring responsible governance, independence of SOE directors and factors impacting independence.

Therefore, a summary of findings and literature and comparing the results to the literature are discussed to answer the research question.

### 6.3.1 Ensuring responsible governance

Ensuring responsible governance was the first theme discussed to answer the research question in Chapter 5. Ensuring responsible governance requires that independent boards provide oversight by ensuring they carry out their fiduciary duty with integrity and conduct all governance business in the company's best interest.

#### 6.3.1.1 Ensuring responsible governance: Summary of findings

The key finding for ensuring responsible governance was that independent boards of directors can contribute to SOE performance effectiveness by carrying out their fiduciary duty towards the company shareholders to ensure they always do what is suitable for the company.

The participants indicated that *effectiveness comes from objectivity and that there is no internal allegiance when you are independent. Directors serve the company* when appointed to SOE boards; they are interested in serving these entities with integrity and improving performance through their professional expertise and experience.

#### 6.3.1.2 Ensuring responsible governance: Summary of key literature

Regarding ensuring responsible governance, the literature defines a board comprising independent directors of professionals who bring external expertise and experience unrelated to the company (Pucheta-Martínez & Gallego-Álvarez 2020).



Independent directors are responsible for control mechanisms ensuring accountable governance through oversight and honouring their fiduciary duties by always doing what is best in the company's interests (Pucheta-Martínez & Gallego-Álvarez, 2020).

In support, Thakolwiroj and Sithipolvanichgul (2021) indicated that outside directors are appointed to bring objective perspectives that can lead to better decision-making in the company's best interests.

Thompson et al. (2019) stated that board independence was ranked as one of the key characteristics in various literature. A board with outside directors brings objectivity, contributing to SOE performance effectiveness as they bring experience and expertise from multiple disciplines.

#### *6.3.1.3 Ensuring responsible governance: Comparison of findings to literature*

The findings are like in the literature review: ensuring responsible governance requires the independent board of directors to protect the company's interests and carry out their fiduciary duties (Pucheta-Martínez & Gallego-Álvarez, 2020).

Further similarities identified were that independent directors are appointed to boards to contribute their professional expertise and experience (Thompson et al., 2019). Further, Thakolwiroj and Sithipolvanichgul (2021) identified that independent directors bring objectivity, which can lead to ensuring responsible governance.

#### *6.3.1.4 Ensuring Responsible Governance: Conclusion on theme*

The results showed that appointing independent directors to the SOE boards improves the performance of the SOE because these directors have a fiduciary duty or a duty of care to uphold responsible governance in the best interests of the organisation, in this case, the SOE and to protect the organisation interest first and foremost.

### **6.3.2 Independence of SOE boards**

The independence of SOE Boards was the second theme discussed to answer research question 1 in Chapter 5. The independence of SOE Boards is crucial to ensure that the directors appointed contribute effectively to the performance of the entities.

#### *6.3.2.1 Independence of SOE boards: Summary of findings*

The key finding on the independence of SOE boards is that independent directors tend to think independently, allowing them to serve the organisation and not the appointing authority.

The results also indicated that appointing independent directors helps ensure objectivity and unbiased decision-making, reducing conflicts of interest on SOE boards.

Other participant's results indicated that independence is vital as SOE boards should have the autonomy and authority to carry out their responsibilities effectively.

#### *6.3.2.2 Independence of SOE boards: Summary of key literature*

Thompson et al. (2019) stated that developing countries' governments are yet to realise the importance of appointing outside directors who do not have political ties and whose main agenda is to serve the entity's interests.

Pucheta-Martínez and Gallego-Álvarez (2020) stated that the independence of boards comes from appointing outside directors who are professionals who bring objectivity and who have no relation to the company, so their interest will be to protect the shareholders.

On the theme of independence of SOE boards, Thakolwiroj and Sithipolvanichgul (2021) indicated that appointing outside directors to companies' boards leads to transparency and better decision-making processes in the interest of the company, as these directors carry out their fiduciary duties without fear of job security. However, details were lacking in the literature to show how an independent board contributed to SOE performance effectiveness.

#### *6.3.2.3 Independence of SOE boards: Comparison of findings to the literature*

When comparing the results to the literature, it is evident that there are some similarities.

The results indicated that appointing independent directors helps to bring objectivity and unbiased decision-making, reducing conflicts of interest on SOE boards, as stated in Pucheta-Martínez and Gallego-Álvarez (2020) that the independence of boards comes from appointing outside directors who are professionals who bring objectivity and who have no relation to the company, so their interest will be to protect the shareholders.

The results also uncovered another reason supporting the independence of SOE boards: it gives them the autonomy and authority to carry out their responsibilities effectively, which is additional to the literature.

#### *6.3.2.4 Independence of SOE boards: Conclusion on theme*

In substance, the study findings show that the Government can enhance accountability, transparency, and the overall performance of SOE by promoting the independence of SOE boards. Independent boards are better positioned to make objective decisions, mitigate conflicts of interest, and contribute to the long-term sustainability of SOEs.

### **6.3.3 Factors impacting independence**

The factors impacting independence were the third theme discussed to answer research question 1 in Chapter 5. Many factors impact the independence of SOE boards, which results in independent directors appointed to these boards not contributing effectively.

#### *6.3.3.1 Factors impacting independence: Summary of findings*

The participants' results found that political interference, ethical leadership, and conflict of interest are some factors impacting the independence of SOE boards.

On political interference, the results indicated that some independent directors appointed to SOE boards act as shadow directors. Political interference is further seen in directors' appointments to serve on these boards for political agenda, not necessarily because they are qualified to serve on boards.

The results also found that ethical leadership, or the lack thereof, is a factor that impacts the independence of SOE boards. Ethical leaders debate issues objectively and serve in the SOE's best interests, not drive their agenda.

Conflict of interest was a key finding, as many participants raised it as a factor that impacted the independence of SOE boards. Those participants who spoke on conflict of interest as a factor stated that conflict of interest reduces the director's ability to act independently. Conflicted directors use their positions and power to gain personal advantage that can compromise their judgment and ability to act with due care and skill.

#### *6.3.3.2 Factors impacting independence: Summary of key literature*

Thompson et al. (2019) stated that developing countries such as South Africa experience political interference in appointing their SOE board of directors, who are selected based on political favours. Furthermore, this political influence in SOE boards leads to deficiencies in board composition, resulting in unethical leadership amongst others (Thompson et al., 2019).

Pucheta-Martínez and Gallego-Álvarez (2020) highlighted that independent directors on the board could reduce conflict of interest as their interest is in promoting the social interest in their decision-making process and not individuals. However, the literature did not go into much detail as to how conflict of interest can be reduced.

#### *6.3.3.3 Factors impacting independence: Comparison of findings to the literature*

When comparing the results to the literature, it is evident that there are some similarities.

The results indicated that political interference is a critical factor that impacts the independence of SOE boards; this was similar to what the literature by Thompson et al. (2019) highlighted that developing countries' SOE boards face much political interference in appointing their board of directors.

The results indicate that conflict of interest is a significant factor that hamper the independence of SOE boards. In their literature, Pucheta-Martínez and Gallego-Álvarez (2020) highlighted how independent board directors can reduce conflict of interest by promoting social interest based on corporate governance principles. However, the literature did not mention how this thorny issue can be reduced significantly on SOE boards, which can be an extension of the body of future literature.

The results further disclosed that ethical leadership, or the lack thereof, impacts SOE boards' independence. The literature did not mention ethical leadership and how it impacts SOE boards. Thus, these findings can be added to the body of literature as an extension.

#### *6.3.3.4 Factors impacting independence: Conclusion on theme*

The findings have demonstrated many similarities to the literature on issues that emerge from the theme. The findings identified that political interference and conflict of interest are significant factors that impact the independence of SOE boards, and the literature supported these.

However, the findings highlighted ethical leadership or the lack thereof, a factor that impacts the independence of SOE boards. However, there was no mention in the literature about this factor, which was added to the body of literature as an extension.

#### **6.3.4 Research question 1: Conclusions on comparison of findings and literature**

In order to provide further insights into the research question of how appointing an independent board contributes to SOE performance effectiveness, the three themes selected for discussion were systematically compared to the literature by looking for similar insights supporting the findings.

The three themes of ensuring responsible governance, independence of SOE boards, and factors impacting independence were similar and somewhat consistent with the literature. Differences were highlighted and added to the body of literature as an extension.

The theme of ensuring responsible governance highlighted that independent directors appointed to SOE boards bring professional expertise and experience that effectively contribute to the performance.

Regarding the independence of SOE boards, the theme highlighted that appointing independent directors brings objectivity and unbiased decision-making, reducing conflicts of interest, which can contribute to effective SOE.

The last theme of factors impacting independence highlighted that political interference and conflict of interest are some of the factors that are threatening the independence of SOE boards.

The three themes identified addressed the research question, which stated that the performance of SOE boards is greatly enhanced by appointing independent directors who ensure responsible governance through their professional expertise and experience. Furthermore, appointing independent directors brings objectivity and unbiased decision-making, reducing conflicts of interest.

However, the researcher believes that more investigations into ethical leadership in SOE boards are necessary as a potential future study area.

#### **6.4 Research Question 2: How do the board composition and size impact SOE performance effectiveness?**

Research question 2 aimed to understand how board composition and size impact SOE performance effectiveness. Table 24 is an extract from Table 14, which shows the themes from Chapter 5.

**Table 24:** Themes of board composition and size

How does the <b>board composition and size</b> impact SOE performance effectiveness?	Board composition	Board Composition and Size	Abdeljawad and Masri (2020), Adawi and Rwegasira (2010), Al-Matari (2020)
	Board size		
	Factors Determining Board Size		

Source: *Researcher's own (2023)*

### 6.4.1 Board composition

The first theme identified for discussion to answer research question 2 in Chapter 5 was Board Composition and SOE performance. Board composition plays a massive role in the performance of SOE. Board composition should consider directors' qualifications, diversity, and expertise, which, in the long run, impact the decision-making process, strategic direction, accountability, and, ultimately, the performance of the SOE.

#### 6.4.1.1 Board composition: Summary of findings

The results indicated that the board composition must be made up so that there is adequate representation in terms of number and skills to ensure the proper constitution of the various subcommittees in compliance with the best practice governance framework.

The results indicated that SOE board composition requires directors from various sectors to bring different perspectives and effectively impact SOE's performance. Furthermore, the results indicate that board composition should comprise people with the right discipline skills to be an effective board.

Regarding board diversity, the results mentioned that a diverse board can enhance the performance of SOE boards in terms of gender, ethnicity, age, and background. The results showed that diverse boards encourage innovation and creativity, which improves decision-making processes for the benefit of SOE and society.

The results showed that board composition impacts SOE performance effectiveness as external bring diverse expertise and experience, making the boards effective and spell over to the SOE.

#### 6.4.1.2 Board composition: Summary of key literature

Adawi and Rwegasira (2010) indicated that the board's composition is an essential factor for its effectiveness because of the need to build and sustain the right team. In addition, it was stated that board composition is a critical factor that should not be overlooked when appointing

directors to the board. Furthermore, appointing the right calibre of directors is critical to building effective boards.

Al-Matari (2020) stated that a board must consist of external and internal directors of various diversity in terms of experience, knowledge, age, race, skills, qualification, and tenure. The attributes of the mixture of internal and external directors are the company knowledge, which the internal director is knowledgeable about and brings. In contrast, the external director will bring an oversight role, which allows for objective decision-making processes.

#### *6.4.1.3 Board composition: Comparison of findings to the literature*

When comparing the findings to the literature, there were similarities.

The findings indicated that board diversity is crucial for the composition of SOE boards as it brings diverse directors in expertise, experience, gender, ethnicity, age, and background. These sentiments were shared in the literature by Al-Matari (2020), who added that external directors also bring an oversight role that contributes effectively to the decision-making process of SOE.

Further comparison of findings is that SOE board composition requires directors from various sectors to bring different perspectives and effectively impact SOE's performance by sharing their expertise and knowledge. The finding supports Adawi and Rwegasira's (2010) literature, which also indicated that board composition is an essential factor for its effectiveness because of the need to build and sustain the right team.

The theme findings were like the literature, as no differences were highlighted between the findings and the literature.

#### *6.4.1.4 Board composition: Conclusion on theme*

The findings have demonstrated similarities to the literature on matters identified and discussed from the theme. The findings identified that board diversity and proper constitution or presentation are vital considerations when looking at the board composition of SOE as it impacts the performance of these entities.

The results and the literature suggested that when choosing directors for SOE boards, board composition should consider diverse boards in terms of experience, knowledge, age, race, gender, and background. Diversity on SOE boards was encouraged since it helps facilitate appropriate decision-making processes that benefit the SOE through increased performance effectiveness and the society.

## **6.4.2 Board size**

The second theme identified for discussion to answer research question 2 in Chapter 5 was Board Size. Board size plays a massive role in the performance of SOE. The relationship between the board size and SOE performance is complex and depends on the nature of the SOE. To have an ideal board size for SOE is complicated and depends on the circumstances.

### *6.4.2.1 Board size: Summary of findings*

The Board Size theme results indicated that a larger board size becomes a problem regarding time management. The results indicated that larger board sizes require more time for meetings, as there are many directors whose views should be considered, unlike smaller boards.

The results indicated that more giant boards offer a variety of expertise and knowledge in skill sets from the various directors, providing diverse perspectives that address the complex challenges faced by SOE.

Further, the results indicated that communication becomes an issue with larger boards as information flows become complex due to the increased number of directors. Thus, it leads to delays in the decision-making process.

Concerning time management, the results indicated that some directors serve on multiple boards and, in the process, fail to be present and effective on all boards and use SOE boards to collect board fees. Larger boards may be costly when it comes to compensation and resource allocation.

### *6.4.2.2 Board size: Summary of key literature*

Abdeljawad and Masri (2020) highlighted that there is no optimal board size. The literature further highlighted that board size increases based on the organisation size and industry. Furthermore, the literature indicated that a larger board size increases cost, making coordination, communication, and efficient and effective decision-making processes costlier and harder. In comparison, a smaller board size might find it challenging to monitor the performance of the Chief Executive Officer (CEO) (Abdeljawad & Masri, 2020).

Al-Matari (2020) indicated that a larger board size brings different directors' knowledge, expertise and skills, making it ideal when debating complex issues that impact the organisation's direction. Furthermore, some literature has debated that there is no optimal size for board size. Ideally, the board size must be such that it can carry out robust debates from



a pool of experienced individuals, while smaller boards make it easier for decision-making processes (Al-Matari, 2020).

#### *6.4.2.3 Board size: Comparison of findings to the literature*

When comparing the findings to the literature, there were similarities and differences.

The findings indicated that a larger board size becomes challenging to manage when it comes to time as there are many views to consider, and this leads to delay in the decision-making process; the finding is similar to the literature by Abdeljawad and Masri (2020) which indicated that larger board size becomes costly and more complex to manage to make it difficult for efficient and effective decision-making processes than smaller board size.

The results indicated that SOE boards could benefit from a larger board size as it brings a variety of expertise and knowledge in skill sets from the various directors, providing diverse perspectives that address the complex challenges faced by SOE. In support of this, the literature by Al-Matari (2020) indicated that a larger board size brings different knowledge, expertise, and skills to the directors, making it ideal when debating complex issues that impact the organisation's direction.

The last findings indicated that some directors serve on multiple boards and, in the process, fail to be present and effective on all boards and use SOE boards to collect board fees. Larger boards may be costly when it comes to compensation and resource allocation. There was no mention of board fees and how they impact organisations with larger boards regarding compensation in any of the literature. It can be because the literature was written from the perspective of organisations that follow governance frameworks where directors' compensation is stipulated.

SOE board of directors' fees can be considered a research topic for future studies.

#### *6.4.2.4 Board size: Conclusion on theme*

The findings have demonstrated similarities to the literature on matters identified and discussed from the theme. The findings identified that board size has a tremendous impact on the performance of SOE, as boards are the highest decision-making authority within these entities that can make or break the SOE.

The results and the literature indicated that when it comes to SOE boards, there is no optimal size. It was indicated that when it comes to board size, consideration should be given to skill sets, as this allows for a board size with a broader range of experience and knowledge to handle the challenging environment of SOE.

The findings and the literature on the themes indicated that there is no ideal board size and that each SOE should consider its circumstances and business objectives when it comes to board size, as it does impact the performance of the SOE.

### **6.4.3 Factors determining board size**

The third theme identified for discussion to answer research question 2 in Chapter 5 was factors determining board size. Many factors determine board size, especially SOE boards. There is no one-size-fits-all approach to determining board size.

#### *6.4.3.1 Factors determining board size: Summary of findings*

The findings indicated that SOE governance and board structure determine board size. The results indicated that the complexity of SOE structure and industry play a vital role in determining the board size, as it should allow sufficient directors to make up the required subcommittees.

Another finding indicated that SOE legislation imposes specific requirements regarding the board size as stipulated in the Public Enterprises Governance Act (PEGA) and how many directors are to be appointed for each SOE board.

The final findings of the theme indicated that expertise and skills requirements are a massive factor in determining the board size for SOE as it has implications for the ultimate performance of the SOE.

#### *6.4.3.2 Factors determining board size: Summary of key literature*

On factors determining the board size, Abdeljawad and Masri (2020) indicated that the board size is determined based on the organisation's complexity and industry, taking into account the financial and industry performance, as it does not make sense to have a larger board of directors however the organisation financial performance will not be able to compensate the board.

Al-Matari (2020) indicated that the organisation's strategic needs can be used to determine the board size. The literature stated that an excellent composition of skills and experience in the boardroom of diverse individuals can benefit organisations that require strategic guidance to aid the overall performance effectiveness.

#### *6.4.3.3 Factors determining board size: Comparison of findings to the literature*

The findings have demonstrated similarities to the literature on matters identified and discussed from the theme. The findings identified factors determining the board size and how it impacts the SOE's performance.

The results showed that the complexity of SOE governance structure and industry play a vital role in determining the board size, as it should allow sufficient directors to make up the required subcommittees. The finding was supported in the literature by Abdeljawad and Masri (2020), who indicated that the board size is determined based on the organisation's complexity and industry, considering the financial and industry performance.

The results indicated that expertise and skills requirements are a massive factor in determining the board size for SOE as it has implications for the ultimate performance of the SOE. The literature by Al-Matari (2020) indicated that an excellent composition of skills and experience in the boardroom of diverse individuals could benefit organisations that require strategic guidance to aid the overall performance effectiveness.

The one finding on SOE governance legislation imposing specific requirements regarding board size was not indicated in any literature. The researcher believes this is because the literature mainly focuses on general organisations, not SOEs.

The governance of SOE based on government legislation can be considered an area for further research.

#### *6.4.3.4 Factors determining board size: Conclusion of theme*

The findings have demonstrated similarities to the literature on matters identified and discussed from the theme. The findings identified that various factors determine the board's size and that the one-size-fits-all approach is not ideal for SOE boards.

The results and the literature indicated that when determining SOE boards, the governance structure, which looks at the complexity and the industry of the SOE, should be considered as sufficient directors should be appointed to make up the ideal subcommittees in line with the best practice framework.

The findings and the literature on the themes indicated that expertise and skills requirements should be considered regarding SOE board size. It was indicated that an excellent composition of skills and experience in the boardroom of diverse individuals could benefit organisations that require strategic guidance to aid the overall performance effectiveness of the SOE.

One difference was indicated in the findings of SOE governance legislation, which was not supported by any of the literature that can be considered for future research.

#### **6.4.4 Research question 2: Conclusions on comparison of findings and literature**

In order to provide further insights into the research question of how the board composition and size impact SOE performance effectiveness, the three themes selected for discussion were systematically compared to the literature by looking for similar insights supporting the findings.

The three themes were board composition and SOE Performance, board size and SOE Performance, and factors determining board size, which were similar to and somewhat consistent with the literature. The differences were highlighted as possible research areas in this emerging literature.

The theme of board composition highlighted that board composition significantly impacts SOE performance as external sources bring diverse expertise and experience, making the boards effective and a spell over to the SOE.

Regarding the board size and SOE performance theme, it highlighted that SOE has no ideal board size. However, a larger size brings a broader range of skill set diversity, allowing for robust discussion that can address the challenges faced by SOE. On the other hand, larger board sizes have been pointed out to be challenging to manage and could delay decision-making.

The last theme of factors determining the board size highlighted that various factors must be considered when determining the SOE board size. Some highlighted factors were the complexity and industry in which the SOE operates. Other highlighted factors were the expertise and skills required by the SOE, which can determine the board size.

The three themes identified addressed the research question, which explores how board characteristics such as board composition and size impact the performance of SOE in developing countries. The theme addressed that board composition and size impact SOE performance by contributing diverse expertise and knowledge, which can lead to effective decision-making processes for the benefit of society.

The themes also highlighted two subthemes that can be considered for further research as not much was discussed about SOE board size determined through legislation. Secondly, the issues of SOE directors' fees are highlighted as a concern as some directors use board serving to collect fees and not contribute effectively.

## 6.5 Research Question 3: How do the board skills contribute to SOE performance effectiveness?

Research question 3 aimed to understand how board skills contribute to SOE performance effectiveness. Table 25 is an extract from Table 20, which shows the themes from Chapter 5.

**Table 25:** *Themes of board skills*

How do <b>board skills</b> contribute to SOE performance effectiveness?	Competency assessments for directors	Board Skills	Abang'a et al. (2022), Al-Matari (2020), Assenga et al. (2018), Rubin and Segal (2019), Masli et al. (2018)
	Independent selection committee		
	Skills for SOE directors		

*Source: Researcher's own (2023)*

### 6.5.1 Competency assessment for directors

The first theme identified for discussion to answer research question 3 in Chapter 5 was competency assessment for directors. Competency assessment for directors contributes to board effectiveness, better decision-making processes and improved governance.

#### 6.5.1.1 Competency assessment for directors: Summary of findings

The findings showed that competent directors bring experience and knowledge, which can be assessed using track records. The directors' experience, accomplishments, and performance in other senior roles can be used to evaluate their suitability to serve on SOE boards. Participants agreed that directors should be chosen based on their qualifications and track record.

The study's findings suggested that one way to evaluate the competency of SOE directors is to look at how much exposure they have had to the executive level. This is because exposure to the executive level can suggest that a director will bring accumulated knowledge, experience, and perspective to the boardroom, skills that will contribute to SOE performance effectiveness.

Furthermore, the study's findings indicated that directors' competency assessment could be evaluated by reviewing their knowledge of board operations through assessing their governance knowledge and overall experience of board processes, as these board skills can significantly contribute to SOE performance effectiveness.

#### *6.5.1.2 Competency assessment for directors: Summary of key literature*

Abang'a et al. (2022) stated that individuals appointed directors to companies' boards should have the right skills to enhance performance. In addition, board operations require competent directors who have been exposed to governance knowledge and contributed to the high-level discussion in discharging their roles.

Al-Matari (2020) argued that as part of the competency assessment, individual directors must be certified professionals through internationally recognised governance bodies to ensure that all appointed directors possess the right skills and competencies.

Assenga et al. (2018) stated that all directors must have governance skills as a minimum competency requirement to serve in directorship roles. To build these board skills as a competency, directors must hold multiple directorship roles in various sectors to develop their portfolios (Masli et al., 2018).

#### *6.5.1.3 Competency assessment for directors: Comparison of findings to the literature*

The literature by Abang'a et al. (2022) stated that individuals appointed to serve on boards should have been exposed to governance knowledge and high-level discussions in discharging their roles. The literature tied into the findings stated that directors' experience can be assessed based on their track record, and that will indicate what type of skills and contribution they will bring to the SOE boards.

The findings suggested that directors bring board skills contributing to SOE performance effectiveness through exposure to executive-level roles. This was in line with the literature by Assenga et al. (2018), who stated that individual directors must hold multiple directorships to build their capacity and contribute effectively to their roles.

The findings indicated that individual competency assessments could be evaluated by assessing their governance knowledge and overall experience of board processes. However, the literature by Al-Matari (2020) stated that part of the competency assessment for individual directors should be professional certification through international governance bodies.

#### *6.5.1.4 Competency assessment for directors: Conclusion of theme*

The findings have consistently supported the literature on matters identified and discussed from the theme. The findings identified how directors' competency assessments can be performed.

The results and the literature on the theme indicated that directors contributed their skills from exposure to the executive level and governance knowledge gained from serving on multiple boards. Furthermore, it outlines how the competency assessment for directors can be done to ensure that competent directors are appointed, bring their expertise and experience to SOE boards, and ensure performance effectiveness.

### **6.5.2 Independent selection committee**

The independent selection committee was the second theme identified for discussion to answer research question 3 in Chapter 5. The Independent selection committee's primary role is to ensure that directors appointed to serve on SOE boards are selected through a fair and merit-based process.

#### *6.5.2.1 Independent selection committee: Summary of findings*

The findings indicated that the recruitment of directors to serve on SOE boards solely lies with the government as the shareholder. There is no independent selection committee or what is known as a Nomination Committee to identify and propose directors who are competent to serve on SOE boards. Furthermore, an independent selection committee will ensure that competent directors skilled in board matters are appointed to contribute to SOE performance effectively.

The findings further reflect that as part of the selection process, background checks and rigorous reviews of the curriculum vitae of directors are done to ensure that only skilled directors are appointed to serve on SOE boards.

#### *6.5.2.2 Independent selection committee: Summary of key literature*

The literature by Mans-Kemp and Viviers (2019) indicated that the nomination committee's role is to review the boards' composition and recommend qualified directors to be appointed. Through this process, the committee ensures that candidates with the expertise and experience are appointed and that skilled people contribute to the board effectively.

Furthermore, the nomination committee use a rigorous process by engaging with a recruitment agency to source for retired executives with expertise and experience who have been exposed to boardroom theatrics to be nominated and appointed as directors to serve on the board. Through this process, the committee ensures that only skilled individuals who can contribute effectively to boards are appointed Mans-Kemp and Viviers (2019).

#### *6.5.2.3 Independent selection committee: Comparison of findings to the literature*

The findings indicated that no independent selection committee nominate or assists with selecting directors to serve on SOE boards and the government, as the shareholder is solely responsible for appointing directors. On the other hand, the literature outlines the role of the nomination committee, the importance of selecting directors using this committee, and the benefits of appointing experienced directors.

The literature was written in the context of emerging markets. As such, the process outlined can be replicated to SOE boards to ensure that skilled directors are appointed to these boards to ensure the performance effectiveness of these entities.

#### *6.5.2.4 Independent Selection Committee: Conclusion of theme*

The findings have demonstrated similarities to the literature on matters identified and discussed from the theme.

The findings identified the importance of having an independent selection committee and how the selection process can be done to ensure rigorous sourcing for directors to serve on SOE boards.

The literature outlined how the nomination committee ensures that directors with expertise and experience are nominated and appointed to serve on the board, bringing skills that could contribute effectively to the performance of the SOE.

### **6.5.3 Skills for SOE directors**

Skills for SOE directors were the third theme identified for discussion to answer research question 3 in Chapter 5. Directors serving on SOE boards require diverse skills and competencies to contribute to the SOE's performance effectiveness.

#### *6.5.3.1 Skills for SOE directors: Summary of findings*

The findings showed that SOE directors should have technical skills such as industry knowledge and a deep understanding of the industry in which the SOE is operating. Another technical skill from the findings was that the directors must be able to read and interpret financial information. The finding also revealed other technical skills such as risk management, corporate governance, technological literacy, and legal.

The findings also showed that directors must have soft skills; emotional intelligence came out frequently as the most critical soft skill a director should have to be able to serve diligently.



#### *6.5.3.2 Skills for SOE directors: Summary of key literature*

Regarding skills and competencies, the literature by Rubin and Segal (2019) states that directors should have technical skills to execute their mandate effectively. The literature highlights the director's ability to read and interpret financial statements as a critical component that should not be underestimated. The literature highlights these components, citing that big corporations have failed due to the director's inability to read and understand financial statements.

Assenga et al. (2018) stated that besides technical skills, directors should have a broad range of soft skills such as leadership, emotional intelligence, interpersonal skills, and critical and strategic thinking to lead effectively and contribute to the organisation's performance.

#### *6.5.3.3 Skills for SOE directors: Comparison of findings to the literature*

The findings identified that directors need technical and soft skills to contribute effectively to SOE performance. The findings are consistent with the literature by Rubin and Segal (2019), which states that directors should have technical skills to execute their mandate effectively. The literature highlights the director's ability to read and interpret financial statements as a critical component that should not be underestimated.

The findings also indicated that directors should have soft skills such as emotional intelligence to serve diligently. This was consistent with the literature by Assenga et al. (2018), who outline the various soft skills that directors should possess.

#### *6.5.3.4 Skills for SOE directors: Conclusion of theme*

The findings were consistent with the literature on matters identified and discussed from the theme.

The findings identified that directors need technical and soft skills to serve as board directors diligently; the literature supported this.

### **6.5.4 Research question 3: Conclusions on comparison of findings and literature**

In order to provide further insights into the research question of how board skills contribute to SOE performance effectiveness, the three themes selected for discussion were systematically compared to the literature by looking for similar insights supporting the findings.

The three themes were competency assessments for directors, independent selection committees, and skills and competencies for SOE directors, which were similar to somewhat consistent with the literature.

The theme of competency assessments for directors highlighted how directors' competency could be evaluated through their track records and exposure to executive-level roles to ensure that these directors' board skills contribute effectively to SOE.

Regarding the independent selection committee theme, it was highlighted that SOE has no selection committee to nominate directors to serve on these boards; the task is done at the government's discretion as the shareholder. On the other hand, the literature outlines the importance of nomination committees and how directors selected through this rigorous process are skilled to contribute effectively to organisations.

The last theme of skills and competencies for SOE directors highlighted that directors need to be technically skilled, especially in reading and understanding financial statements. Furthermore, soft skills were also highlighted as essential skills for directors to contribute effectively to SOE boards.

The three themes identified addressed the research question, which explores how board characteristics such as board skills contribute to the performance of SOE in developing countries. The themes highlighted that directors' competency should be assessed to ensure that skilled directors are appointed to serve on SOE boards, as this will ensure that only those with expertise and experience are appointed. Furthermore, the themes highlighted the need for an independent selection committee to ensure a rigorous recruiting process to nominate and select candidates to serve on boards.

Finally, the themes outlined how directors who are technically and have the ability to be emotionally intelligent and skilled can contribute to SOE performance effectiveness.

## **6.6 Conclusion**

In Chapter 6, the researcher used a systematic approach to compare the findings of Chapter 5 with the literature.

Furthermore, based on the analysis, all the themes appear consistent with the literature. However, three new potential differences or sub-themes were identified and are summarised in the table below:

**Table 26:** Summary of the research questions, themes, potential new themes, and theoretical construct, as amended post the comparison to the literature

Research Questions	Themes	New potential sub-themes	Theoretical Construct	Literature Review scholar by construct
How does appointing an <b>independent board</b> of directors contribute to SOE performance effectiveness?	Ensuring Responsible Governance		Independent Board	Pucheta-Martinez and Gallego-Alvarez (2020) Thakolwiroj and Sithipolvanichgul (2021) Thompson et al. (2019), Naciti (2019)
	Independence of SOE Boards			
	Factors impacting Independence	<b>Ethical Leadership</b>		
How does the <b>board composition and size</b> impact SOE performance effectiveness?	Board composition		Board Composition and Size	Abdeljawad and Masri (2020), Adawi and Rwegasira (2010), Al-Matari (2020)
	Board size	<b>Board Fees</b>		
	Factors determining board size	<b>Legislation</b>		
How do <b>board skills</b> contribute to SOE performance effectiveness?	Competency assessments for directors		Board Skills	Abang'a et al. (2022), Assenga et al. (2018), Rubin and Segal (2019)
	Independent selection committee			
	Skills SOE directors			

Source: Researcher's own (2023)

For research question 1, in exploring and understanding how appointing an independent board of directors contributes to SOE performance effectiveness, the themes of *ensuring responsible governance*, *independence of SOE boards* and *factors impacting independence* were discussed and compared to the literature.

Under the first two themes, the analysis appeared consistent with the literature. However, under the theme *factors impacting independence*, one new potential sub-themes were identified, namely:

✓ **Ethical leadership**

The board of directors are the highest decision-making body within the organisation; as such, many exemplary traits are expected from them as they lead the organisation. Participants

highlighted that ethical leadership is the first and foremost quality that all directors are expected to embody. As ethical leaders, directors are expected to be objective, maintain their collegial independence, and debate issues with the organisation's interest in mind, not for their benefit.

For research question 2, in exploring and understanding how board composition and size impact SOE performance effectiveness, the themes of *Board composition*, *Board size* and *factors determining board size* were discussed and compared to the literature.

Under the first two themes, the analysis appeared consistent with the literature. However, under the theme *factors determining board size*, two new potential sub-themes were identified, namely:

✓ **Board Fees**

Board fees are the compensation paid to the board of directors serving on organisation boards, which includes the retainer and other committee sitting fees. In the study, as a factor determining board size, it was highlighted that the larger the board, the higher the compensation in board fees.

✓ **Legislation**

Developing countries' governments to reform SOE have introduced legislation frameworks that can govern and restructure these beasts to create value and reduce dependency on government bailouts. In the study, as a factor determining the board size, it was highlighted that some SOE board sizes are determined by what is legislated.

For research question 3, in exploring and understanding how board skills contribute to SOE performance effectiveness, the themes of *competency assessment for directors*, *independent selection committee* and *skills for SOE directors* were discussed and compared to the literature.

The analysis conducted appears that the findings were consistent with the literature.

The research findings concerning the research questions are presented in Chapter 7.

## CHAPTER 7: CONCLUSION

### 7.1 Introduction

The research conclusion concerning the research questions is presented in this chapter. It further includes a final literature framework that builds on Chapter 6 final results. The literature framework explores how board characteristics and performance effectiveness relate to SOE in developing countries.

The chapter concludes with recommendations for management and other stakeholders, discusses the study's limitations, and offers recommendations for future research.

This study aimed to develop insights and understanding of board characteristics and performance effectiveness in developing countries' SOEs by exploring three research questions.

### 7.2 Principle Theoretical Conclusions

Chapter 7 sets out the conclusions of this study for each research question. Similarities and differences in the literature were discussed. The differences are identified as three potential sub-themes, refined to the existing literature and bolded in Table 27: *ethical leadership*, *board fees* and *legislation*. These themes are discussed here:

- ✓ **Ethical leadership** was identified as a sub-theme of factors impacting the independence of SOE directors. Ethical leadership was discussed as the director's ability to discharge their duties with integrity, respect, trust, fairness and honesty. Ethical leadership impacts employees' commitment towards SOE, increasing commitment and contributing to SOE performance effectiveness. When the leadership style portrayed by the highest decision-making body in the organisation, the board of directors shows ethical traits and behaviour, it cascades down to the rest of the organisation.
- ✓ **Board fees** were identified as a sub-theme of board size. It was discussed that the larger the board, the more costly it becomes for an organisation regarding directors' compensation. In the context of SOE boards, it impacts the performance as directors do not serve on boards to contribute to the SOE's performance but rather pocket the sitting fees even when these SOEs are not making money.
- ✓ **Legislation** was identified as a sub-theme of factors determining board size. It was found that some developing countries have legislation that governs the constitution of the SOE board, which indicates how many board members can be appointed to which SOE depending on the size and complexity of the SOE. Determining the board size following the legislation may impact the SOE's performance effectiveness. Other factors, such as

expertise and experience, may not be considered unless the legislation has indicated that it should also be considered.

**Table 27:** Conclusion of the research, similarities, and differences to the literature

Research Questions	Theoretical Construct	Themes	Key research conclusion	
			Themes similar to literature	Nuanced differences to literature = potential sub-themes
How does appointing an <b>independent board</b> of directors contribute to SOE performance effectiveness?	Independent Board	Ensuring Responsible Governance	√	
		Independence of SOE	√	
		Factors impacting independence	√	<b>Ethical leadership</b>
How does the <b>board composition and size</b> impact SOE performance effectiveness?	Board composition and size	Board composition	√	
		Board size	√	<b>Board fees</b>
		Factors determining board size	√	<b>Legislation</b>
How do <b>board skills</b> contribute to SOE performance effectiveness?	Board Skills	Competency assessments for directors	√	
		Independence selection committee	√	
		Skills for SOE directors	√	

Source: Researcher's own (2023)

### 7.2.1 Conclusion on research question 1: How does appointing an independent board of directors contribute to SOE performance effectiveness?

Research question 1 aimed to understand how appointing an independent board of directors contributes to SOE performance effectiveness. Gaining an understanding of how appointing an independent board of directors contributes to SOE performance effectiveness could allow SOE to appoint outside directors to their boards, which would lead to transparency and better decision-making processes in the interests of the SOE and society benefit (Thakolwiroj & Sithipolvanichgul, 2021).

The three main themes discussed in Chapter 6, relating to research question 1, are concluded in Chapter 7: ensuring responsible governance, independence of SOE boards and factors impacting independence.

The researcher identified the themes discussed in the existing literature, which appear to be similar and consistent with the existing literature. However, one nuanced difference was concluded as potential sub-themes for the theme factors impacting independence and were added to the existing literature.

The researcher discussed the similarities first and concluded with the differences at the end of the section.

Regarding ensuring responsible governance, the research outcomes from Chapter 6 are similar to the literature. Ensuring responsible governance was identified as one of the primary duties of independent directors; these directors carry out their duty of care without fear of job security as they have no internal allegiance to the organisation (Thakolwiroj & Sithipolvanichgul, 2021).

The study concluded that appointing independent directors to the SOE boards improves the performance of the SOE because these directors bring fresh perspectives that are not diluted as they have no relation to the company. Their decision-making process is always to act in the best interests of the organisation, which appears to be consistent with Pucheta-Martínez and Gallego-Álvarez (2020) and Thompson et al. (2019), who stated that outside directors play a significant role in company performance as they introduce transparency, enhance boardroom debates and further enhance the monitoring function of directors. This is supported by Naciti (2019), who further argued that the greater the number of outside directors on the board, the more influence the board will have in protecting shareholders' interests.

The independence of SOE boards theme was similarly identified in Chapter 6 and the literature as crucial for ensuring responsible governance and effective management of these entities. The government can enhance accountability, transparency, and SOE's overall performance by promoting SOE boards' independence. Independent boards are better positioned to make objective decisions, mitigate conflicts of interest, and contribute to the long-term sustainability of SOEs (Naciti, 2019).

Regarding factors impacting independence, Chapter 6 and the literature are similar in that they both conclude that political interference in the affairs of SOE boards poses a significant challenge to independent directors and hampers the performance of SOE (Thompson et al., 2019). A further similarity is that independent directors reduce conflict of interest by promoting

the organisation's interest based on corporate governance principles (Pucheta-Martínez & Gallego-Álvarez, 2020).

With regards to the differences in factors impacting independence, although the central theme was consistent with the literature, one new sub-theme was identified in the study as a potential difference, as no references in the context of the board of directors' independence were found in the literature, namely, ethical leadership in independent directors or the lack thereof in SOE directors.

In conclusion, the themes ensuring responsible governance, independence of SOE boards and factors impacting independence from this research study were identified in the existing literature and appear consistent. However, for the theme factors impacting independence, one nuanced difference, namely ethical leadership in independent directors or the lack thereof in SOE directors, was concluded as a potential sub-theme and has been added to the existing literature.

### **7.2.2 Conclusion on research question 2: How do the board composition and size impact SOE performance effectiveness?**

Research question 2 aimed to understand how board composition and size impact SOE performance effectiveness. Understanding how board composition and size impact SOE performance effectiveness could show SOE that building and sustaining the right board with expertise and experience could significantly impact the SOE's performance (Adawi & Rwegasira, 2010).

The three main themes discussed in Chapter 6, relating to research question 2, are concluded in Chapter 7: board composition, board size and factors determining board size.

The themes discussed in this study were identified in existing literature and appear to be similar and consistent with the literature. However, two nuanced differences were concluded as potential sub-themes for the theme board size and SOE performance and factors determining board size were added to the existing literature.

The similarities are discussed first, and the differences are concluded at the end of the section.

Regarding board composition and SOE performance, the research outcomes from Chapter 6 are similar to the literature. Board composition was identified as a significant component of board structure as it allows for board diversity and proper representation, which brings expertise and experience to SOE performance effectiveness (Al-Matari, 2020). The board can contribute when it comprises external directors who bring context from different perspectives



and positively impact their expertise and experience for the betterment of the organisation (Adawi & Rwegasira, 2010). This was supported by Abdeljawad and Masri (2020), who stated that a company operating in a more complex environment requires vast diversity, experience and extended tenure directors to create more effectiveness for the board.

The Board size and SOE performance theme were similarly identified in Chapter 6 and the literature as characteristics that play a massive role in the performance of SOE. The relationship between board size and SOE performance is complex and depends on the nature of the SOE. Abdeljawad and Masri (2020) stated that board size could be costly, making coordination, effective communication, and efficient decision-making complex with a large board.

However, Al-Matari (2020) stated that a larger board brings different knowledge, expertise, and skills to directors, which makes it ideal when debating complex issues that can impact the direction of the SOE. In contrast, small board sizes do not require much effort in coordination and communication.

Regarding factors determining board size, Chapter 6 and the literature are similar in concluding that there is no one-size-fits-all approach to determining board size. The complexity of the SOE governance structure plays a vital role in determining the board size, as it should allow for sufficient directors to make up the required board subcommittees (Abdeljawad & Masri, 2020). Furthermore, expertise and skills requirement are a massive factor in determining the board size for SOE as it has implications for the ultimate performance of the SOE; this was supported by Al-Matari (2020), who went on to state an excellent composition of skills and experience in the boardroom of diverse individuals could benefit the organisation that require strategic guidance to aid the overall performance effectiveness.

With regards to the differences in factors determining board size, although the central theme was consistent with the literature, one new sub-theme was identified in the study as a potential difference, as no references in the context of the board size and SOE performance were found in the literature, namely, board fees or compensation of independent directors in organisations and more so in SOE given the context of the study.

In conclusion, the themes of board composition, board size and factors determining board size from this research study were identified in the existing literature and appear consistent. However, for the themes of board size and SOE performance and factors determining board size, two nuanced differences, namely board fees or independent directors' compensation and

legislation guiding the board size of SOE, were concluded as potential sub-themes and added to the existing literature.

### **7.2.3 Conclusion on research question 3: How do board skills contribute to SOE performance effectiveness?**

Research question 3 aimed to understand how board skills contribute to SOE performance effectiveness. A director's skills and competencies are considered critical tools that aid company performance effectiveness (Abang'a et al., 2022).

The three main themes discussed in Chapter 6, relating to research question 3, are concluded in Chapter 7: Competency assessments for directors, independent selection committee and Skills for SOE directors.

The themes discussed in this study were identified in existing literature and appear to be similar and consistent with the literature. The themes did not yield any potential differences.

The similarities are discussed first, and the conclusion is at the end of the section.

Regarding competency assessment for directors, the research outcomes from Chapter 6 are similar to the literature. Competency assessment for directors was identified as a mandatory requirement in professional certification to ensure that those entrusted to guard shareholders' value are competent (Al-Matari, 2020). The study concluded that director's competency assessments can also be assessed by looking at their track records and exposure to the executive level. This shows that these directors will bring expertise and experience gained in other senior roles to these boards as skills and contribute effectively (Assenga et al., 2018).

Independent selection committee, the research outcomes from Chapter 6 are similar to the literature. Independent selection committees allow for the nomination and selection of qualified directors who emerge from a rigorous process; directors appointed through this process are competent and skilled and contribute effectively to board functions (Mans-Kemp & Viviers, 2019).

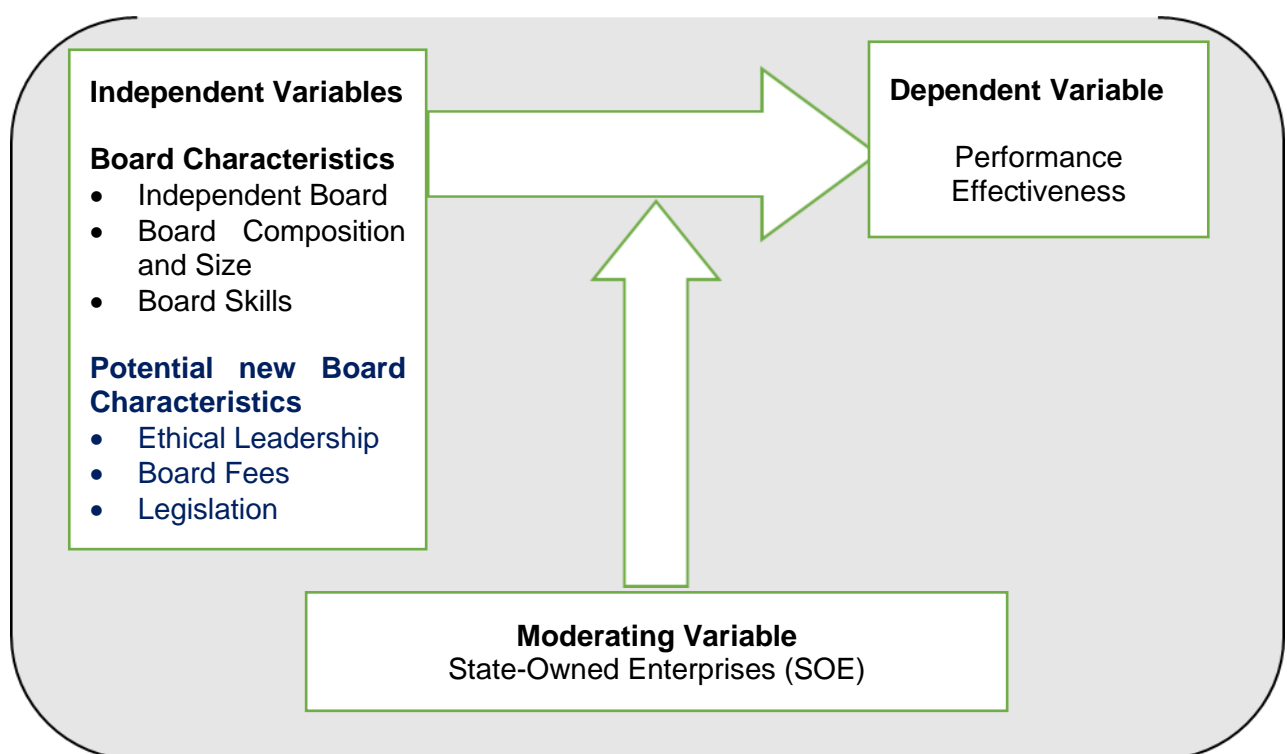
Regarding skills and competencies for SOE directors, the research outcomes from Chapter 6 are similar to the literature. Directors are expected to have specific skills and competencies; the ability to read and interpret financial information and emotional intelligence were singled out as significant skills that contribute to the performance effectiveness of the company (Rubin & Segal, 2019).

In conclusion, the themes of competency assessment for directors, independent selection committees and skills and competencies for SOE directors from this research study were identified in the existing literature and found to be similar and consistent with the literature.

#### 7.2.4 Principle theoretical conclusions: Final conceptual framework on exploring board characteristics and performance effectiveness in developing countries' state-owned enterprises (SOEs)

The principle theoretical conclusions from this study are presented in the final conceptual framework, as illustrated in **Figure 3**. The final conceptual framework summarises and highlights the similarities and differences between the study and the existing literature.

The differences are identified in bold. The final conceptual framework highlighted ethical leadership, board fees and legislation as board characteristics contributing to SOE performance effectiveness. In adding insight and new understanding to these three questions, the final conceptual framework assists in answering how board characteristics and performance effectiveness contribute to developing countries' State-Owned Enterprises.



**Figure 3:** Final literature review framework of board characteristics and SOE performance effectiveness

Source: Researcher's own (2023)

### 7.3 Research contributions

The research study offers possible contributions through the similarities found that could be added to existing literature. The contribution is that findings from the existing literature for developing contexts can be extended to developing countries contexts. Additionally, the study found possible nuanced differences in the literature that could lead to an expansion of the theory.

#### 7.3.1 Similarities between the study and the literature: addition to the body of theory

The literature and the participants have highlighted a dearth of studies on board characteristics in the SOEs. There was a lack of literature on board characteristics, particularly about developing countries' SOEs. Most literature on board characteristics was discussed in the context of private companies and from a developed nation perspective. Furthermore, most literature on board characteristics was linked to specific companies' contexts, and not many developing nations' companies bring SOE perspectives.

The study concluded many themes that were similar to the theoretical literature. These similarities are included in the final conceptual framework, **Figure 3**, and include:

- These characteristics contribute to an independent board of directors, namely ensuring responsible governance, independence of SOE boards and factors impacting independence.
- These characteristics impact board composition and size, namely board composition, board size and factors determining board size.
- These characteristics build board skills, namely competency assessment for directors, independent selection committee and skills for SOE directors.

The study recommends that management scholars study the board characteristics from the perspective of SOEs in developing countries' contexts.

#### 7.3.2 Differences between the study and the literature: Extension to the body of theory

Three potential extensions to the literature were identified. These were discussed in Chapter 6 and are included in the final conceptual framework, **Figure 3**, in bold blue. Those were:

- ✓ **Ethical leadership** was identified as a sub-theme of factors impacting the independence of SOE directors. Ethical leadership was discussed as the director's ability to discharge their duties with integrity, respect, trust, fairness and honesty. Ethical leadership impacts employees' commitment towards SOE, increasing commitment and contributing to SOE

performance effectiveness. When the leadership style is portrayed by the highest decision-making body in the organisation, the board of directors shows ethical traits and behaviour, and it cascades down to the rest of the organisation.

- ✓ **Board fees** were identified as a sub-theme of board size. It was discussed that the larger the board, the more costly it becomes for an organisation regarding directors' compensation. In the context of SOE boards, it impacts the performance as directors do not serve on boards to contribute to the SOE's performance but rather pocket the sitting fees even when these SOEs are not making money.
- ✓ **Legislation** was identified as a sub-theme of factors determining board size. It was found that some developing countries have legislation that governs the constitution of the SOE board, which indicates how many board members can be appointed to which SOE depending on the size and complexity of the SOE. Determining the board size following the legislation may impact the SOE's performance effectiveness. Other factors, such as expertise and experience, may not be considered unless the legislation has indicated that it should also be considered.

#### **7.4 Recommendations for Management and Other Stakeholders**

The recommendations for management and other stakeholders are drawn from the theoretical conclusions. The recommendations were directed at corporations, finance ministries, public enterprises, professional governance bodies, and higher education institutions.

##### **7.4.1 Recommendations on Board fees**

The study revealed that board compensation can be costly when the board is significant. Furthermore, many participants indicated that some directors serve on multiple boards to collect sitting fees and not to contribute to the performance of the SOE. This impacts the SOE's financial performance as the board of directors draws sitting fees even if the SOE is struggling financially, leading to dire consequences for the sustainability of these breeds.

The study recommends that the board of directors' sitting fees should be linked to the performance of the SOE. Directors should have clear performance agreements with targets aligned to the SOE performance. Board fees should only be paid to directors if the SOE meet or exceeds the set target, whether quarterly or annually.

##### **7.4.2 Recommendation on establishing an independent nomination committee**

Many participants discussed the issues of independent directors' appointment to SOE boards. They raised concerns that the nomination and selection process is solely at the discretion of the Minister of Finance and Public Enterprises. Additionally, the participants outlined that if the government is serious about SOE reforms, they must benchmark against best practices

frameworks that allow a nomination committee to strategically source and recruit potential candidates for board positions.

The study recommends that the Ministry of Finance and Public Enterprises should establish a nomination committee for the nomination and selection of independent directors to serve on SOE boards.

#### **7.4.3 Recommendations on factors impacting the independence of SOE boards**

The study revealed that one can constitute a board based on all these characteristics to build effective boards. However, the performance of these SOE boards will be moderated by the government's interference as the shareholder.

Participants indicated that political interference and influence in the affairs of SOE boards are significant concerns for the performance effectiveness of these entities. The participants raised concerns that the demand for SOE boards to make decisions favourable to specific individuals or political factions brings dire consequences for the sustainability of these entities.

The study recommends that the Ministry of Finance and Public Enterprises review the Public Enterprises Governance Act (PEGA) to allow for the autonomous running of SOE without the interference of line ministers or other politicians. The SOE board of directors have a fiduciary duty to act in the best interests of society, which pays taxes.

#### **7.4.4 Recommendations for Professional certification of independent directors**

The study revealed that directors appointed to serve on SOE boards are not certified by professional bodies like the Institute of Directors South Africa (IODSA) or the Namibia Institute of Corporate Governance (NICG). Furthermore, the study revealed that directors need to be competent in technical and soft skills to contribute effectively to SOE boards. However, there was no clear indication of how the competency assignment is done for SOE directors to ensure they are skilled in the various disciplines.

Therefore, the study recommends that SOE director's competency assessments be conducted through a professional certification body to ensure that all directors are skilled enough to contribute effectively to SOE.

### **7.5 Limitations of the Research Study as a Whole**

The following limitations of the research study as a whole were identified.

A study that would include multiple developing countries required data collection, analysis and interpretation time. Due to time constraints, the researcher focused on Namibia. Furthermore,

a comprehensive study including multiple developing countries requires financial resources, staff support, and access to relevant data. Given these resource limitations, the research focused only on Namibia.

The study explored commercial SOEs; other non-commercial and extra-budgetary SOEs were not considered. The study research design and methodology were conducted to apply these findings to other SOEs.

The study did not explore the newly identified sub-themes in-depth, namely ethical leadership, board fees, and legislation. This allows future researchers to explore these themes and contribute to the body of theory from the context of developing countries.

## **7.6 Suggestions for Future Research**

The following areas are suggested for future research.

The scope of the research was focused on Namibia SOE as a developing country. The study opens the possibility of future research to address these gaps by conducting a similar study in other developing countries.

Finally, the research conclusions of this study identified potential new sub-themes, namely ethical leadership or the lack thereof in the directors as a characteristic, board fees, sustaining a large board can be costly and, in some cases, directors who serve on multiple boards to collect sitting fees, and legislation concerning board size that is determined by governance act in some instances. This study did not cover any of these newly identified sub-themes in detail, and they would be appropriate areas for further research.

## **7.7 Conclusion**

The study aimed to understand how appointing an independent board of directors contributes to SOE performance effectiveness. The first chapter of the study described the problem statement. It aimed to explain how board composition and size impact SOE performance and how independent directors' board skills contribute to SOE performance. The second chapter of the study reviewed the literature concerning board characteristics and SOE performance effectiveness in developing countries' context. It was revealed that there was a lack of studies done in the context of developing countries; a gap needed to be filled because there was a lack of scholars contributing to the subject of SOEs.

Chapter 3 discussed the research questions. The research design and methodology are outlined in Chapter 4. Chapter 5 presented the research results, and an elaborate discussion

of the research findings in Chapter 6 followed. This last chapter of the study concludes and provides recommendations.



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## APPENDICES

### Appendix 1: Interview guide

Name:

Gender:

Job Title:

Date:

Start time:

End time:

I appreciate you taking the time to accept my interview. **My research focuses on exploring board characteristics and performance effectiveness in developing countries' state-owned enterprises (SOEs).**

The research explores the board of directors' effectiveness in SOE performance based on known board of directors' characteristics that build effective boards.

Exploratory in nature, my research will reveal new information through in-depth discussion. I am interested in hearing about your experiences working with and on the board of directors of state-owned enterprises in your responses to the questions. You will remain anonymous because none of the gathered data will be reported with identifiers.

Before we begin, kindly read the consent letter and sign it. Also, let me know if you are okay with me recording our interview meeting.

#### Demographic data questions

1. How long have you served in directorship for State-Owned Entities and other non-government entities?
2. What is your highest academic degree, and what field of study is it in?
3. What rank do you hold within the SOE's board of directors?
4. Are you working full-time for an SOE or only serving in a directorship role?

## **Interview Questions**

**RQ1: How does appointing an independent board of directors contribute to SOE performance effectiveness?**

### **Sub questions**

1. How do independent boards of directors contribute to SOE performance effectiveness?
2. From your experience, what are some of the factors that impact the independence of SOE directors?
3. From your knowledge, what are the criteria for selecting independent directors on the SOE board?

**RQ2: How do the board composition and size impact SOE performance effectiveness?**

### **Sub questions**

4. From your experience, what makes the best board composition of the board of directors? Furthermore, how does board composition affect SOE performance effectiveness?
5. How does board size affect SOE performance effectiveness? Does a small or larger board have an impact on SOE performance?
6. Based on your knowledge, what factors determine the size of the board of directors?

**RQ3: How do board skills contribute to SOE performance effectiveness?**

### **Sub questions**

7. From your experience, how should individual directors' competency assessments be conducted before appointment to SOE boards?
8. Based on your knowledge, what personal qualities and behavioural skills does the SOE board need in its directors?
9. From your experience and knowledge, what are the key skills and competencies all SOE directors should have? Please list a few and explain.



## Appendix 2: Codes

Code
Ability to do their skill well
Ability to read the room
ability to work as a team
academic qualifications
Accountability (2)
Adaptability
Adaptability: Decision-making efficiency
Adaptability: Diversity
Adaptability: Inclusion
Advertisement
Agency's Work Process
analytical thinking
Appointment and onboarding procedures
Arm's-length relationship
Assessing CV
assessment criteria
Association with stakeholders
attributes
Autonomy
Background check
Background checks
Balance of skills
Basic Financial Understanding
Board advertisements
Board Composition
Board Contribution
Board Diversity
Board dynamics
Board experience
Board Fees
Board operations
Board performance evaluations
Board Qualities
Board Roles
Board Size
Board skills
Board's needs
Bold decisions
Business
Business size
Business Sustainability
Business: SOE performance
Clarity of roles
Communication

<b>Code</b>
Company Size
Competency assessment
Competence
Competencies
Competency
complementing skill sets
Complexity and size of the SOE
Confidentiality
Conflict of interest
Conflicts of Interest
Core areas of responsibility
Critical thinking
Cultural Diversity
Decision-making
Decision-making (2)
Decision-making: Decision-making
Dedication
Delegation
Different Departments
Different insights
Different Perspectives
Different roles
Directors evaluation
Directors' fiduciary duty
Directors' Responsibilities
Diversity
Effective Communication Skills
Efficiency
Efficient use of time
Emotional Intelligence
Enhance performance
Ethical Decision-Making
Ethical Leadership
Ethical people
Ethics
Excellence
Executive-level experience
Experience
Experience diversity
Expertise
expertise in own speciality
External perspective
External View
fairness
family benefit
Fewer Members

<b>Code</b>
Fiduciary Duties
Fiduciary duty
Financial Expertise
Financial oversight
Financial Statements
Fit and proper test
Fresh Perspective
Gender Balance
General Knowledge
Governance
Governance Acumen
Governance oversight
Governance tools
Governance: Appointing authorities
Governance: Best practices
Greater good
Historical Knowledge
Ideal board member
impact on society
Impartiality
Inclusion
Independence
Independent Director
independent thinking
Independent view
Industry Understanding
Industry-specific board size
Industry-specific Needs
Inefficiency
influence decisions
Integrity
Interest in the SOE
Internal audit
Interpret Financial Statements
interview rigorously
IODSA framework
King Code
King IV
Knowledge
Knowledge Sharing
lack of transparency
Legal framework
Legislation
Long-Term Interests
Manageability
Management Accountable

<b>Code</b>
management of public funds
Maturity
Meetings preparation
Merits
Minister Control
Mix of Old and Young
Mix of skills
Namibia Code
National Influence
Nature of the business
Nomination committee
Non-Executive Director
Non-objective view
Objective Overview
Objectives
Objectivity
Optimal
Optimal number of core specialists
Organisation best interest
Organisation's specific requirements
Overcrowded board
Oversight
Performance effectiveness
Performance evaluation
Personal Accountability
Perspectives
political appointment
Political influence
Political Interference
Preparation
Prior board experience
professionalism
Proper oversight
Proper representation
Proven capability
Public Enterprise Governance Act (PEGA)
Qualifications
Quorum
Range of expertise
Reading
Reading financial statements
Recruitment process
Regulations and governance codes
Regulators
relationships
Responsibility and Accountability

<b>Code</b>
Rigorous interview process
Robust Discussion
Rubber Directors
self-enrichment purposes
shadow directorship
Shareholder
Significant stake
Size does matter
Size of SOE
Skill diversity
Skill Gaps
Skill Sets
Skills
Skills Complement
Skills diversity
Skills Matrix
Skills Mix
Skills of director
Smaller boards
SOE performance effectiveness
Soft skills
Statutory prescriptions
Strategic Review Presentations
Strategic thinkers
Strategic thinking
Style of leadership
Sub-committees
Subcommittee
Substance over form
Technical competencies
Technical Expertise
Technical skills
Technical understanding
Tenure
Time management
Track record
Transparency
Trust and Respect
Unbiased
Understand bonuses
Understanding your role
Work ethic

### Appendix 3: Ethical clearance approval

**Gordon Institute  
of Business Science**  
University of Pretoria

**Ethical Clearance  
Approved**

D [REDACTED]

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

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

**Appendix 4:** Individual consent form

**Research topic:** Exploring Board Characteristics and Performance Effectiveness in Developing Countries State-Owned Enterprises (SOEs)

**Researcher:** Ms Rosemary Tjombonde, MPhil student at the Gordon Institute of Business Science (GIBS), University of Pretoria

I am researching and exploring board characteristics and performance effectiveness in Developing Countries' State-Owned Enterprises (SOEs). Our interview is expected to last about 45 minutes to an hour. The interview will help us explore how board characteristics impact SOE's performance. Please note that this interview will be audio recorded. Your participation is voluntary, and you can withdraw without penalty. All data will be stored and reported without identities. If you have any concerns, please contact my supervisor or me. Our details are below.

**Researcher Name:** Rosemary Tjombonde

**Email:** [22029738@mygibs.co.za](mailto:22029738@mygibs.co.za)

**Phone:** 264 812317821

**Researcher Supervisor:** Dr Tonderayi Madziva

**Email:** [tondemadziva@gmail.com](mailto:tondemadziva@gmail.com)

**Signature of participant:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Signature of Researcher:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## **Appendix 5: Technical editing letter**

9 Carisbrooke  
Gazelle Street  
Uitzicht  
7550 DURBANVILLE  
17 November 2023

Gordon Institute of Business Science  
University of Pretoria  
Private Bag X20  
HATFIELD  
0028

Dear Sir/Madam

### **Declaration of technical editing**

I, Ronèl Gallie, hereby declare that I have personally worked through the research project of Rosemary Tjombonde. I did the technical editing and layout, APA 7<sup>th</sup> reference list, cross-checking of referencing and correcting all in-text referencing.

Yours sincerely

A handwritten signature in black ink that reads "R. Gallie". The signature is written in a cursive style with a large, looped initial 'R'.

Ronèl Gallie  
*Technical Editor*