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The perceived effectiveness of directors of multiple boards in South Africa

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ABSTRACT

This study analyses the perceived effectiveness of directors who sit on multiple boards in South Africa. Recent guidelines and reforms to South Africa's corporate governance architecture are outlined in detail at the outset of this study. They provide the context for the subsequent overview of the competing scholarly perspectives on the benefits (e.g. experience) and disadvantages (e.g. reduced capacity) of including so-called 'busy directors' on boards, especially as they relate to the distinct political, social and business environment of South Africa. Through a qualitative approach based on a series of detailed, semi-structured interviews with representatives of three key groupings – busy directors, company secretaries and board governance experts – this study then probes a number of key factors that may diminish or enhance director effectiveness and impact board recruitment decisions. Particular attention is paid to issues of capacity, experience, networks and board culture. Complemented by a comprehensive review of relevant literature, the study reveals a complex picture of the busy director phenomenon in South Africa. The findings give heavy prominence to the value of 'experience' in board director selection, so much so that firms often overlook the negative impact on capacity of directors stretched across multiple boards. Although limitations on busy directors have been imposed in other regions such as Europe and North America, this study finds that the particularities of the South African context may make similar restrictions unwarranted – at least for the time being – owing to the relative scarcity of certain skillsets and experiences within the current pool of potential board directors. A 'Director and Board Effectiveness Model', devised by the researcher based on the research findings, is presented in the final section of this study to help sensitise directors, boards and firms on the need to better understand the complex dynamics around busy directors.

KEYWORDS

Busyness Hypothesis, Reputation Hypothesis, Director Effectiveness, Complex Adaptive Systems, Board Culture, Director Training

DECLARATION

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

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6 November 2017

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CHAPTER 1: PROBLEM DEFINITION AND PURPOSE

1.1 Introduction

This introductory chapter outlines the main problem being analysed in the study and why the subject of busy directors in South Africa is a worthwhile area of inquiry, both in practical and theoretical terms. It assesses the ‘state of play’ on the subject of boards and directors, identifying general principles as well as particular features of the South African corporate governance landscape. The chapter then outlines the competing perspectives on the subject, identifying gaps in our current understanding, with some crisp observations on the study’s contribution to extant knowledge and literature on the subject. The key questions that will be addressed in the study are then highlighted and brief pointers on its main conclusions are provided. With specific reference to South Africa, the chapter ends by introducing a new model to understand the relative effectiveness of multiple board directors, which will be elaborated in detail in Chapter 7, the Conclusion.

1.1.1 Why study ‘busy directors’ in South Africa?

This study analyses the perceived effectiveness of board directors who sit on multiple boards within a South African context.

The impact of multiple directorships on businesses is a contentious issue worldwide (Elyasiani & Zhang, 2015; Ferris, Jagannathan, & Pritchard, 2003). Extensive research on busy directors exists in the United States, Europe and other advanced economies (Chakrabarty & Bass, 2014; Clements, Neill, & Wertheim, 2015; Fich & Shivdasani, 2006; López Iturriaga & Rodríguez, 2014). These countries and regions have not only studied the concept of multiple directorships but also given guidelines and in some instances regulated the number of board positions a director can accept at any one time. In the United States, for example, the National Association of Corporate Directors recommend that senior executives and CEOs should hold three and less board positions outside of their executive roles (Ahn, Jiraporn, & Kim, 2010) and the Council of Institutional Investors (2016) recommend that directors with full time jobs should serve two boards at a maximum and no more (Council of Institutional Investors, 2016).

Underpinning such guidelines are some general assumptions as well as evidenced-based studies about how directors’ effectiveness might be affected by individual capacity constraints; their understanding and enactment of board duties; and their active monitoring of corporate governance.

Opinion remains divided, however. It is clear that several countries have concluded that effectiveness is compromised when directors become ‘busy directors’ – i.e. they participate on ‘too many’ Boards. This is evident, as illustrated above, in the limits on board-membership numbers for individuals that have been enacted in these countries through legislation. Yet other scholars have highlighted the potential benefits to firms and organisations which accrue from having directors who are highly experienced in board activity, often participating as directors on several different boards concurrently. The perceived benefits of the ‘busy director’ phenomenon may help explain why some countries have chosen not to enact legislation limiting the number of individual directorships.

Few studies focus, however, on the consequence of such phenomena in emerging markets. Recent studies have begun to research this phenomenon in East Asia and India (Lee & Lee, 2014; Sarkar & Sarkar, 2009) but there is very little research in South Africa which addresses questions of multiple directorships.

South African represents a potentially vital case study to examine the busy director phenomenon for several reasons. South Africa boasts an advanced financial and regulatory structure (discussed below) which helps attract foreign investments and multinational organisations to the country. South Africa is also the continent’s main financial and economic hub. This gives singular importance to issues which might impact corporate governance and board effectiveness in South Africa. Failures in South Africa reverberate across the continent, with potential dire implications for other African economies, especially within the sub-region (Miles & Jones, 2009).

It is especially vital in South Africa that more research into the prevalence of the ‘busy director’ phenomenon is undertaken. That firms are able to derive maximum value from all their directors – including busy ones – is a prerequisite to success in an increasingly competitive and constrained economic environment globally, regionally and domestically – all buffeted by seemingly endless political turmoil.

1.1.2 Boards and Directors

Beginning in the early 1970s, a significant body of research on boards and directors has arisen. In his book, *Myths and Directors*, Myles Mace (1971) argues that “directors serve as a source of advice and counsel, serve as some sort of discipline, and act in crisis situations” if a change in CEO becomes necessary (p. 178). Mace (1971) suggests that the board aims to act as a “sounding board for CEOs and top management” as they are able to provide professional advice and expertise necessary to make decisions that will benefit the organisation and its shareholders. A more recent study by Shivdasani and Yermack (1999) posits that directors serve as a pivotal mechanism for monitoring the

management processes of an organisation. Directors have a fiduciary responsibility to protect shareholder interests; assess the organisation's strategies and actions; and select, reward, appraise and dismiss top managers when the organisation fails to meet objectives (Shivdasani & Yermack, 1999a). These are but two of numerous studies which argue that boards of directors serve as the crucial mechanism for monitoring the managers of an organisation and shareholders' interests.

The question around board selection and director accountability comes to the fore when analysing directors' effectiveness. At the outset, it must be noted that directors of boards are voted into office by shareholders, existing directors and the CEO of an organisation (Hutchinson, Mack, & Plastow, 2015; Shivdasani & Yermack, 1999b). The process of identifying suitable candidates remains highly, but not solely dependent on the boards' networks (J. D. Westphal, Seidel, & Stewart, 2001). Heavy reliance on board networks can often, however, result in negative outcomes. The literature suggests two key issues in this regard: directors end up selecting people who are similar to them in thinking and therefore adding very little diversified thinking on the board (Kang, Cheng, & Gray, 2007); and secondly, this practice promotes the concept of a 'limited pool' because only those who happen to be within the network stand a chance to be considered for board positions. Moreover, in countries where multiple directorships are not limited, these issues often combine to create a recycling of the same directors in the market, which raises questions about their putative independence (Durbach & Parker, 2009; Lee & Lee, 2014). Where the ideal balance lies in board selection between the network versus the more traditional process of hiring through a third-party agent merits further research but is beyond the scope of this study.

In terms of accountability, the board of directors ultimately has a fiduciary responsibility to protect shareholders' interests. In protecting the shareholders' interests, directors have to ensure that the business operates in an ethical and sustainable manner, ensuring other stakeholders' interests are being addressed but not to the detriment of the organisation's bottom line impact (Falato, Kadyrzhanova, & Lel, 2014). Along with their legal duties, directors must also monitor to ensure governance requirements are being implemented by the organisation's senior management teams (Oshry, Hermalin, & Weisbach, 2010).

In a fragile and unpredictable global economic environment coupled with a recent spate of massive corporate failures, the proficiency and effectiveness of the board of directors is critical. As boards are being called upon more and more to guide and make decisions

that will steer the organisation through dynamic and tough economic times, directors must ensure they are fit and prepared to manage and protect the organisation. Otherwise, corporate failure becomes a real risk.

One of the highest profile recent corporate failures is Enron, which perpetuated one of the largest accounting frauds in history. The Enron scandal of 2001 was largely the result of board directors not fulfilling their duties: the executive management falsified the company's revenues while the company's board of directors failed to monitor and prevent unethical and illegal financial reporting practices within the firm. In response, the Sarbanes Oxley Act was introduced in the United States in 2002 and the Financial Accounting Standards Board in the country was also strengthened (Genova, 2014).

Another significant corporate failure was the collapse of African Bank in 2014. The board was found to have been reckless and negligent in appointing a chief risk officer that was incompetent, extending the bank's loan book and allowing the CEO to dominate the board's decisions (Bonorchis, 2016). The capability of African Bank's board was cast in serious doubt after it was found that seven of the 11 board directors had no banking experience (Bonorchis, 2016). Such corporate failures have heightened international concern around the management of company boards (Jiraporn, Davidson, DaDalt, & Ning, 2009).

In this context, the issue of 'busy directors' has gained particular salience owing to its potential impact on boards, regulators, shareholders and organisations appointing directors (Kiel & Nicholson, 2006).

1.1.3 Reforms and Guidelines for South African Boards and Directors

Under the chairmanship of Mervyn King, the King Committee was established in 1992. Its main purpose was to provide a set of guidelines for implementing sound corporate governance. South Africa adopted the King Report, the first corporate governance code developed by an emerging market economy, in 1994. It was viewed as serving two main objectives: an effort to reinforce the fundamentals of a liberal-capitalist system in the face of significant political uncertainty and ideological differences within the 'new South Africa'; and as a means of connecting and aligning the economy to international trends and imperatives (Deloitte, 2017; Waweru, 2014).

The King Report has seen many revisions to accord optimally to current business requirements in South Africa. Today, the King Report is referred to as one of the world's leading corporate governance guidelines (King Committee, 2016). The first King Report successfully managed to steer attention towards the board of directors and their role in the protection of shareholders' interest and all other stakeholders (West, 2009). This

included non-financial concerns and engagement with all stakeholders impacted by the organisation (West, 2009).

The King II Report soon followed in 2002, addressing some of the issues related to corporate governance failures such as Enron, WorldCom and Parmalat, amongst others at the time (West, 2009). A differentiating factor of the King II Report was the adoption of an “inclusive” approach, which recommended that organisations needed to become even more holistic in their view of the stakeholder addressing the triple bottom line: people, planet and profit.

The King IV (2016) recommends that directors are ‘independent’ – in the most simple terms, they should be objective in their reasoning and decision-making without any personal interest (Deloitte, 2017).

The responsibilities of boards outlined in King IV (King Committee, 2016) are to:

- Give direction to the organisation’s management and set and approve the strategic direction through the appointed governing body;
- Support the implementation of the organisation’s strategy through the approval of policy and operational plans developed by management;
- Oversee and monitor the effective execution of the strategy by management; and
- Ensure accountability for organisational performance through reporting and disclosure.

King IV further recommends that a formal assessment be conducted every two years for the governing body, the relevant committees and the individual board members. The governing body should then use every alternate year as an opportunity for consideration, reflection and discussion of its performance (King Committee, 2016).

Above and beyond the principles set down in the King III and King IV Reports, the 2008 Companies Act, which was later revised and made effective as of 1 May 2011, legally binds directors in South Africa to a set of duties, responsibilities and obligations. In terms of section 66(1) of the Act,

“the business and affairs of the company must be managed by or under direction of its board, which has the authority to exercise all of the powers and perform any of the functions of the company, except to the extent of this Act or the company’s Memorandum of Association” (The Companies Act, 2008).

This requires directors and prescribed officers to consider the following when executing their fiduciary duties:

- (i) “act in the best interests of the company;
- (ii) act in good faith and for a proper purpose; and
- (iii) not to disclose/misuse confidential information” (*The Companies Act, 2008*).

Adherence to the Companies Act is predicated on the idea that with this power and authority, directors must accept greater accountability. Non-compliance with the Companies Act could result in either the company or individual being held to account through a fine or imprisonment. In line with the Companies Act (2008), the King III and IV Reports affirm that directors of boards, irrespective of whether they are classified as executive, non-executive or independent non-executive director, are responsible to act in the best interests of the company and to avoid using their power for self-gain (Deloitte, 2017). Using the above research findings, the role, duties, responsibilities and competencies of directors can be clearly articulated in the South African context as follows:

Role of the Director

The role of Directors can therefore be summarised as:

- (i) the ability to be independent in character and judgement in all matters relating to the Board and in all decisions made as a Director and to act at all times only in the best interests of the Company;
- (ii) to ensure that there are no connections or other conditions which could affect, or appear to affect the independence of the director’s decisions;
- (iii) to declare all interests and minimise circumstances which may give rise to conflicts of interest; and
- (iv) to implement all required actions required by the Board in regard to conflicts of interest.

Duties and Responsibility of Directors

The duties and responsibilities of the Director are stipulated in section 76 (1) to section 76 (3) of the Companies Act. In addition to the Companies Act (2008) and King Report, Directors are also bound to comply with the Common Law Act in executing their duties. Duties of directors as developed under common law including the fiduciary duties owed

by the Director to the Company they are serving. This would include the director's responsibility to not act illegally, dishonestly or abuse their powers; and to act with logical discretion; to not to allow personal interests to obstruct the execution of their duties; to account to the Company for profits made and not to compete with the company; to understand the operations of the organisation and become familiar with the ground rules of the business and the industry; and lastly to declare all existing and potential conflicts of interest and comply with all procedures and policies (The Companies Act, 2008).

The Director is required to display a competency profile made up of the values, knowledge, skills and experience, outlined in this position scope, which the director will be required to draw upon when fulfilling their roles and responsibilities.

1.1.4 Potential implications of busy directors on boards in South Africa

This study of multiple directorships, used interchangeably below with the term 'busy directors' (Fich & Shivdasani, 2006), throws up a number of key questions for corporate South Africa. Prominent among these questions is whether the proliferation of this trend in South Africa has, in effect, undermined the Companies Act? Along with other key questions, this study attempts to provide an overall picture of how the roles, duties, responsibilities and competence of directors is impacted when directors serve on multiple boards.

The study draws on a literature review of different theories and case-studies on Board directorships, including material related specifically to the issue of busy directors. The research therein identifies two main opposing perspectives on the potential impact of busy directors on firms:

- The *reputation effect* – positive for a firm – states that multiple directorships increase a director's value and experience, bestowing upon him or her a high level or credibility (reputation) in the eyes of current and potential shareholders (López Iturriaga & Rodríguez, 2014).
- Contrastingly, the *dedication effect* – negative for a firm – suggests that busy directors are faced with time and resource constraints which reduce their ability to effectively contribute (ie dedicate adequate time and resources) to the board (López Iturriaga & Rodríguez, 2014).

South Africa, although an emerging market, has an advanced board governance system in place that generally conforms to international best practice. As indicated above, the 'King Report' is the most widely applied governance reporting framework amongst the Top 40 listed companies in the country. That said, similar to the US's Sarbanes-Oxley

Act, the King Report also failed to prevent a number of high-profile corporate debacles including Fidentia, JCI-Randgold, Masterbond, Macmend, Regal Treasury, (Waweru, 2014) and more recently Saambou and African Bank. All of the above were largely associated with corporate governance failures.

Such failings highlight the significant role that the board of directors' play in ensuring companies do not violate governance principles and are positioned for success. The Institute of Directors in South Africa claims that board governance failings in South Africa can be primarily ascribed twofold: a lack of director skills and experience; and a lack of board knowledge and understanding of fiduciary duties, which results in a lack of board accountability (Kajee, 2015). These two concepts identified by Kajee (2015) are relevant to this study.

1.2 Purpose of Research

The purpose of this study is to contribute new knowledge on the perceived effectiveness of busy directors on boards in South Africa, with a special focus on JSE-listed companies. Through this unique case study on South Africa we contribute substantively to the growing literature on multiple directorships (Fich & Shivdasani, 2006) internationally. In providing a multi-faceted picture of director effectiveness that synthesises a number of key perspectives on this issue – expert external analysts; company secretaries; and the busy directors themselves – this study will hopefully pave the way for similar comparative studies in other African context. It is further hoped, in particular, that a strong focus on the views of busy directors themselves will reveal novel insights into how they perceive their role(s) across multiple organisations and interest areas.

The issue of 'director capacity' in South Africa has not featured significantly in explanations for board weakness and inefficiency. This study seeks to remedy this lacuna by analysing the effectiveness of boards in South Africa through a different lens – multiple directorships. In doing so, this study hopes to enrich wider understanding in business of the different ways board effectiveness is impacted, weakened or improved. Exploring the relationship between capacity and effectiveness could yield important findings relevant to board selection and composition in the future.

The research aims to:

- Capture the busy directors' perception of their effectiveness on boards and synthesise those findings together with the perspective of select experts and company representatives;

- Identify the challenges and benefits of director busyness through detailed interviews, complemented by relevant literature;
- Understand the relationship between director busyness and director effectiveness in a South African context; and
- Understand the impact of busy directors on South African businesses.

Complementing this objective, this study aims to develop a framework for assessing the impact of key factors on director effectiveness, which can be used by directors and recruiters in South Africa.

1.3 Research Problem

The impact that busy directors have on business performance and their effectiveness in fulfilling their fiduciary duties is of vital importance in today's volatile economic and political environment (Ntim, 2013). More frequently, directors on the Top 40 JSE listed companies will be called upon to navigate organisations through increased complexity in the macroeconomic environment; lower investment profiles; increased regulation and legislation; political instability; and limited availability of capital and resources. Research demonstrates how directors' failure to be effective contributors to the board is often a key determinant of firm survival (Jensen & Meckling, 1976).

This research accepts as a core assumption that busy directors are unlikely to acknowledge directly that they believe their effectiveness wanes once their board participation exceeds a certain number (for example, three – the US prescribed limit). To assume otherwise would be to suggest that busy directors are deliberately misleading firms about their capacity to carry out core management and fiduciary roles as per the Companies Act. A main research challenge confronted in this study was how to identify the subtler indicators of diminished capacity that busy directors are more likely to reveal through a series of specific questions. Their answers thus had to be analysed in conjunction with the findings from the other two main interview groups, as well as the literature review.

South Africa is an especially instructive emerging market example to examine given its comparatively advanced business sector. The concentration of busy directors in emerging markets is generally much higher due to the limited pool of qualified and experienced directors. Directors with a high reputation effect will therefore be expected to take up more directorships (Lei & Deng, 2014). South Africa presents a unique

example in that, due to its highly unequal historical relationship between its different population groups as well as the advent of legislated transformation post-apartheid, it would be reasonable to assume that the pool of experienced black directors that are readily available to take up board positions is limited. One can further assume that BBBEE (Broad Based Black Economic Empowerment) legislation, which drives the transformation of board diversity from a race and gender perspective, will skew the selection of board directors in favour of the historically disadvantaged population group – i.e. blacks.

Only about 25% of qualified professionals, based on global experience, will make it into 'C-Suite' – the group of most important senior executives in a corporation – and of that only 5% will obtain a non-executive director role for an organisation. The same holds for South Africa though access to C-suite in this country is not only based on experience and merit. It is also heavily influenced by BBBEE legislation, which further limits the pool of qualified directors available for C-suite and board membership roles. Logic would suggest that this would result in an increase in demand, with a limited pool of directors, resulting in an intense clustering of multiple board directorships. These assumptions will be tested in the course of this research by examining how Broad Based Black Economic Empowerment legislation has affected the busy director phenomenon.

The King IV and Institute of Directors in South Africa have not yet made recommendations for the number of directorships deemed acceptable for non-executive directors. The question around the number of directorships is a core element to this study which will be analysed in an effort to build a multiple director effectiveness framework that will guide directors and recruiters on the subject of director effectiveness.

*

The role of directors and boards in corporate governance in South Africa has received significant attention due to the important reforms and guidelines introduced in recent years and which are discussed in detail above. This development has brought the previously unexamined issue of busy directors in South Africa into sharp focus.

Through a rigorous delineation of key research aims, questions and challenges, this study proceeded to tackle this phenomenon. In doing so, it provides a clearer and more informed picture of 'busy directors' than existed hitherto. The findings, which are elaborated in detail in the Conclusion, Chapter 7, are more complex and less predictable than the researcher expected. Anecdotally, 'experience' is clearly understood as a desired attribute of board directors. Yet the findings of this study give unexpected prominence to 'experience' in the South African context. Indeed, it is privileged to such

a significant extent that firms often overlook the negative impact on capacity of directors stretched across multiple boards.

The issue of capacity, as a constraint that can affect the functioning of boards in various ways, arose time and again in the findings. This study found that there is no consensus on a single standard for multiple directorships beyond or above which capacity is compromised. Instead, it is highly variable depending on, for example, the culture of the board, individual skills and experience, specific role and duties (eg chair) and the nature of the business (eg a bank as opposed to a public sector body).

It is hoped that the researcher's Director and Board Effectiveness Model, which draws on the findings of this study and is outlined in the Conclusion, will serve as a useful framework to sensitise directors, boards and firms on the need to better understand the complex dynamics around busy directors. The Model attempts to encapsulate the key factors – training, capacity, reputation and experience – that impact director effectiveness, as revealed through the literature review and interviews conducted for this study. The researcher humbly submits that the Model could help inform policy discussions on whether current regulations on busy directors in South Africa are adequate and fit for purpose.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter identifies and analyses the body of literature relevant to the main research question articulated in Chapter 1. In formulating the structure of this chapter, the researcher focuses on four main concepts in this literature which address issues relevant to the effectiveness of multiple board directors: the reputation hypothesis; the busyness hypothesis; managing for complexity; and power influences of the board. The chapter also identifies the theories pertinent to the study of board directors and discusses challenges for boards within a South African context.

2.2 Views on multiple board directorships (MBD)

Extensive research on directors of multiple boards exists yet the relationship between multiple directorships and effectiveness remains a contentious debate within existing literature (Clements et al., 2015). Two principal views exist in the literature. The first view supports the notion that directors serving multiple boards are highly effective at executing their director duties (Chang & Sun, 2016; Ferris & Jagannathan, 1999). The second view holds that directors who serve on multiple boards are ineffective and do not have the capacity to adequately execute their duties (Fich & Shivdasani, 2006; Field, Lowry, & Mkrtchyan, 2013). Both are generalised perspectives which do not account for specific individual traits and abilities which make certain busy directors better able to manage capacity issues than others.

In South Africa, the Institute of Directors South Africa (IoDSA) has identified three critical challenges that boards of directors face in South Africa following a review of companies facing board turbulence difficulties (Kajee, 2015). These challenges are identified as: the courage to be independent; striking the right balance of power between shareholders, directors and the CEO; and appointing directors of the right quality (Kajee, 2015). Quality of directors as identified by IoDSA refers to having directors who are skilled, experienced and can add value to the board (Kajee, 2015). This chapter focuses on literature which speaks to the third challenge – quality – as identified by IoDSA. Quality will therefore be summarised at the skills, experience and value that directors of multiple boards contribute. This will essentially inform how the study determines the effectiveness of multiple board directors.

The reputation effect by López, Iturriaga and Rodríguez (2014), which has founded in Fama and Jensen's (1983) Reputation Hypothesis, suggests that multiple board directorships (MBD) are indicative of the directors' quality and experience. The reputation hypothesis is relevant to analysing director effectiveness on the board because it holds

that directors appointed to multiple boards have richer experiences, broader knowledge, improved business insights and skills. As such, they are viewed as higher quality directors (Fama & Jensen, 1983).

Conversely, the dedication effect, expressed in hypotheses put forward by scholars such as Fich and Shivdasani (2006), asserts that an increase in the number of directors sitting on multiple boards is likely to result in the directors being spread too thinly or lacking sufficient ‘dedication’, i.e. lowering quality. This hypothesis indicates that firm performance is negatively associated with multiple board directorships due to inter alia effecting limitations on board oversight. In line with this, companies with multiple board directors exhibit lower firm valuation (Fich & Shivdasani, 2006).

Below is a visual framework of how the two opposing views were reflected in the literature and the relevant theories highlighted in this Chapter. (For the purposes of illustration, this is only captured in a general sense, without some of the nuances contained within each):

Figure 1: Summary of literature review for multiple board directorships



In their study, Lei and Jie Deng (2014) explain that there are ostensible supply constraints in the market for qualified independent directors, especially within emerging

economies, which may significantly increase the number of multiple directors as a result of the limited supply pool. In addition, it would also increase the number of ‘overlapping independent directors’ which would threaten the independence of directors (Lei & Deng, 2014). According to a consultation paper from the Hong Kong Stock Exchange, independent non-executive directors have arguably taken on too many directorships. The paper observed that this may “...compromise their ability to devote sufficient time and energy to their duties” (Lei & Deng, 2014).

2.3 Busyness Hypothesis

The busyness hypothesis posits that as the number of non-executive directors who sit on multiple board’s increases, the directors are likely to become overextended and therefore ineffective in their ability to perform their board duties. One key outcome of the negative impact of ‘busyness’ is diminished oversight of board functions and decisions (Lee & Lee, 2014), i.e. a strong correlation between weak corporate governance and busy directors (Fich & Shivdasani, 2006). According to Fich and Shivdasani (2006) a director is considered ‘busy’ when they hold non-executive directorships in three or more boards. Boards are considered ‘busy’ when the majority of non-executive directors hold three or more directorships (Fich & Shivdasani, 2006).

Existing literature on the busyness hypothesis identifies company performance largely in financial terms, measuring board of directors’ influence against financial performance. (Ahn et al., 2010; Elyasiani & Zhang, 2015; Ferris et al., 2003; Fich & Shivdasani, 2006; Lei & Deng, 2014; Sharma & Iselin, 2012). According to these findings, a busy director negatively impacts the financial returns of the companies they serve.

The “busyness hypothesis” (Ferris et al., 2003) states that a large number of appointments can make directors over-committed and thereby compromise their ability to effectively monitor management’s actions in implementing the organisation’s strategy (Sarkar & Sarkar, 2009). Essentially this study highlighted that when directors are not effectively monitoring, what often happens is that the management fails in delivering the planned outcomes of the strategy, shareholders’ interests are not protected and therefore shareholder value is adversely effected.

The work by Fich and Shivdasani (2006) is one of the foundational studies to which recent articles on the busyness hypothesis have been founded. The study highlighted that the companies with busy boards display weaker profitability and lower sensitivity to firm performance; they further describe that the magnitude of this effect is economically meaningful and cannot be ignored by the board of directors (Fich & Shivdasani, 2006).

In their study, Fich and Shivdasani (2006) collected a sample of 3 366 observations from 508 industrial companies over a period of seven years. Their study revealed that the departure of busy non-executive directors generated positive abnormal returns for the business; at the same time, when directors become busy by taking extra directorships, the other companies in which they hold directorships experience negative abnormal returns. Their research went further to indicate that companies with busy boards had significantly lower market-to-book ratios than companies with fewer busy directors.

The three-directorship criterion chosen by Fich and Shivdasani (2006), which was adopted for this study, is based on two main reasons: it aligns to the recommendation made by the Council for Institutional Investors that directors should sit on no more than two boards; and it is consistent with previous research, notably Beasley (1996), which reports that the probability of committing accounting fraud is positively related to the number of boards the director serves – the more boards a director serves the increase in likelihood that accounting fraud will take place because busy directors are not able to effectively monitor (Beasley, 1996).

Ahn, Jiraporn and Kim (2010) examined the impact of multiple directorships on shareholder wealth during the announcement of mergers and acquisitions. Their argument suggested that multiple directorships negatively affected the quality of managerial oversight and influenced agency conflicts in acquisition decisions (Ahn et al., 2010). Their research findings showed that when companies acquired firms with busy boards, there was a high likelihood for the acquiring company to experience negative abnormal returns. They further explained that this detrimental impact on the business was only relevant when the number of board seats exceeded a certain threshold. Their final outcomes supported the busyness hypothesis by suggesting that directors serving on multiple boards “...allow value destroying acquisitions when they become too busy beyond a certain point...” (Ahn et al., 2010).

Sharma and Iselin (2012) conducted a study that examined the association between multiple-directorships, tenure of the independent audit committee members and financial misstatements. Their study viewed a sample of 191 misstating firms and contrasted these against 191 non-misstating firms for the fiscal years 1999 to 2006 (Sharma & Iselin, 2012). They posited that multiple directorships could either enhance or diminish the effectiveness of the audit committee due to competing influences faced by the director when having to monitor. In their results, they showed a significant positive association between financial misstatements and multiple-directorships. Their finding proposed that independent audit committee members serving on multiple boards were found to be spread too thinly and inadvertently not able to effectively perform their monitoring

responsibilities on the boards they served and the committees they oversaw (Sharma & Iselin, 2012). Their observations support a limitation on the number of directorships for independent directors and especially when serving on the independent audit committee.

Another study by Jiraporn, Davidson, DaDalt and Ning (2009) contributed to the multiple directorships debate by studying the impact of multiple directorships on board meeting attendance. Their study showed that directors who held multiple board positions had a higher propensity to not attend board meetings (Jiraporn, Davidson, et al., 2009). Their results proved true even after they controlled for firm-specific characteristics, board structure and endogeneity (Jiraporn, Davidson, et al., 2009). Furthermore their results did not support the notion that directors who have shares in the company are motivated to attend board meetings, nor do director fees and annual director retainers (Jiraporn, Davidson, et al., 2009). This study indicated a key challenge to multiple directorships – that of capacity. Board effectiveness requires that board members are present and participating in board meetings, however this is not possible when directors are absent.

A study from France by Baccouche, Hadriche and Omri (2014) examined the relationship between multiple directorships and board meeting frequency. The study included 90 non-financial listed French firms between the years 2008 and 2010. The results of this study suggested that multiple directorships by board members were positively associated with board meeting frequency. They found that the more directorships a board member held the more frequently the board would have to meet. Consequently, this incurred extra costs (time, resources and so on) than otherwise would've been necessary, in order to give busy directors more opportunities to attend board meetings (Baccouche, Hadriche, & Omri, 2014).

Further research has shown that directors who are busy have time constraints and reduced attention spans, which may affect their ability to effectively monitor and advise. Overall, one study found they have diminished capacity to aid the kind of strategic decision-making that positively impacts organisations (Ahn et al., 2010). Other research has found that directors who served on multiple boards typically participate on fewer committees, weakening their overall understanding and monitoring capacity of the organisation (Jiraporn, Singh, & Lee, 2009). Busy directors were also found to miss more meetings, thereby diminishing their ability to ensure good corporate governance (Jiraporn, Davidson, et al., 2009).

2.4 Reputation Hypothesis (Reputation effect)

The Reputation Hypothesis, on the other hand, supports the idea that multiple directorships can lead to positive results in terms of firm performance (Fama & Jensen, 1983). The main argument of this hypothesis was that directors boasting multiple external board seats were likely to be more experienced and therefore able to provide quality advising and monitoring on behalf of the company (Fama & Jensen, 1983). The high level of experience would then enable the director to develop a reputation as a monitoring specialist. And by extension, busy directors could also help build the reputational capital of organisations, which seek to be perceived as having the highest quality boards. (Ferris et al., 2003; Gilson, 1990).

In their study, Ferris, Jagannathan and Pritchard (2003) analysed a number of directors with external directorships and concluded that busy directors were better able to increase the profitability of organisations in ways that non-busy directors could not. They also found that directors who served multiple boards of large, profitable organisations were especially more likely to be invited to join other boards. The study went on to conclude that serving on multiple boards does not impact the responsibility of the director negatively in terms of executing their board duties effectively (Ferris et al., 2003).

To support Ferris, Jagannathan and Pritchard's (2003) view, another study by Elyasiani and Zhang (2015) argued that busy directors had valuable experience and knowledge which enabled them to better advise and monitor. They also indicated that busy directors attracted investors and therefore positively contributed to the performance of the organisation. Busy directors had the potential to add value knowledge as they were more experienced and in a better position to gain access to new industry trends which could benefit the organisations they served.

Elyasiani and Zhang (2015) indicated that busy directors who serve both financial and non-financial firms were most likely to attend more of the financial firm's board meetings than the non-financial firms. They continued to suggest that their findings alleviated concerns that busy directors shirk their responsibilities.

Research by Lee and Lee (2014) found that in companies with a greater need for board advice such as listed entities, the greater the number of external directors with multiple directorships was positively related to a higher financial value of the company. This suggested a net benefit for these companies which was associated with having busy directors who provide experience, skills and advice (Lee & Lee, 2014). Their study also found that firms with high external financing needs would have a positive valuation if the

non-executive directors had multiple board appointments. That said, their study was equally clear that directors who, for whatever reason, fall short in their monitoring duties, are more likely to negatively impact the reputation of the firm as well as their own (Lee & Lee, 2014).

In an earlier study, Ferris and Jagannathan (1999) reported that the incidence of multiple board directorships in the United States was low, accounting for only 4% of the 37 774 sample of directors they included in their study. They also indicated that the directors in regulated industries held fewer directorships than those in unregulated industries, as such their findings indicated that “firm size, board size, firm performance and corporate growth opportunities positively influence the number of directorships” held by non-executive directors (Ferris & Jagannathan, 1999). In their study they posit that the more equity the board of directors owned in the organisation, the less the board was associated with fewer external appointments. They justify that any proposals to limit the number of directorships held by non-executive directors was misguided. In South Africa, the incidence of non-executive directors who held multiple directorships was reported to be on the increase, according to a Price Waterhouse Coopers study which sampled 293 chairpersons, 73 deputy chairpersons, and 64 lead directors (PWC, 2013). There was a 13.2% increase in the number of directors holding two and a 12.5% increase in directors holding three directorships, thus the impact of this phenomenon across the corporate landscape is likely to intensify.

Clements, Neill and Wertheim (2015) conducted a study on the relationship between industry relatedness of directors holding multiple directorships and corporate governance effectiveness. They posit that non-executive directors gain valuable experience by serving on multiple boards in related industries, which also results in said directors contributing to more effective governance. Conversely their study predicted a decrease in director effectiveness when they serve on multiple boards across disparate industries (Clements et al., 2015). In their study, they identify two broad categories in studies of busy directors: the ‘experience effect’ category, which suggests that a busy director will be more experienced and therefore effectively execute their board responsibilities; and the ‘busyness effect’ category, which specifies that multiple directorships detract from a director’s effectiveness to execute their corporate governance duties effectively. Clements, Neill and Wertheim determine that these categories are not mutually exclusive but that both the experience effect and the busyness effect may be present while one may dominate the other based on organisation-specific characteristics (Clements et al., 2015).

2.5 Power of the board influencing effectiveness

“Power has been described as the last dirty word. It is easier for most people to talk about money than it is to talk about power. People who have it deny it. People who want it try not to appear to be seeking it and those who are good at getting it are secretive about how they got it” (Robbins, Odendaal, & Roodt, 2003 p.269)

Another definition which makes reference to the social bases of power states that power is a person’s ability to influence others to act in a particular way in order to achieve group goals. Effective managers know how to use their power to influence the behaviour of members (French & Raven, 1959).

Legitimate power is based purely on a person’s title and position in an organization (French & Raven, 1959; Hughes & Cotterell, 1999). Legitimate power is very similar to the notion of legitimacy of authority. It represents the formal authority to control and use organizational resources based on structural position in the organization (Hughes & Cotterell, 1999). As such the board of directors holds legitimate power of the executive management of the organisation and therefore can be said to hold the highest power after the shareholders (Hendry & Kiel, 2004).

The power of the board over management has been a contentious topic in empirical studies and theoretical analyses in economic and management studies (J. Westphal & Zajac, 1995; Fama & Jensen, 1983).

In their study, Westphal and Zajac (1995) questioned whether boards were an effective management control system (Fama & Jensen, 1983) or rather an effective management instrument (Salancik & Pfeffer, 1974), in which the main decision making processes are controlled by management. Through their study they revealed that when CEO’s have more power than the board of directors, they tend to hire directors that are similar in thinking to themselves. When the board holds more legitimate power over the CEO, they further established, a similar behaviour tends to take place: the board will hire directors that are similar to themselves (Westphal et al., 2001). The results of their study Westphal and Zajac (1995) are in contradiction to the independence requirements identified in the King IV Report (2016), which recommends the establishment of a unitary Board which mirrors a balance of power on the board, ensuring that no single individual or group profit from unregulated, unconstrained power on the Board (King Committee, 2016).

King IV proposes the appointment of independent non-executive directors (Deloitte, 2017). It describes independence as “...the exercise of objective, unfettered judgement. When used as the measure by which to judge the appearance of independence, or to

categorise a non-executive member of the governing body or its committees as independent, it means the absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making” (King Committee, 2016).

In a study that examined the relationship between corporate governance and share price performance, it was established that well-governed companies significantly outperformed poorly governed companies financially by up to 15 percent per year (Bauer, Frijns, Otten, & Tourani-Rad, 2008). “Good governance is best achieved when the board of directors is independent, the value of the inclusion of independent directors on the Board is widely recognised and practised, and can bring a range of benefits to Board decision-making” (King Committee, 2016). Independence, according to a recent study by Deloitte, generally means

“...the exercise of objective, unfettered judgement. When used as the measure by which to judge the appearance of independence, or to categorise a non-executive member of the governing body or its committees as independent, it means the absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making” (Deloitte, 2017).

One of the key principles in King IV (2016) is the institution of a unitary board to reflect a balance of power between the board members. In order to ensure that no one individual, or group of individuals, yield unregulated power on the Board, King IV proposes the appointment of independent non-executive directors (Deloitte, 2017).

The value gained when board directors are independent is evident in the additional skills, knowledge and experience (Deloitte, 2017) gained from external directors. Independent directors bring about objectivity that is different from that of shareholders and management. Independent directors are expected to balance subjectivity in boardroom discussions and safeguard the interest of various stakeholders who may not be directly represented on the board. In essence, the presence of independent directors on the board reassures all stakeholders who have a stake in the company as well as broader society that the company is efficient and effective (King Committee, 2016).

Although King IV emphasises directors’ independence, it recognises that this is only one consideration in assessing a board’s effectiveness. The overriding concern is to have a

board that is knowledgeable, skilled, experienced, diverse and independent enough to discharge fully its governance role and responsibilities (King Committee, 2016). The composition of Boards should not only take into consideration the balance of power, but also consider the diversity of the Board. As such, King IV clearly states that a balance can only be achieved when the composition accounts for the directors skills, experience, diversity, independence and knowledge of the company and industry (Deloitte, 2017).

2.6 Director Effectiveness

Director effectiveness is measured according to a director's ability to execute his or her fiduciary duties on the board (Ferris et al., 2003). Good corporate governance requires effective contributions by the board of directors. But 'effective contribution' is only present when directors have the capacity and skills to effect quality monitoring, advising, decision making and reducing the expropriation of company resources and wastage. Effective director contribution enhances the performance of the organisation and also balances the interests of the organisation's managers and the shareholders (Ntim, 2013).

Given, however, that corporate governance is to some extent embedded and drawn from varied national and sectoral contexts (Clark & Brown, 2015), differences will always be present across countries. The size of the business sector, relative quality, its norms and values, will always help inform considerations by the board of directors, perhaps especially in emerging market economies. In South Africa, as elsewhere, its particular institutional, cultural and legal frameworks will help shape the role of the board of directors (Clark & Brown, 2015).

National differences aside, the effectiveness of a director anywhere will generally be measured by their ability to monitor and manage corporate governance principles within the organisation; and the skills, experience and capacity to execute their duties.

Board governance is traditionally viewed from the perspective of Agency Theory where the board acts as an agent between the shareholders and the management to ensure the best interests of the shareholders (Jensen & Meckling, 1976). Another view is found in Stakeholder Theory which states that the role of the board is to ensure the best interests of not only the shareholders but all stakeholders related to the company (Freeman, 1984). The Small world theory, which postulates that directors hold valuable networks and relationships with various companies as a result of the small world construct (Travers & Milgram, 2009). And lastly, Institutional theory, which refers to external pressures that impact the board's decision making processes, and resource dependency theory, are often used to better understand issues around board governance.

These theories sketched below will underpin the examination of corporate governance and board director effectiveness:

2.6.1 Agency Theory

Agency Theory, a traditional corporate governance approach, recognises the board as an efficient governance mechanism that monitors and advises the organisation's management while maintaining the interests of the shareholders (Glinkowska & Kaczmarek, 2015). Glinkowska and Kaczmarek (2015) show a direct relationship between the level of boards' self-reliance and company performance – the more independent the board, the higher the quality of management and the better company performance” (Glinkowska & Kaczmarek, 2015).

Agency Theory identifies two key stakeholders in an organisation: the principal or shareholder; and the agent or organisational management. The relationships between these two stakeholders is that the principal hires the agent to perform specific tasks which enable corporate governance effectiveness and add material value to the organisation (Jensen & Meckling, 1976).

Agency theory is concerned with aligning the interests of owners and managers (Fama & Jensen, 1983) and is based on the premise that there is an inherent conflict between the interests of the two. Human behaviour, as expressed in Agency theory, inclines towards negative assumptions, asserting that managers are opportunistic and self-interested. It is argued that the separation of ownership and control affords opportunities for managers to use their firm-specific knowledge and expertise to gain an upper hand over the firm's owners (shareholders), who may be distant from the day-to-day affairs of the firm. Being 'in control' of the firm permits managers to pursue actions to maximize their own self-interest, often to the detriment of the owners' interests.

As such, managers must be controlled by either strict monitoring mechanisms or by incentives which serve to keep them in check (Jensen & Meckling, 1976). In the absence of such mechanisms and incentives, the expectation is that agents may not make decisions in the best interests of the principals.

So-called 'agency costs' are those costs, such as adequate monitoring mechanisms, that need to be established to protect shareholders from conflicts of interest which may arise within management. According to Jensen and Meckling (1976), agency costs are an inevitable part of the relationship between management and ownership. One way to avoid conflicts of interest is to promote the kind of good corporate governance which creates a certain level of 'goal congruence' (Gursoy and Aydogan, 2002; Conyon and

Schwalbach, 2000; and Judge et al., 2003). By aligning the interests of owners and managers insofar as possible, it is expected that the firm has a better chance to function efficiently, resulting in enhanced financial performance.

Further studies have identified a gap in agency theory, arguing that the single view of shareholders as the only stakeholder is limited (Clark & Brown, 2015). What agency theory fails to identify is that directors have more than two key stakeholders but in fact must monitor all stakeholders that are impacted by the company. A director is effective when corporate governance is monitored and applied to creating new wealth and sharing it with all other stakeholders (Aguilera, Filatotchev, Gospel, & Jackson, 2008).

2.6.2 Stakeholder Theory

In line with agency theory is Stakeholder Theory, which contends that companies have a responsibility not only to themselves but to other stakeholders that are affected by the firm internally and externally (Freeman, 1984; Horisch, Freeman, & Schaltegger, 2014). The board of directors should therefore manage the interests of all these stakeholders and should offer a balanced view on their advising and monitoring duties to the organisation (Hung, 1998).

From a managerial perspective, a stakeholder-based view of value is important to understand. Managers typically focus on things that lead to higher financial performance based on what actually gets measured (Harrison & Wicks, 2013), but a stakeholder-based performance measure compels managers to take a broader view of value creation (Freeman, 1984; Harrison & Wicks, 2013). Assessing value through the lens of stakeholders enables managers to engage more effectively and holistically with the people and processes involved in value creation (Harrison & Wicks, 2013).

Freeman's (1984) definition of stakeholders states that "corporations have stakeholders, that is, groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by corporate actions. The concept of stakeholders is a generalisation of the notion of stockholders, who themselves have a right to demand certain actions and make claims of management. The exact nature of these claims is a difficult question that I shall address, but the logic is identical to that of stakeholder theory. Stakes require action of a certain sort and conflicting stakes require methods of resolution" (Freeman, 1984).

The effectiveness of corporate governance depends on protecting the shareholders' interests, creating new wealth and sharing it with other stakeholders (Aguilera et al., 2008). In line with this theory, it can be understood that directors can only contribute to

the success of organisations and bottom line value if they manage all stakeholders that affect the organisation. In order to effectively manage these stakeholders, directors cannot spread their capacity and skills too thinly.

2.6.3 Institutional Theory

Institutional Theory refers to the social, regulatory, political, and infrastructural and any external norms that affect the organisation and are not in its control. It is “a voice of resistance to this culture of short-sightedness, offers guides to thinking about corporate responsibility, and brings into question the goal of maximizing profits or returns on capital” (Selznick, 1996).

Institutional theory refers to external pressures that impact the board’s decision making processes. These external pressures influence the board to initiate additional activities or initiatives that go beyond simply maintaining the status quo of the organisation; rather, they speak to what factors will impact the organisation’s sustainability within its environment (Hung, 1998). The key argument of institutional theory is that “organisations are constrained by social rules and follow taken-for-granted conventions that shape their form and practice” (Hung, 1998). Therefore, the monitoring and advising role of a board is closely linked to the board’s ability to respond to institutional pressures which in turn reflect the external environment in which the organisation operates (Hung, 1998).

As part of understanding the external environment, the board of directors needs to clearly identify institutional voids and pressures upon which it can advise the organisation. By identifying the institutional voids the board is better able to strategise on how to circumvent these voids (Hung, 1998). Directors are ‘effective’ when they can identify these institutional voids and ‘skilled’ when they can offer strategies to navigate these in such a way that promotes the success of the organisation.

2.6.4 Resource dependence theory

The resource dependence theory focuses on the role of board in engaging with the external environment to access critical resources. The key role of the board is its ability to link to significant resources that it needs to maximize performance (Salancik & Pfeffer, 1974). The board is considered an important resource for the firm because of its links with the external environment. According to resource dependence theory, the board composition may be seen as a response to the external challenges that a firm may face (Salancik & Pfeffer, 1974). In any environment, resources may be scarce and links with other stakeholders and organisations are at a premium. Board members who are able to tap into outside links and networks are particularly attractive in conditions of scarcity (Salancik & Pfeffer, 1974).

Resource dependence theory focuses on major strategic actions of organizations that influence and control interdependencies with other organizations in their environment. The need for interdependencies is mainly influenced by the resource scarcity of organizations as they cannot produce all the resources they need, and, accordingly, they depend on external resources to survive and enhance the prospects of a firm's business. Resource dependence theory posits that boards have a much larger role than simply monitoring firm management (Chakrabarty & Bass, 2014). Rather, there is an imperative to establish environmental linkages between the firm and outside resources – and it's directors that can serve to connect the firm with external factors and secure scarce resources.

According to resource dependence theory, organisations that operate in the same environment will compete for the same finite resources (Chakrabarty & Bass, 2014). Boards of directors are expected to maintain external networks such that it benefits the organisation in attaining access to these limited resources (Chakrabarty & Bass, 2014). The success of the organisation is thus dependent on the board's ability to build relevant networks in the necessary industries to gain access to resources that the firm needs to operate.

Outside directors primarily provide resources needed to deal with external factors. There are four primary benefits that result from environmental linkages of boards: provision of specific resources, such as expertise and advice from individuals with experience in a variety of strategic areas; channels for communicating information between external organizations and the firm; aids in obtaining commitments or support from important elements outside the firm; and legitimacy (Madhani, 2017).

2.6.5 Small World Theory

The concept of small world theory, which refers to networked directors adding value in terms of corporate governance, advising on efficient technologies and supporting innovative compensation structures to the firm (Larcker et al., 2013), is underpinned by a basic assumption that a well-connected director (boasting both formal and informal ties) has superior access to information. And that information helps the director aid strategic decision making (Mizruchi, 1996) and disseminate ideas and knowledge across the firm (Burt, 1980; and Useem, 1984).

Small World Theory uses as its foundation the idea of boards as a kind of social network – i.e. the locus of high network clustering (Network Density), in cases where companies share a mutual director; the 'distances' between different boards becomes relatively

short, with boards becoming more and more connected (Williams, Deodutt, & Stainbank, 2016).

Small World Theory holds that firms which are deeply linked in the (shared) membership of their supervisory boards are associated with lower firm performance, and, somewhat paradoxically, pay their executives significantly higher-than-average remunerations. The end result is reduced capacity to monitor effectively and ensure good governance (Andres, Van den Bongard, & Lehmann, 2013).

It is clear from the above that vested in any board is a very significant responsibility to achieve firm success. Directors must multi-task various initiatives that will enable them to contribute to the success of the organisation. However, to do this, directors need to have sufficient capacity allocated to each board they serve.

2.6 Leadership and managing for complexity

Boards have a responsibility to ensure company success. They are generally seen as essential to firm strategy-making by setting strategic priorities, offering different types of knowledge resources gained outside the firm, and defining the scope of different tasks (Hendry & Kiel, 2004). The knowledge base of the firm is renewed through the processes of 'exploration' and 'exploitation'. The latter generally has longer time horizons and the payoff is less certain, yet it is still vital to renewing the knowledge base of the firm. The former process is more predictable and immediate, and adds value through reinforcing the extant knowledge base (Oehmichen, Heyden, Georgakakis, & Volberda, 2016).

The literature on directors' role in firm success examines how the processes of 'explore' and 'exploit' can occur simultaneously (Owen, 2016). Today's highly competitive global business environment requires directors to explore new knowledge for developing innovative products and services (Oehmichen et al., 2016), in the absence of which firms will fail (Owen, 2016). At the same time, company success is also dependent on not 'throwing out the baby with the bathwater' – i.e. they need to exploit their existing competencies and assets to improve their offerings (Oehmichen et al., 2016). Firms run into trouble when they privilege one process over the other. The key to success is doing both (Oehmichen et al., 2016).

Leadership flexibility and adaptability can be studied in many contexts. Mintzberg (1973) identifies that one of the contexts in which leadership can be studied is behaviours – i.e. the behaviour that the leader chooses to enact in different situations. Flexible leadership is necessary as it enables the directors to become agile in today's complex business environment, where the economic, social and political influences have a direct impact on the success of the organisation (Mintzberg, 1973).

Yukl and Mashud (2010) state that “over a longer period of time, major changes in the external environment create emerging threats or opportunities for the organisation, and changes in strategies or tactics are often needed to ensure effective performance and continued survival for the organisation” (p.90)

Leadership also requires emotional intelligence, which was described as the “ability to regulate one’s own emotions” (Yukl & Mahsud, 2010). In another study, Zaccaro, Foti and Kenny (1991) elucidate the need for leaders to be more self-aware, indicating that this is a key ability to understand one’s own values, motives, and effectiveness (Zaccaro, Foti, & Kenny, 1991).

In the case of this researcher’s study, the effectiveness of directors would be related to the director’s ability to understand their personal values, constraints, motivation and potential challenges in effecting their duties on the board.

Classic management and systems theory seeks to maintain consistency in the organisation despite the environmental changes that may occur (Ford, 2008). These two theories are attributed to the “functioning of the bureaucratic and post-bureaucratic organizations” (Ford, 2008, p.173) and “assume similar ontological stances in responding to turbulence and managing change” (Ford, 2008, p.174). As such, classic management and systems theory are perceived as inadequate in describing the dynamics of managing for continual change (Ford, 2008). Complex adaptive systems theory has been identified as a new way to better understand leadership and management in modern organisations, where managing for continuous change is at the heart of the business (Ford, 2008).

A board of directors that provides strategies for continuous change and is also equipped to identify disruptive events (political, social and economic) that will require the business to prepare or react, is integral to the survival of the business (Ford, 2008). The role of the board is therefore to sense, plan and manage the organisation through continuous changing environments. A board that is effective at performing this core duty would prove invaluable to any organisation. Studies around the agility of the board and directors in managing for constant change remains limited. In that regard, according to Ford (2008), there is still great need to discover the “enabling structures and underlying logics” (p.174) in theory and practice.

2.7 Challenges for Boards

Corporate governance is critical in all countries and jurisdictions, given its relationship to perceptions of domestic and international investors and its ineluctable link to economic stability and growth. In South Africa it has taken on perhaps added importance, in the light of its status as a key emerging market, its potential leadership role on the African continent and the myriad challenges of implementing deep societal reforms since the end of apartheid in 1994 (Vaughn & Ryan, 2006).

In 1994, South Africa became a non-racial democracy, ending centuries of external and then internal colonisation. Previously disadvantaged sections of society – comprising the vast majority of the population – could now participate freely in the country’s political life and were also given various legislative instruments to participate in its economic life in a way that redressed historic wrongs and acute educational and economic disadvantages. The establishment in particular of Black Economic Empowerment (BEE) and subsequent iterations such as Broad Based Black Economic Empowerment (BBBEE) make for a highly unique context to examine board effectiveness and corporate governance.

“The South African Broad Based Black Economic Empowerment Act 53 of 2003 strives to promote social investment and the empowerment of communities. By adhering to this act, directors will by implication consider the interests of the community and give effect to the triple-bottom line approach when managing a company” (Esser & Dekker, 2008)

Due to recent corporate scandals and the global financial crisis, investor behaviour has in general become more conservative. More investment in corporate governance is seen as a way to attract and provide reassurance to potential and current investors in this environment. However, studies have highlighted mixed views in this respect.

The phenomenon and related challenges of busy directors does not feature in their guidelines on quality and effectiveness. This study contends that this a key gap in our understanding of how South African firms can derive maximum value from their boards.

The above literature offers ample evidence that there is a need to examine in more detail the implications of busy directors and their effectiveness on boards. In summary, busy directors are perceived to hold a higher reputation effect (López Iturriaga & Rodríguez, 2014); however, beyond a certain threshold (Ferris et al., 2003) the busyness effect will increase agency costs and reduce director effectiveness. This study postulates a strong correlation between director effectiveness and director capacity. When director capacity is reduced, directors are expected to be less effective in their management and oversight

role, engaging stakeholders, bringing resources to bear and identifying institutional voids. In sum, they will fall short in their contribution to firm success.

2.10 Conclusion

This Chapter identified and analysed the body of literature relevant to the main research question articulated in Chapter 1. The chapter focused on four main concepts in this literature which addressed issues relevant to the effectiveness of multiple board directors: the reputation hypothesis; the busyness hypothesis; managing for complexity; and power influences of the board. The chapter also identified the theories pertinent to the study of board directors and discussed challenges for boards.

Fich and Shivdisani (2006) raised the question of director effectiveness when they serve multiple boards and measure this through a qualitative study. They concluded that directors' capacity is compromised when they sit on three or more boards. Elysiani and Zhang (2015) contended that directors who sit on multiple boards add value to the organisation as a result of their experience and skills. But there is a limit beyond which busyness begins to negatively affect performance and effectiveness, due mostly to diminished capacity.

The literature worldwide revealed a lack of consensus on the precise impacts busy directors have on company performance. In the unique South African context, research on the busy director phenomenon and its impact on business was limited. This study sought to fill this gap in the literature, adding a potentially important lens through which South African business, regulators and boards of directors can be understood and, in turn, can base future decisions.

CHAPTER 3: KEY RESEARCH QUESTIONS

Based on the literature discussed in Chapter 2 as well the views expressed in existing literature, this study will gather interview-based data on factors that influence the effectiveness of directors who sit on more than three company boards. Through this research, the aim will be to develop an effectiveness model that can be used by board directors and CEO's of companies. This study will aim to answer five research questions which are derived from the literature review discussed in chapter 2 of the research.

Research Question 1: identified in literature but apparent in the results.

RESEARCH QUESTION 1: Does the King IV and Companies Act give an accurate/true reflection of the board of director's mandate/duties on the board?

Question 1 seeks to establish if there exists a common view among South African experts, company secretaries and directors on director board duties as per the Companies Act (2008) and the King IV Report (2016). This question will help to confirm whether there is a common understanding of directors' duty to positively impact the performance of the companies and to be held accountable for decision-making, monitoring and advising on behalf of the shareholders and company management. It may also reveal new insights that have not been identified in terms of the research.

Research Question 2a: Are directors of multiple boards perceived to contribute more value to the board?

This question aims to gain the perspective of board directors and governance experts on perceived value that directors of multiple boards add to the board. Existing literature identified in Chapter 2 does not give the busy director's view on this question nor does it get a perspective from other experts. The study will aim to capture the opinions of experts, secretaries and directors in order to tease out common themes which will hopefully lead to new insights on the issue of company performance and busy directors.

Research Question 2b: In terms of board's composition, how important is director experience when recruiting board members?

In terms of board composition from a board director experience perspective, this question will aim to understand the factors that come into play when recruiting directors – how important is experience as a decision making factor? The questions seeks to gain deeper insights into the perceptions around board experience as a main factor when appointing directors and if this perception limits the pool of potential available directors.

Research Question 3: What factors should board directors consider when accepting multiple directorships?

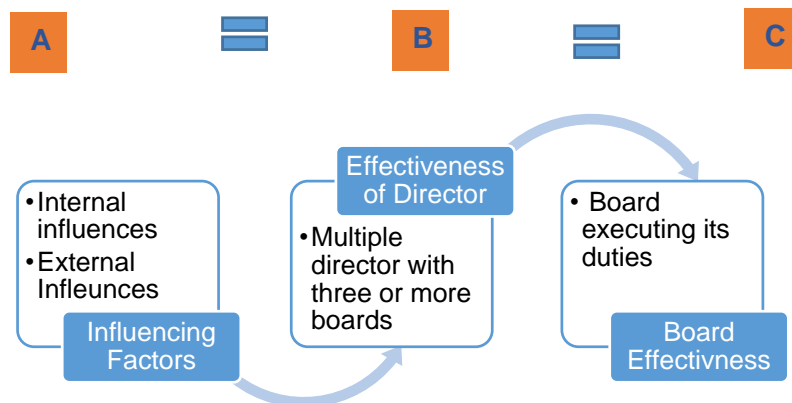
This question takes into consideration that divergent country contexts, coupled with individuals’ inimitable abilities and traits to manage capacity, may influence a director’s decision to hold multiple directorships (Clark & Brown, 2015). The question may also reveal some of the limitations associated with multiple directorships.

Research Question 4: Do boards in South Africa apply a formal recruitment process when looking to appoint directors to the board or is it based on relationships?

This question raises a substantive issue around the process of recruitment applied when appointing directors. Internationally, recruitment is a formal process however this may be less the case in South Africa, leading to a heavy reliance on the existing directors network to appoint new directors. In the case where a director is less networked, they may never get appointed as a director. This question aims to understand the board members’ and board experts’ view on the process of recruitment and if this can or should be improved.

The study will use a transitive lens (Golomb, 1961) where “if A is equal to B and B is equal to C, then A is equal to C” see figure 5.1 below. The director effectiveness dependency framework will be used to analyse the result of the study to gain an understanding of the dependencies that determine a director’s effective contribution to the board in line with literature reviewed. The framework will also contribute to developing a model for director effectiveness that will be beneficial to boards and directors of boards.

Figure 2: Director Effectiveness Research Framework



Mpho McNamee (2017) adapted from the Mathematical theory of discrete classification (Golomb, 1961)

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

This chapter describes the chosen research method in the study. It begins by giving a clear rationale on the choice of methodology before describing the population, unit of analysis, sampling method and size, measuring instrument and data gathering processes that were applied. The chapter also includes the method which was used for a detailed data analysis before concluding with the limitations that were identified in the study.

4.2 Research Methodology and Design

4.2.1 Rationale for the chosen method of research

The methodology chosen was qualitative in nature. A qualitative approach is based primarily on constructivist and participatory perspectives. This type of research uses strategies such as narratives, phenomenologist, ethnographies, grounded theory studies, or case studies (Creswell, 2003). Creswell (2007) puts forward that qualitative research is conducted to gain an in depth understanding of the contexts and settings in which participants approach an issue or problem (Creswell, 2007). In addition, the study looks to provide tentative answers to preliminary questions while new insights are developed through the process (Saunders & Lewis, 2012; W. Zikmund, Babin, Carr, & Griffin, 2013). This suggests that directors of multiple boards, specifically more than three boards, may perceive their effectiveness differently based on their context. Exploratory research, according to Saunders & Lewis (2012), is described as research “that aims to seek new insights, asks new questions and to assesses topics in a new light”.

The chosen method for this study was exploratory in nature. The study aimed to discover new insights into the effectiveness of multiple board directors. This is an area scarcely examined within the South African context. Through the literature discussed in Chapter 2, the researcher was able to establish that the effectiveness of directors of multiple boards had not been sufficiently explored in this context. The qualitative nature of this study was therefore well positioned to not only contribute to existing literature but reveal new insights into the effectiveness of directors of multiple boards in South Africa. Previous research on this topic was limited to quantitative analysis. This study was able

to bring a new perspective to the narrative of multiple directorships through the voices of directors, company secretaries and board governance experts. This study therefore was able to add an important perspective – the director’s perspective – to existing literature.

Zikmund (2000) defined qualitative research as the initial study that aimed to clarify and define the nature of the enquiry. In this particular case, the type of qualitative sample used was the only means to systematically analyse the perceived factors that influence the effectiveness of directors who sit on multiple boards. The data used was drawn from multiple groups of the population and it was expected that this type of study would reveal new insights relevant to the context of the study. The nature of exploratory research is that it is not conclusive; rather, it forms the basis from which more conclusive research can be prepared (Saunders & Lewis, 2012; Zikmund, 2003). As with most qualitative approaches, this study was centred around the insights gained from open, in-depth and semi-structured interviews with board directors, company secretaries, and corporate governance experts. The face-to-face interaction with the sample group allowed for a richness in perspective and a deep understanding to be achieved as per the study’s main objective.

A cross sectional time horizon, where data is collected from participants during a specific time period, was applied during the study. Although the cross-sectional study is usually applied to quantitative studies, it was found to be suitable for this study and therefore applied. Semi structured interviews using descriptive questions were used during the interview process. The purpose was to obtain more in-depth perspectives, and to gain a greater understanding of the concepts identified (Creswell, Hanson, Plano Clark, & Morales, 2007). In the study by Cassel and Symon (2011, p633) “Qualitative research has become associated with many different theoretical perspectives, but it is typically oriented to the inductive study of socially constructed reality, focussing on meanings, ideas and practices, taking the native’s point of view seriously” (Cassell & Symon, 2011).

4.3 Population

A population is a complete group of individuals who possess the same characteristics that are being studied in the research (Saunders & Lewis, 2012). The population answers the question “to whom do we want to talk to?” (Zikmund, 2003). The population identified for this study included all professionals who are experienced in board membership and board governance matters in South Africa. Specifically these professionals included board directors, company secretaries, board governance experts, CEOs and non-executive directors of the boards in South Africa.

4.2 Sampling Method and Size

A sample is a subgroup of a population. The study used a non-probability sampling technique using the judgement and snowballing method (Saunders & Lewis, 2012). The study looked at three subsets of the sample group to gain a non-biased perspective of the research, essentially looking at all sides of the story. As this study was qualitative in nature, it meant that the sample size could be small, allowing for in-depth interviews across three specific groups; board directors of listed companies, company secretaries and board governance experts South Africa.

The first group comprised of board directors of multiple boards, specifically belonging to more than three boards in South Africa of which at least one had to be a JSE listed company. The second group comprised of experts on board governance in South Africa, typically this included people who worked on board governance guidelines or papers, recruiters of board directors or experts in the field of board governance. The final group included company secretaries who had experience with multiple board directors. Due to the fact that this study was cross-sectional in nature, the chosen sample was planned to consist of a total of 15 participants across three categories as identified in Table 4.1 below.

Table 1: Proposed sample group

Subset Group	Description	Number of participants
Board Directors	Board member with more than three directorships, where one or more were listed companies	5
Company Secretaries	Company Secretaries who had experience with board directors of multiple boards	5
Board Governance Experts	Experts on the subject of governance Recruiters of board directors.	5

While Guest, Bunce and Johnson (2006) identified that 12 interviews are sufficient to reach saturation for in-depth interviews, Boddy (2016) put forward that there is no single standard for an appropriate sample size in this type of qualitative research (Boddy, 2016; Guest, Bunce, & Johnson, 2006) the aim in this study was to achieve 'saturation'

– that is, the point at which the collection of further interview data did not alter major patterns identified nor reveal new themes related to the key issues being analysed – within each sample group. The saturation point for this qualitative sample size, mindful of the related research (Boddy, 2016), was estimated to be approximately five individuals for each subset group. One pilot interview was conducted with a former board director and executive of a listed company to test the relevance of the questionnaire to the topic being researched.

4.3 Units of Analysis

Saunders and Lewis (2012) describe the unit of analysis as that major entity that is being analysed in a study, meaning the 'what' or 'who' that is being studied. The unit of analysis in this study included five directors of multiple boards, five company secretaries and three board governance experts as identified in Table 2 above. The perceptions and experiences of the participants from the three groups formed the basis of the study and enabled the researcher to find new insights into the research. The participants within the three categories were identified as suitable for this study because of their experience, knowledge and insight on the study at hand, therefore these participants were in a good position to add rich data in the process of data collection.

This study was identified as important to these three identified groups as it would empower board directors to make better informed decisions when taking on multiple board directorships; it highlighted some of the challenges of being a multiple board director; the benefits of having multi-industry experience as well as making recommendations for effectiveness of directors who sit on multiple boards. In addition to providing a guide to busy directors, an additional outcome for the research was to provide insights and context to governance experts who could potentially develop policies and guidelines that ensure the company's best interest is put first when a board director serves multiple boards.

4.4 Data Collection Tool: Interview Question

Saunders and Lewis (2012) suggest that exploratory research requires academic literature to be paired with in-depth interviews (Saunders & Lewis, 2012). Therefore 15 face-to-face, semi-structured interviews were planned for the study using the sample group identified in Table 4.1. These interviews would focus on the participants' opinions and perceptions which were derived from their experiences. The planned questions were open ended which allowed for the researcher to follow new directions which emerged from the interview sessions (William Zikmund, 2003).

The interviews were conducted at a time and place most convenient to the participants (Saunders & Lewis, 2012). This method was the most suitable for the study as it enabled an in depth research process, which in turn provided a thorough analysis of the research question.

The questionnaire was developed from the five research questions identified in Chapter 3 of this study and the questionnaire per subset group were structured in such a way so that they could remain similar and comparable for the data analysis stage. Although the three questionnaires were the same and sought to answer the same five research questions, the researcher allowed for variation in one or two of the questions for each subset groups; asking the same question in a different way as well as asking additional questions only relevant to specific groups, each of the subset sample groups, identified in Table 4.1, play different roles on the board. For this reason, the researcher felt it necessary to tailor the questions in such a way that it would allow for relevancy per participant and enable in-depth interviews to take place per sample subset group. Also, whilst the questions were asked slightly differently, it was important that they remained similar and answered the same research questions - which would allow for the data collected to become comparable and usable in answering the same research questions.

4.6 Data Collection

Saunders & Lewis (2012) stress how crucial it is that the consequent interview questions are centred on a set of predetermined themes. In this case, the interview questions were derived from the research questions identified in Chapter 3 of this study, this process took place before the questions were included in the final interview guideline. The complex nature of the study as well as the purpose of the questions led to a semi-structured approach (Saunders & Lewis, 2012), with open-ended, in-depth, face-to-face interviews. (J Creswell et al., 2007)

The 15 individuals were selected through a manual process; the five board directors of multiple boards and the five company secretaries and five governance experts were identified through the desktop research of JSE listed companies as well as the researcher's own network or directors. Since these were public companies, the information regarding their board of directors was easily accessible. For four out of the ten participants from the board director and company secretary sample groups, the researcher was able to leverage their network of board directors and company secretaries as a way to ensure accessibility and secure interviews. Access to board of

directors and company secretaries is commonly known to be very difficult because these individuals usually have serious time constraints outside of their business activities. Because the study required directors of multiple boards, the availability of these directors was even more compressed, for this reason the researcher found it acceptable to use their network of directors and company secretaries as a way to gain access to this target group. In addition to this, the researcher again found it suitable to use snowball sampling method due to the limited access to board directors. In this research study, an additional three out of the 15 planned interviews were identified through snowball sampling. In the case of the directors, further desktop research was conducted to confirm that they matched the profile identified in Table 4.1 of this chapter i.e. belonging to more than three boards of which at least one must be a JSE listed company.

The time taken to conduct the in-depth interviews varied per individual. The longest recorded interview took 60 minutes and the shortest recorded interview took 22 minutes. Most interviews lasted approximately 45 minutes on average and all interviews were conducted at a convenient location for the interviewee. On most occasions the interviews occurred at the participants' offices; however in two instances, the interview took place in different venues as chosen by the interviewees; one took place at a coffee shop and another one took place at the home of the interviewee. The participants were emailed an invitation to take part in the research. The invitation included a summary of the research as well as the consent form. Once agreeing to take part, a confirmation email was sent along with a meeting request for the proposed time. An example of the invitation is given in Appendix 4.

Prior to commencing the interview, the participant was asked for verbal permission to conduct the interview and to also record the session. The participant was then asked to sign the consent form to ensure that the data gathered would be used in an ethical manner and the interviewer explained that the interviewee could pull out of the interview at any time if they felt uncomfortable at any point during the interview. Each participant was asked to complete and sign a consent form to ensure that the data that was gathered was used in an ethical way (Saunders & Lewis, 2012). The consent form used is presented in Appendix 5.

All interviews were recorded using a recording device. In addition hand written notes were taken by the researcher. A transcriber was appointed to transcribe all the recordings and the confidentiality of the interviewees was maintained during the interviews and the transcribing process. In the case were the interviewee revealed their identity or that of others, the transcription was changed to ensure anonymity of the

interviewer and the people being discussed as per the alias names identified in Table 3 below.

In addition to the interviews, the researcher was invited to observe a full board meeting at a JSE listed company with operations in South Africa, Europe and North America. During the board meeting the researcher was able to take notes only related to their study through observations and to also ensure that the board meeting's discussions were kept confidential. During this process the interviewer was able to test some of the themes that had emerged from the interviews and observe them in a real situation. The observation allowed the interviewer to confirm some of the themes discussed during the interviews, these are discussed in Chapter 6 of this study.

Table 2: Identifiers for the Interviewees

Board Director	Identifier for Anonymity
Board Director Participant 1	BD1
Board Director Participant 2	BD2
Board Director Participant 3	BD3
Board Director Participant 4	BD4
Board Director Participant 5	BD5
Company Secretaries	
Company Secretary Participant 1	CS1
Company Secretary Participant 2	CS2
Company Secretary Participant 3	CS3
Company Secretary Participant 4	CS4
Company Secretary Participant 5	CS5
Board Experts	
Governance Expert Participant 1	GE1
Governance Expert Participant 2	GE2
Governance Expert Participant 3	GE3
Governance Expert Participant 4	GE4
Governance Expert Participant 5	GE5

The questionnaire sequence commenced with broader generic questions followed by more probing questions to gain in-depth information. According to Pope, Ziebland and Mays (2000), participants must be able to answer questions openly and freely as this allows for a continuous refinement of questions during the interview. They hypothesise

that a sequential analysis process allows for the researcher to refine questions and follow new avenues of exploration which bring about more depth (Pope, Ziebland, & Mays, 2000). At the end of each interview, participants were then given the opportunity to raise any other issues not raised through the questionnaire.

4.7 Data Analysis

Data analysis refers to the process applied to understand and interpret the data collected (William Zikmund, 2003). The data aimed to identify common themes and insights from the interviews (W. Zikmund et al., 2013). To gain a deeper understanding of the themes, the data was analysed post the interview phase by means of a thematic analysis (Saunders & Lewis, 2012; W. Zikmund et al., 2013). Using a consistency matrix, the interview guideline was formulated and aligned to the objectives of the study as identified in Chapter 1.

The transcriptions were transcribed verbatim, this allowed for the researcher to analyse each of the transcripts as a way of gaining familiarity with the data and achieving rich interpretations, "...transcription is an interpretive process, where the differences between oral speech and written texts give rise to a series of practical and principal issues" (Kvale, 2007). The rich data was collected and analysed using thematic analysis. The most emergent themes of the study are discussed in greater detail in the results chapter of the study and direct quotes from the participants are frequently used in the text to give a concrete sense of the discussions that took place.

Using an inductive approach indicates that the identified categories will come from the data collected (Saunders & Lewis, 2012). The analysis of the qualitative data was employed following the transcription of all the recorded interviews. During the analysis, the researcher determined patterns in the data collected, the coded data was then analysed and interpreted to draw conclusions for the study. The analysis process involved coding, grouping, identifying common themes, perceptions and trends from the study (W. Zikmund et al., 2013).

The transcribed responses were analysed systematically and the researcher listened to all the recordings at least once. A further attempt by the researcher was made to understand all the data during the interview process and to start drawing up common themes and insights; however, most of the analysis was conducted post the interview process. The point for the researcher in trying to identify common themes during the interview process was to allow for emerging themes to be tested during the interview process, allowing for the interview process to be enriched.

Thematic content analysis was carried out by grouping the data on a question by question basis (Pope et al., 2000; Saunders & Lewis, 2012; W. Zikmund et al., 2013). Braun and Clarke (2006) propose six phases (see Table 4) in thematic analysis as a way to identify and analyse themes or groupings of data gathered through qualitative methods.

Table 3: Six phases in thematic analysis (Braun & Clarke, 2006)

Phase	Description of Process
Phase 1	Study the data collected and be accustomed with it, paying specific attention to patterns and themes that emerge
Phase 2	Find the initial codes and document the obvious patterns.
Phase 3	Combine the codes into major themes that precisely describe the data.
Phase 4	Relate the created themes to the data.
Phase 5	Describe the theme and give details of the significance of each theme
Phase 6	Determine the key themes that are important for the discussion of the results

It took approximately six hours per interview to analyse the data in full, using Braun and Clarke's (2006) thematic analysis approach identified in Table 4.3 above. This process resulted in a total of 40 hours to comprehensively complete the analysis. This entire process entailed listening to the audio recordings from the interviews, reading the transcripts and reviewing the observation notes that were taken during the interview processes and the board meeting. The codes were comparably generated and assigned to the features of the data collected (Braun & Clarke, 2006; Saunders & Lewis, 2012).

The themes were developed through the process of identifying the key constructs, opinions or thoughts, which were expressed and related to the research questions (Braun & Clarke, 2006). The research adopted an iterative method, this meant that the coding and identifying of themes was generated twice before continuing with the review of the final themes (Braun & Clarke, 2006). All data was captured into a Microsoft Excel spreadsheet and analysis was then performed for each question, which was followed by a frequency analysis.

Each concept, view, or impression made in the data was recorded and coded, the number of times it was repeated was also captured as part of the process. These captured concepts were then ranked according to the number of times they were mentioned. Finally, insights from each interview were and analysed in the context of the research questions identified in Chapter 3 (Braun & Clarke, 2006; Saunders & Lewis, 2012)

4.8 Data Validity and Reliability

Exploratory research is subjective and will also reflect the researcher's perspective. This could result in researcher bias (Saunders & Lewis, 2012). Exploratory studies only provide tentative answers to research questions. This usually indicates a need for a deeper study, such as a descriptive quantitative analysis, to be conducted as this may lead to more dependable answers.

Reliability and validity are key measures in research (Cassell & Symon, 2011; Pope et al., 2000). Reliability is referred to as the consistency of a document in such a way that it can be easily used from one context to the next (W. Zikmund et al., 2013). According to Zikmund et al. (2013), validity refers to the accuracy with which the chosen measurement is able to assess the concept being studied. Therefore, it is important that the chosen measurement is accurate and reliable (W. Zikmund et al., 2013).

In qualitative research it is often found that one or several biases may occur. Saunders and Lewis (2013) refer to interpreter bias and response bias which can occur during the data analyses and interview process. To reduce this type of bias the researcher used a semi-structured interview format where questions were standardised and formatted per interview subset group and followed the same questionnaire with each relevant group. This type of a guide ensured that little bias was introduced in the interview process. It also ensured the validity and reliability of the data collected.

4.9 Ethical Considerations

The researcher adhered to the ethical principles and standards which were set out by the Gordon Institute of Business Science during the research process. Before every interview, participants were advised and assured of the purpose of the study, their right to pull out at any time as well as the anonymity of the study. Due to the sensitive nature of this study, the researcher sought out to try and keep the research report anonymous

Research ethics are defined as “the appropriateness of the researcher’s behaviour in relation to the rights of those who become the subject of the research project, or who are affected by it” (Saunders & Lewis, 2012, p 74).

4.10 Research Limitations

According to Saunders and Lewis (2012), qualitative study is preliminary in nature and therefore it is difficult to find such studies conclusive. They recommend that a qualitative study is followed up by a quantitative study – provided such an analysis is feasible – where more reliable results can be obtained (Saunders & Lewis, 2012). With that in mind, the following limitations have been identified:

- The researcher was not a professional interviewer, although they had read books and guidelines on interviewing processes, they had not been through this type of research process before. As a result, the lack of experience and interviewing skills, could have affected the quality of the interview process.
- The sample selected consisted of board directors, company secretaries and governance experts. Retired board members, company CEO’s and company executive directors were not included in the study, this may have added more depth to the results.
- The study was limited to participants based in the Johannesburg area only, this could have also influenced the interviewee bias in terms of geographical influences on behaviour or culture of the directors.
- The study can only be inferred to listed companies because the population identified was for listed companies on the Johannesburg Stock Exchange.

4.10 Conclusion

This chapter gave a detailed description of the research methodology to be followed in this study. Sufficient evidence and motivation for the selected research approach was given; the population groups and sampling methods were clearly described before the data collection and analysis process was described. Throughout this chapter, guidance was drawn from relevant literature, which influenced the methods described. The chapter has also taken into consideration some of the limitations that come with this method of analysis, though the researcher nevertheless maintains that the method chosen is robust and appropriate to the task

CHAPTER 5: RESULTS

5.1 Introduction

This chapter set out to present the research methodology that was adopted in accordance with the Research questions discussed in Chapter 3. The chapter gives a detailed analysis of the findings from the study, which was conducted through semi-structured interview processes as defined in Chapter 4.

5.2 Description of the Sample

The below Table 5.1 lists all the participants that were included in the study. The A list and description of the participants chosen for this research study is presented in Table 5.1 below. As highlighted in Chapter 4 the sample selected consisted of three groups of participants as set out in the Table 5.1 below. The researcher aimed to interview 15 participants with five participants per category however the researcher was only able to interview 13 participants in total as a result of having limited access to the third group – board experts as anticipated. The researcher was not concerned however about the number of interviews conducted because saturation was reached after eight interviews.

Table 4: Participants included in the study

Subset Group	Experience	Number of boards/experience
Board Directors 1	Politics and Law	8
Board Director 2	Finance and Accounting	8
Board Director 3	Law Background	5
Board Director 4	Finance and Accounting	5
Board Director 5	Engineering	5
Company Secretary 1	Law	5 years
Company Secretary 2	Law and King Committee	15 years
Company Secretary 3	Law	15 years
Company Secretary 4	Law, Accounting, King Committee	6 years
Company Secretary 5	Law	5 years
Board Expert 1	Executive recruitments	15 years
Board Expert 2	Board director, recruitment	20 years
Board Expert 3	Board director, policy and governance	18 years

Research Questionnaire

5.2.1 Determining whether the King IV and Companies Act provide an accurate description of/guide for the board director's mandate on a JSE-listed board

This research question explored whether King IV code and the Company's act provide the necessary information on the mandate of board directors for JSE listed organisation. All the participants were requested to draw on their experiences and describe in detail the information or guide in both the code and act that is applicable to board directors. The question was probed in a manner that enabled the participants to elaborate further on their perspective. Table 1 below illustrates the common themes that emerged from the interviews

Table 5: Determining whether the King IV and Company's Act provide an accurate description/guide of the board director's mandate on a JSE-listed board

Rank	Constructs [Consolidated]	Frequency
1	Yes - Ethics and Governance	10
2	King IV is different from Companies Act	8
3	Yes -Provides Guidance	6
4	No - Directors are guided by Experience	6
5	Yes- Effective Framework	4
6	Fiduciary Duty of Board members	4
7	Directors are guided by Leadership and Culture	3
8	Yes - Promotes Best Practice	3
9	Small Private Companies not Familiar with Code and Act	3
10	Board Members lack understanding of their role	3
11	King Code moving towards being Legal Framework	3
12	Future Outlook in Board Composition	3
13	Yes - King IV is broad enough	2
14	Frequent Review	2
15	Yes - Ensures Compliance	2
16	Directors have a good understanding of Code and Act	2

A majority of the participants were of the view that the King IV code and Companies Act provided guidance on the mandate of the board directors specifically in terms of ethics and governance. BD1 maintained that both the King IV code and Companies Act provided guidance, observing:

“It’s a good guideline and especially now that you have to comply and explain, makes it a better guideline. And it’s more comprehensive, the principles are exactly what we should be following. I think in real life there’s a lot more than King 4 but as a framework, it’s a great framework for ethics and governance”.

Further emphasising that it provided guidance on ethical and governance issues, such as board diversity and corruption, BD1 added that

“As an individual I can contribute to that diversity or raise questions around the diversity of the company but the Companies Act actually decides that together with the board... issues around ethics, around corruption, about understanding the business, the King 4 provides the official guidelines around that”.

Supporting this view was CS4 who also explained the guidance provided by both the code and act, stating that “from a governance point of view... King perspective does give some indication”. BD2 also echoed this view mentioning that “There’s a lot of emphasis on ethics and accountability and just being prepared”. Reiterating this view was CS4 who also highlighted the fact that both the code and act provided guidance on how board directors should behave in their role, observing that

“King III was the first... best practice guidelines, that started to crystallise what the minimum duties of a director would be and obviously introduce things like the business judgement rule and those kinds of factors. I think the new Companies Act has significantly taken that one step further by codifying and actually enacting in the laws now, in terms of section 76 and 77, what the respective duties of a director are, and obviously what the concomitant liabilities are if you don’t live up to those duties”.

CS5 added “as a new director... [because of King IV] they would have a good understanding of what they’re required to do. There’s a lot of emphasis on ethics and accountability and just being prepared”

It was evident from the responses that some of the participants were of the view that both the act and code were different and served a different purpose. BE3 suggested that these frameworks should be reviewed separately as they did not serve the same purpose: articulating in detail that

“King IV guidelines ... don’t hold the same weight as the Companies Act. If you look at the Companies Act and take a look at the new introduction in the Act with regards to the social and ethics committee it’s very detailed. It sets out for

instance where the company must comply with the ten global principles...you have to comply with that”.

BE3 added:

“If you look at King IV and the financial requirements of audit committees in relation to that, they go a little bit further than the Companies Act...because of the demand for independent members on the audit committee you’ve had a lot of people leaving the auditing firms to sit on boards.

BE4 highlighted the main differences in both frameworks mentioning that

“King IV is quite practical because it’s not law, it’s a code, and it’s best practice. And it’s quite easy to read. The Companies Act deals more with your common law duties as a director. In other words, your duties to act in the best interests of the company at all times.

BD5 added that “our directors lean a lot on the requirement of King and the requirements of the Companies Act”.

In contrast to the above, some of the participants supported the contention that directors were generally guided by experience and not necessarily the King IV code and the Companies Act. Both the Companies Act and King IV code provided general guidance on the mandate of the board directors, but CS3 stressed that “the guides will always be there but the culture of the Board and how the Board functions is really informed by the leadership of that Board - the Chair, the Company Secretary and the CEO together.”

And on the efficacy of the code and act in providing guidance, CS3 emphasised their importance but again stressed that

“When there is an issue and you need to decide what the boundaries are... it’s actually informed by how organised the company is, the documents they put in front of you, how well prepared are those documents, how structured the meetings and how disciplined the chair is, how administratively organised the company secretary is, how committed the CEO is to his role as the CEO”.

BD3 made reference to the fact that “if you have not had exposure and experience at an executive level in the workplace, it’s a technical exercise. It’s not a business and commercial exercise”. BD2 supported this notion commenting that “That experience is the leveller. Experience is what guides you”.

5.2.2 Understanding the accountability of directors in decision making within the board

This interview question required participants to assess and describe their understanding of the accountability of directors in making decisions within the board on behalf of the organisation and shareholders. The main constructs that emanated from the participants are illustrated on the table below.

Table 6: Understanding the accountability of directors in decision making within the board

Rank	Constructs [Consolidated]	Frequency
1	Accountable by law	18
2	Accountable to Shareholders	10
3	Accountable on Paper but not in Practice	7
4	Different when there is Conflict between Board and Management	3
5	Too abstract	3
6	Boards generally act in the interest of Company	3
7	Advisory Role	3
8	Board members to Research Organisation before joining Board	2
9	South Africa not Litigious in that space	2
10	Differs in Private and Public Companies	2
11	Company can be held Accountable not Board Member	1
12	Too Abstract	1

Most of the participants were of the view that directors were accountable by law in terms of the decisions they made on behalf of the company. CS2 highlighted that legislation does specify that directors should be accountable mentioning that

“the PFMA (Public Finance Management Act) has got teeth and the Companies Act has got teeth. The PFMA says these are the duties of directors of public entities and Section 83 talks about how if you fail in those duties it’s called financial misconduct and you will be jointly and severely liable.”

Supporting this notion was CS1 who also made reference to legislation specifying that

“there are a number of cases around 3rd parties and stakeholders using the ammunition of the new Companies Act. Section 218 says ‘any person who contravenes any provision of this act will be liable to any person who suffers any damages’.”

CS2 remarked that “I have duties in terms of the Companies Act ...anybody out there only has to prove a link between my non-compliance to the Act and their damages, [then] they have a claim, a civil claim against me for their damages”.

Most of the participants were of the view that board of directors were accountable to shareholders which means that the decisions made by the directors can be critically reviewed by the shareholders. BD3 observed that shareholders can put pressure on boards to effect changes or resignations, but “the challenge even the shareholders have is not so much on the oversight role specifically, it’s that the results are not good or the share price is not doing well”. Supporting this notion was CS1 who observed “ most of the directors have been appointed by the shareholders... when we’re making decisions at board level, you know you’re taking your shareholder hat off here and considering what’s in the best interest of the company.” BD1 supported this opinion, highlighting that shareholders were now becoming activists in terms of the decisions made by the board: “I think shareholders are becoming more activist about things like remuneration and I think that’s also right. We have no business paying people in companies that underperform”.

Some of the participants suggested that board of directors were accountable on paper but not in practice. BD1 remarked that on paper it was clear that directors were accountable but they were not being prosecuted when things were done incorrectly: “the instruments and the laws are there... on paper it’s clear, but directors being prosecuted and held jointly and individually liable for the decisions? That is not usually seen”. Instead of directors being prosecuted, BD1 further stressed that “most of those issues are either sucked under the carpet or dealt with quietly in the boardroom, people are then sent off”. Similarly, CS2 also shared the same sentiments, observing that although the tools existed to ensure accountability in law, in practice these were not used: “The tools, the ammunition is provided...the big difference comes in the practical side because in the private sector you have liquidators, very aggressive liquidators. They will go for every cent”. Citing an incident whereby the executives had gone to court, CS2 described how the directors were still not held accountable because the “liquidators decided that it was in the best interest of the creditors that the non-executives never ended up in a court of law”.

5.2.3 Assessing whether the directors generally understand their mandate and accountability

The interview question prompted the interviewees to indicate whether they believed that directors had a general understanding of their mandate and accountability.

Table 7: Assessing whether the directors generally understand their mandate and accountability

Rank	Constructs [Consolidated]	Frequency
1	No they do not fully understand the mandate but have a broad idea	10
2	Recent Negative Events Requires Understanding	4
3	Dependant on Company Secretary	3
4	Yes - Required by Chair	2

As illustrated in the table above, most participants expressed that Board Directors did not fully understand their mandate but had a broad idea of what it entailed.

The participants expressed their views as follows: BE1- “people are far too ready to become board members, it’s prestigious but the governance element of being on a board is very hectic and I don’t think many people realise how hectic it is”; BE2- “more and more you’re finding the board of directors is opposed to just being purely advisory ... they are becoming operationally involved with the running of the business which is actually not what they’re supposed to be doing.”; BE3 -“boards are almost falling into the full-time executive role and the executive are falling more into the operational management”; and CS3- “if you’ve got quite a strong executive element on your board, albeit that they are non-execs, they tend to be operationally focused because that’s their day job”.

Some of the participants stated that, increasingly, board directors were making an effort to understand their mandate and accountability because of recent negative events that have been depicted in the media regarding decisions made in a boardroom. CS2 conveyed the view that “I think the media and what’s happening around us at the moment has probably also spurred a lot of directors or potential directors into either making sure that they do discharge their fiduciary duties better than maybe they would’ve done ten, 15, 20 years ago”. CS4 supporting this perspective indicated that “if one goes back in history and you look at directors as a group and how many directors have ever been sent to jail for misdemeanours or for breaching fiduciary duties, I think you would probably battle to find enough to fill one hand.”

Some of the participants maintained that directors were generally dependant on the company secretary for information, not least about their mandate:

“If you read the Companies Act, and particularly section 88, it refers very specifically to the company secretary being required to advise the directors, both individually and collectively, on their statutory duties and others.”

CS5 affirmed such thinking, noting that as a company secretary “we’re not really in the business of teaching directors everything from scratch...But then, we do... they always ask for updates on training, legislation, etc.”

According to some participants, compliance and understanding of the mandate were paramount, with CS3 specifying that “our chairlady, she’s very strict on compliance, very strict on directors adhering to charters. There’s adherence to the Companies Act at all times”.

5.2.4 Understanding the number of boards the director currently sits on

This interview question sought to understand from the directors the number of boards they generally sit on. The directors indicated that they sat on multiple boards, numbers ranged between four and eight. The main constructs that emerged from the participants are illustrated on the table below.

Table 8: Understanding the number of boards the director currently sits on

Rank	Constructs [Consolidated]	Frequency
1	5 Boards	3
2	8 Boards	1
3	4 Boards	1

5.2.5 Assessing the number of hours spent in preparing for board meetings

The main objective of the interview question was to get an idea of the amount of time taken to prepare for each board meeting.

Table 9: Assessing the number of hours spent in preparing for board meetings

Rank	Constructs [Consolidated]	Frequency
1	Varies by Organisation	15
2	Dependent on Experience	6
3	Depends on the size of the Pack	6
4	2-4 days	5
5	1-3 hours	4
6	Varies by Individual	4

7	Varies by role of Board Member	4
8	Dependant on Content of Agenda	3
9	Frequent Engagement with Executives and management	2
10	4-7 days	2
11	3-6 hours	1

The participants had mixed views on the amount of time it took to prepare for board meetings. A majority of the participants agreed that it varied by organisation with BD1 expressing that “it depends how long you’ve served there because if you’ve been at a company long enough you have a basic idea of what you can handle”. Supporting this view was BD2 who agreed that it varied by company and also by the sector, noting that Board “packs can run into hundreds of pages. You don’t need to read through the pack cover to cover but you do need to read through the pack intelligently and not miss anything.” BD3 was of the view that there were some businesses which were quite easy to understand and some which were quite difficult and this in turn determined the amount of time spent in preparing for the board meetings, stating that

“Some businesses are easier to understand than other businesses. You could never say you could do a bank quickly. There’s no way you could get through that pack quickly. And things change so quickly - when the economy changes the bank’s outlook changes”.

Reiterating this viewpoint was BD5, who highlighted that

“Other companies tend to be a lot simpler, tend to be a lot quicker and have less initiatives on the go... The other thing is you can never really understand what happens by reading the pack. You’ve got to take the time to actually say, listen or sit with accountant for an hour or two and try to understand this, get a feel of what he’s doing and saying”.

Some of the participants felt that it varied by experience, highlighting the view that the more packs a director had experience in reviewing the quicker it took for board meeting preparation. GE1, citing experience, remarked: “It gets better as you go along. The longer you’re on the board the more you understand the issues so you can quickly go through the pack... I would say you need a good solid 2-3 days for each pack”. CS4 also highlighted the importance of experience as the determinant in the amount of time required for board meeting preparations mentioning that “the experienced director will obviously be at an advantage. But these days, with the landscape and the legalities and

the liabilities ... you would probably be hard-pressed to find too many directors coming to meetings without having read a paper”.

Some of the participants were of the view that the amount of time taken for board meeting preparation was dependent on the size of the pack: the larger the pack the more time was spent on preparing for the board. The participants summarised their views as follows: CS4 -“if you receive what I would classify as the average size board pack... I would say that it will take you nothing less than three hours to prepare for that meeting”; BD4 - “It just depends on the size of the pack... at banks, the packs can be really big, so I can spend 3 to 4 days just preparing for the board”; and CS3 - “ if you prepare properly on the size of the company and pack, you need to spend a number of hours thinking, not just reading the papers but thinking about these issues”.

Some of the participants were of the view that it was dependent on the individual, with CS2 highlighting personal work ethic as a determinant specifying that “it’s about personal work ethic and about understanding your role”. Buttressing such views was CS3 who specified that

“it’s very individual based. Like the director who sits on our board and another board has a manufacturing background so from that perspective he’s able to add a lot of input. Whereas even with directors who sit on multiple boards as long as they’ve had time to go through the content and what’s in the board pack, I think they can add equal contribution”.

Some participants maintained that it was dependant on the role of the director. If the director was a chairperson, for example, then he or she would generally have to spend more time preparing for the board meeting, with CS4 stating that “the chairman is going to spend a lot more time preparing for a board meeting than someone who is just a non-executive... there’s no doubt that there’s different expectations and different demands on different directors”.

5.2.6 Evaluating whether the director is considered effective or not based on his/her own standards

This interview question aimed to understand from the participants whether they considered themselves effective as directors of the board. The participants were encouraged to elaborate on the reasons for their viewpoint. The main constructs that emerged from the participants are illustrated on the table below.

Table 10: Evaluating whether the director is considered effective or not based on his/her own standards

Rank	Constructs [Consolidated]	Frequency
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1	Effective because of Limited number of Board Memberships	7
2	Effective because of Selectivity	4
3	Effective when it is high level and provides support	4
4	Dependent on whether you have Executive Role	3
5	Effective because of Prioritisation	2

The highest ranked theme was 'Effective because of Limited number of Board Memberships' with a frequency count of seven. BD4 explained how cutting back on the number of boards was necessary, highlighting that "The non-paying boards are quite demanding, for one of them I meet monthly. So if I had a full time job, would I have agreed to that? Probably not." Further explaining how taking on too many boards had negative personal consequences, BD4 added that "It's very strenuous. I had no life. It was very strenuous and then I'm fighting with the kids, I'm fighting with the husband, my quality of life is just deteriorating. So I wouldn't want to do that again". Supporting this perspective was BD5 who also raised the issue of reaching a threshold in the number of boards, cautioning that "If you never go to a meeting, are ill-prepared...you need to know for yourself whether you've reached the threshold, [that] you can't do more than three other boards".

Some of the participants considered themselves effective because they were 'selective' on the boards they had joined. BD1 explained that selectivity was based on the number of committees they sat on and the requirements of that committee in terms of time:

"there are a couple of variables in terms of how much you take on. If you are the chair of a large audit committee company it does severely constrain the time that you have for others. If you're the chair of one big company I don't think you could take on another big multi-listed company as chair."

Some participants attributed their effectiveness to the fact they selected boards that were mainly high level and required less attention; and also on the support received from the business, with BD3 arguing for the importance of support:

"I think I'm effective. Why do I say that? I find that management will sort me out in those areas that are the company secretaries or governance issues...I feel that to be effective I have to engage management. I'm not there to trap them. I'm there to support them".

Supporting this view was BD2 who highlighted that

“if I need to get up to date from a technical perspective it affects all four boards. For example if I’m on an audit committee, the things I learn on one board committee in terms of governance where the economy is going, on some of the boards I get really good updates on the economy”

5.2.7 Understanding if directors who sit on multiple boards add more value to the board than directors who sit on one, and why

This interview question required participants to share their views on whether or not they believed directors who sit on multiple boards add more value. Participants were required to draw from the personal experiences in current and former roles in describing their insights. The views of the participants are presented in the table below.

Table 11: Understanding if directors who sit on multiple boards add more value to the board than directors who sit on one, and why

Rank	Constructs [Consolidated]	Frequency
1	Yes, different Industry experience contributes to board diversity and brings different perspectives	13
2	It depends on how seriously the individual takes their job	8
3	Not necessarily - some board members take on more work than they can manage	6
4	Not necessarily - experienced people sometimes do not add value	5
5	Experience enforces governance and adherence to scheduled meetings	2
6	Single board members come to meetings unprepared	1

An overwhelming majority of the participants agreed that directors who sit on multiple boards add value in that they come with different industry experience that contributes to board diversity and bring different perspectives into the board. Many individuals explained that a diverse board was valuable, with one of the participants, BD2, saying “board diversity is quite important...the more diverse you are the more people raise different questions.” Participant CS2 added that “I have sat in so many board meetings where a director will say ‘based on my experience in another entity we went through this or that’... it can add a lot of value”. Though some participants acknowledged there were drawbacks, the emphasis on the positives was clear. CS1: “There are pros and cons ...if they sit on more than one board they can tap into their various resources; and CS4: “if you’re sitting on four listed boards... you’re getting the benefit of a much wider spectrum of experience and frameworks and knowledge that you can apply in different environments”.

Another participant introduced the notion that it was important for board members to feel that they are making a significant contribution on the board. As Participant BD 1 argued, “I chose my boards in a way where I felt I could contribute but also where I think I can grow because I will learn about a whole new sector and about a different world through that”. Adding a similar viewpoint was Participant GE2 who stated “it comes with a specific level of maturity and thinking ...you come with a level of humility and a level of strength that’s based on an internal locus of control as opposed to wanting affirmation from your other board members”. Another participant added a similar viewpoint, highlighting that while it was attractive to sit on multiple boards, individuals needed to make an effort to be present and make a significant contribution. Participant GE1 said “you don’t want somebody coming for the first 3 or 4 board meetings and having nothing to say and having no input. Then you’re just warming a seat and actually wasting space. So that’s why people who have had that experience and they know what it means to be on a board...it’s very valuable”. Speaking of the importance of taking one’s job seriously, one participant spoke about the value of commitment towards preparation ahead of board meetings, which as BD4 explained, some directors falls short: “directors that don’t read the pack...they come and just wing it because... their experience is actually going to allow them to ask questions without even knowing what the issue is... then their experience does not give to the company”. BD4 highlighted the tendency of new directors wanting “to prove themselves. They’re going to read, they’re going to do more to try and, you know, create value for the company”.

Some participants suggested that directors that sat on multiple boards did not, despite their own self-perceptions, necessarily add value, citing that some board members take on more work than they can handle. Participant CS3 emphasised “the downside of it, they don’t necessarily get time to go through the board packs... that’s the only disadvantage...meetings are almost non-meaningful because nobody’s had time to go through the packs”. Echoing a similar viewpoint was Participant GE 3 who explained that being on 4 or 5 boards you “are at risk of spreading yourself too thin”, explaining that this over-commitment often does not result in board members making a significant contribution to the boards.

5.2.8 Evaluating how many boards would be the maximum recommended for a director to sit on

The objective of this interview question was to get the views of participants on what they believed to a suitable maximum number of boards for a director to sit on. This interview question encouraged participants to reflect on their experiences either as board

members themselves or as members of governing bodies. A summary of the response provided by participants is provided in the below table.

Table 12: 9 Evaluating how many boards would be recommended for a director to sits on at a maximum

Rank	Constructs [Consolidated]	Frequency
1	Minimum recommend 3 boards	6
2	Not about the number of boards but about work ethic and commitment	5
2	Four or more boards	5
4	Depends on individual capacity	3
5	It depends on how many subcommittees one is involved in	2
6	2-3 boards	2
7	Sitting on More than one board benefits the board	2
8	Maximum 6 boards	1

Participants had differing opinions on the recommended number of board seats for directors. A significant emphasis was made on the minimum recommend number of 3 boards according to the King IV code. Participant BD4 stated “if you’re going to continue with the other stuff maybe the three is a really good number” while similar views were expressed by Participant BD1 who said “I would say if you’re a new director I would probably go with the 3 that the King also recommends if it’s not full-time”. Two other participants shared similar viewpoints with Participants GE1 and GE3 saying “I would say if you took it as a broad average I would say that you’re looking at 2 or 3” and “No. I think 3 would be manageable”, respectively.

Other participants shared that they believed it was not about the number of boards individuals sat on but about, as highlighted above, work ethic and commitment. Participant CS3 cautioned that “quite a lot of them are not that concerned about being ethical and effective leaders for the organisation... that’s why it’s very difficult to play a numbers game here”.

Similarly, a number of participants were of the view that four or more boards were an achievable number for directors to sit on, depending on which roles were taken (being a chair, on committees, and so on). Conversely some participants were not keen to name a figure but instead responded by saying it depends on the individual’s capacity. BD4 stressed that “you need to know for yourself whether you’ve reached the threshold”.

5.2.9 Exploring if director experience and exposure to other industries weigh more than director skills or qualifications

This interview question encouraged participants to evaluate based on their experiences and share if they believed director experience and exposure to other industries weigh more than director skills or qualifications. Participants openly shared their views, and the responses that were provided by participants in respect of this interview question are presented in the table below.

Table 13: Exploring if director experience and exposure to other industries weigh more than director skills or qualifications

Rank	Constructs [Consolidated]	Frequency
1	Both experience and skills are valuable	6
2	Director experience brings diversity to the board	5
3	Director experience provides guidance for the board member	3
4	The ability to think independently and objectively are equally important	3

The majority of participants appeared to find this interview question challenging, but the responses provided elicited noteworthy insights. Most participants expressed the view that both experience and skills are valuable to boards with Participant BD4 pointing out that “none of us come 100% packaged beautiful but that you address via training”. Adding a similar viewpoint was Participant CS1 who specified “the companies that I’m involved in, they look for qualified people.” Participant CS3 touched on the notion of value add but also supported the view that both skills and experience mattered saying “they want to cover skill and experience and they also want to bring on someone who can add value to the board. And they also want to take into consideration the dynamics of the board... it’s not completely based on experience but it’s based on a mixture of things”. Participant CS5 responded “Skills and qualifications... that’s first and foremost”.

A number of participants spoke about the value of director experience citing that it brings diversity to the board. Participant BD1 explained: “I think I’ve got some perspectives that can add value even if I’m not from the industry, because I think that if you’ve got good management you probably don’t need a preponderance of people from the same industry or the same kind of company”. Participant CS4 expressed a similar viewpoint saying that

“experienced directors is just one facet...independence is probably as important as experience. In fact, I would say it’s probably the most important, in a way...you need to be able to think objectively and to express an independent view”.

Stressing the importance of a diverse range of experience was Participant GE2 who added

“you need to shift the composition of boards to be multi-faceted, not only from a demographic point of view but also from an experience and thought process point of view and thinking point of view. If you look at where business is going as an example around digital...show me a board that’s got a digital expert sitting there. There isn’t.”.

On the other hand, Participant GE3 pointed out that “for new younger directors what you are looking for is a sort of diverse career track record that looks interesting”.

5.2.10 Understanding some of the challenges of having multiple board directors in a board

This interview question required participants to reflect upon and share some of the challenges that arise as a result of having multiple board directors in a board. Participants were able to draw from their personal experiences in current and previous roles in reflecting on the challenges faced by board directors who sit on multiple boards. The insights of the participants are presented in the table below.

Table 14: Understanding some of the challenges of having multiple board directors in a board

Rank	Constructs [Consolidated]	Frequency
1	Time constraints	10
2	Conflict of interest	7
3	Conflicting schedules of different board sittings	6
4	Inadequate preparation time because board packs arrive late	3
5	Not fulfilling duties	3
6	Keeping abreast with latest trends in the different industries	1
7	Having oversight of board member performance	1
8	Busy schedule compromises family time and quality of life	1
9	Costs spiral out of control	1

The majority of participants cited time constraints as being the biggest challenge faced by board directors who sit on multiple boards. The second highest ranked challenge as pointed out by participants was conflict of interest. Cautioning against potential conflict of interest situations, especially across huge firms, was Participant GE1 who explained

“those businesses have feelers in all sorts of areas. And if you put yourself onto another board the chances that there’s going to be a conflict of interest is high if it’s in the same or similar space. And it’s all very well to say ‘I’ll recuse myself’, but it doesn’t really work like that”. Participant BD4 added where there are conflicts of interest “an effective director walks away from an organisation that doesn't have a good culture”. Participant CS2 spoke to potential conflicts of interest, observing that “one of the challenges is retaining your focus, you can very easily get confused about what have we done in this company”.

It was not surprising that individuals highlighted conflicting schedules of different board sittings as one of the high-ranking challenges for directors who sit on multiple boards. As Participant BD2 explained “one of the biggest challenges about multiple boards is missing meetings because they clash and they all come on the same date at the same time.”. Adding to this viewpoint was Participant BD4 who said that the “biggest bugbear has been making sure that I don’t have clashes because that can be very tricky...because the packs you only get at a particular time”, often forcing directors to juggle competing demands. Similar viewpoints were expressed by the company secretaries CS1 and CS3 who stated “another thing is juggling...sometimes the board meetings are over the same period so you know financials are all at the end of Feb and you need to approve the annual statements” and “so just from a time perspective where you have a director who sits on a lot of boards there’s always an issue”. Participant GE3 suggested that “at the most obvious level is the scheduling issue of making sure you don’t have clashes in the board diary and it’s not always in the remit of the individual director to set them”.

5.2.11 What advice would be given to directors of multiple boards and the CEOs recruiting them

This interview question sought to understand what advice would be given by participants to directors of multiple boards and the CEOs recruiting them. The views of the participants are presented in the table below.

Table 15: What advice would be given to directors of multiple boards and the CEOs recruiting

Rank	Constructs [Consolidated]	Frequency
1	Create capacity to take on the new board membership	6
2	Research the company and know what you are getting into	5
3	Potential candidates must evaluate the team / company to be joined (incl. alignment of values)	4
4	Ensure the candidate is the right fit for the board	3
4	Objectivity and independence are key skills to look out for	3
6	Have an in-depth understanding of the Companies Act and Board Regulations	2
7	Consider IoD or similar memberships for exposure	2
8	Candidates must be knowledgeable in order a good impression	2
9	Have the ability to form and maintain good relationships with team	1
10	Be prepared to be a part of an extended network	1
11	Be open to learning and set aside adequate preparation time	1
12	A well rounded diverse team is of the essence	1
13	Self-evaluation of ones readiness for the role	1

The views of participants were mixed, with the majority highlighting that they would advise creating capacity to take on the new board membership before any commitments are made by board directors. As Participant BD1 explained, when taking up one initiative, it is important to assess one's capacity to take on more: "My rule of thumb is that when I take on something new I must drop something." Another Participant who shared a similar viewpoint was Participant BD4 who stressed "I think the first thing is making sure you understand your time commitments", further recommending that you "have a threshold for yourself where you're gauging whether you're offering what was sold to the people and that's what should stop you, not a number". Participant BD3 advised simply that "you do need to make sure that you are present".

Most participants advised that researching the company and knowing what one was getting themselves into upfront is key to a successful board membership career. As Participant CS3 explained "knowing what the company's about, knowing the risks that are impacting the company... you ultimately need to ensure that you will be able to put the shareholder as well as the company at a priority level". Participants further spoke about the importance of knowing the Companies Act in order to be able to make objective decisions. Participant CS1 explained "First they need to know their Companies Act, their duties and liabilities. If they're going for listed boards, they should know their JSE requirements.". Participant CS5 said this needs to be complemented by the need to

“represent the demographics of South Africa, to have young people, to have women, etc. The Companies Act, the listings requirements have been changed twice this year... you need to comply with that. That’s just a requirement of doing business in South Africa”.

Participants emphasised the importance of being aligned to the team and the values of the individuals or the company to be joined. As Participant D2 advised, “look at the board, look at the board composition and if you’ll be happy to work with the people”. Participant BD4 added a similar view stressing “the finer thing is the values... I can’t now be working with people I’m so misaligned with”. Participant BD5 advised that individuals needed to have conviction and make unfavourable decisions if it was required: “If something doesn't work for you, you move. You don't sit for the comfort of the job if you are not adding value and the culture is not a good fit”.

Moreover, participants advised that recruiting CEOs had to ensure the candidate is the right fit for the board. Expressing this viewpoint, Participant BD2 stressed that, “you need to understand the direction and the strategy of the company and subscribe to that strategy and you help promote that strategy along the way. If you can do that you can sit on as many boards as you like providing you have the time... [But] I don’t think you can have the time if you really do it right”. In support of this viewpoint Participant CS3 added “the nominations committee have a particular mandate ...they always want to cover all aspects. And they also want to take into consideration the dynamics of the board”. In support of the views of the other participants, CS5 added “They have to fit... we’ve got a whole procedure that has to be followed. Checking of references, checking of qualifications all that stuff.”

5.2.12 Exploring if transformation is still an agenda for boards and if this is a positive or negative agenda

This interview question prompted participants to think about transformation on the boards that they either sit on or on those boards that they have been exposed to. Participants shared noteworthy insights in answering this question as they were able to articulate their responses in relation to the different elements of transformation. The responses of participants to this interview question are presented in the below table.

Table 16: Exploring if transformation is still an agenda for boards and if this is a positive or negative agenda

Rank	Constructs [Consolidated]	Frequency
1	Yes - Gender transformation is important	8
1	Yes - Racial transformation is important	8
2	Yes - However getting the best candidate for the job is key	3
2	Yes - However some companies are struggling with the implementation of transformation	3
5	Yes - Age diversity is important	1
6	Mixed views - some boards are not mature enough	1
7	Transformation not a priority for some multinationals	1

A majority of participants highlighted that transformation was important in their organisations with both gender and racial transformation ranking highest. Speaking about gender transformation, participants expressed the view that most boards they sat on were concerned about transformation with Participant BD2 going to the extent of explaining that

“Every board I sit on is very conscious about the transformation agenda. They get it right probably from a transformation point of view but not so right from a gender point of view. But I think that now there’s a greater awareness of the gender thing. And it’s not only because the JSE has come out with a thing saying you must declare”.

Participant BD5 explained that “there are about 40% that are women and of that about 60% are black. So it’s not a problem” explaining how she believed gender transformation was implemented on her board. Participant CS4 added that “diversity in geographics, diversity in race, diversity in gender, diversity in experience. I think all of those are very valuable factors” in support of the views of other participants.

Similarly participants highlighted that racial and gender transformation was still an agenda item on their boards. The participants expressed their views as follows: BD1 – “On the boards that I serve... people get the race thing more in South Africa than gender”; BD2 – “The problem is a lot of the issues stem from the fact that ...black directors have a lot of interest in the company. So they end up being non-executive but not necessarily independent”; CS5 – “The management wants their board to be reflective of demographics; but first and foremost, wants their board to be peopled by the right people, who are experienced.”; and GE1 – “Previously it was just fulfilling a requirement and obviously there are still boards that do that, it depends on the company. What I’ve seen is that there is a definite desire to have diversity. Gender is a very big issue

internationally, much more than here. Here we've got a much bigger focus on racial transformation”.

On the other hand, participants pointed out that while transformation was still a key talking point on their boards, what was more important for them was to focus on getting the best candidate for the job. As participants articulated their views, participant CS1 said “They do want the best. They do want someone who's going to contribute, while Participant CS5 added “the management wants their board to be reflective of demographics; but first and foremost, wants their board to be peopled by the right people, who are experienced”. Participant GE2 reiterated that view by saying “individuals at that level are not interested in ‘I'm here because I'm black or Indian or coloured, I'm here because I can add value’. So that's very much becoming the trend”.

Not surprisingly, some companies were struggling with the implementation of transformation, Participant CS3 indicated “it's still a struggle. Just looking at the demographics of our board, we've only got two BEE candidates on our board. ... I don't know if there's not a pool sufficient enough to be able to draw candidates from. But I do know that companies do struggle with it”. In addition Participant GE3 pointed out that “I think they definitely all had a transformation agenda and some did better than others in executing it. The difficulty precisely of overly-prescriptive regulation is that it encourages box-ticking”.

5.2.13 Understanding what recruitment processes are followed when recruiting directors in South Africa

The last interview question sought to understand from the participants what recruitment processes were followed when recruiting directors in South Africa. The interview question specifically asked participants to make a choice between networks or recruitment agencies; however in responding to this interview question, participants shared other interesting insights. The responses provided by participants in respect of this interview question are presented in the below table.

Table 17: Understanding what recruitment processes are followed when recruiting directors in South Africa

Rank	Constructs [Consolidated version2]	Frequency
1	Recruitment performed through the use of trusted networks	12
2	Recruitment performed through the use of head-hunting firms	9
3	Recruitment performed through Talent Recognition within Companies	1

A majority of participants indicated that they believed recruitment was performed, to a large extent, through the use of trusted networks. Emphasising the importance of belonging to a network for potential board directors, Participant BD2 stressed that

“Most of the boards have a decent network. And they would say ‘so and so’s retiring we need another member, we would prefer a black female. Or we would prefer a black female who is a chartered accountant which is even more difficult to get or a black female who’s an engineer or a black male who’s an engineer. And we would go on”.

Another participant brought in the notion of mentorship programmes as a means to get into networks. The participant, CS2, explained “using the mentorship programme to develop a personal network, experience is key when recruiting for a director”. Furthermore, the idea of ‘old boys networks’ was raised by Participant CS4 who explained that “one would be naïve to think that the old school or the old boy network doesn’t work. Of course it does. ...I would imagine that if you had to look at every director who sits on a public listed company board in South Africa, I would imagine that at least 75% of them have probably been introduced to that board by somebody else on that board who knows them”. Other participants shared similar views with Participants GE1 and GE3 stating

“The vast majority is still based on the network. It’s quite hard for boards to get their heads around the fees that search firms charge because boards don’t pay a lot... you’re paying the search firm pretty much the same you’d pay a board member for an annual fee. You’re really got to be able to justify to the board that it’s worth using a search firm. The challenge ... is you end up with people who are within the network already” and;

“It’s not just one Old Boys or Old Girls network. There are probably several floating around depending to some extent also on geography...because they’ll

be one Western Cape, a KwaZulu-Natal, a Gauteng one and so on and so forth, depending on where companies are headquartered.”

By the same token, a large number of participants indicated that recruitment was performed through the use of head-hunting firms. The views of participants such as BD1 were that “I think the network is very important but I am more and more a believer in finding good head-hunters for the sector that you are operating in ...they know what it requires. And Participant BD5 added “There's more transparency through the agency, yes”.

The two governance experts who responded to the interview questions indicated that they sometimes served the role of a recruitment agent but stated that they are finding that more companies are not using their services much anymore. As Participant GE2 explained, “You are seeing the more mature environments using search firms to advise them around board composition because we're basically an extension of the executive team so they trust us, we understand the culture, we know where they're going.” Furthermore, Participant GE3 added that “it's usually a combination. I mean executive recruiters are usually expensive and so if you're really quite a small company you might be using the networks more than the executive recruiters. Or you may only recruit particular types of directors”.

One participant indicated that they believed recruitment was performed through talent recognition within companies. Expressing this viewpoint, Participant CS4 said

“if companies are truly committed to succession planning and to developing staff and those kinds of things... you should be able to recruit at least 75% of your staff, and particularly your top management and your executive management, preferably from within”.

5.3 Conclusion

The results from the thirteen interview questions were presented in this chapter. The constructs that emerged from the interviewing process and through analysis of data will be tested against existing literature in chapter 6 of this study.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

In this chapter the research findings summarised in Chapter 5 are discussed in light of the literature presented in chapter 2 and the overall context of the study. The information contained within the various research constructs of the previous chapter are distilled into a number of key insights, sensitive to both the limitations of the study and the research process and methods described in Chapter 3. Lastly the chapter seeks to identify any gaps not identified in literature but apparent in the results.

6.2 RESEARCH QUESTION 1: Does the King IV and Companies Act give an accurate/true reflection of the board of director's mandate/duties on the board?

Research Question 1 sought to establish if a common understanding exists among South African experts, company secretaries and multiple board directors on whether the Companies Act (2008) and the King IV Report (2016) accurately define and describe the role and duties of board directors in South Africa. Accordingly, it was necessary to firstly determine the participants' perceptions of both, including how closely these two guidelines were being followed by directors in order for them to better understand their fiduciary duties.

Based on anecdotal evidence, the researcher expected to find that the results strongly indicated that the board of directors were actively using the King IV and Companies Act, so that they would be certain to be in compliance with current best practice and also aligned with accepted understandings of their purpose and roles on the board. As emphasised in Chapter 1, South Africa boasts an advanced governance system (King Committee, 2016) which has been recognised globally. Corporate Governance failures in South Africa will impact the rest of the continent's economies negatively (Miles & Jones, 2009). In the light of the above, and mindful that boards are especially vital to organisations' success and survival in periods of high volatility, the researcher anticipated that King IV and the Companies Act would have deep traction amongst directors of multiple boards in South Africa.

The understanding of director duties, as set out in King IV, is a critical first step in enabling directors to correctly fulfil their duties of monitoring and advising on behalf of the shareholders and other stakeholders, as identified in the agency theory (Fama & Jensen, 1983) and stakeholder theory (Freeman, 1984). The research question further sought to confirm when, in the event of directors not fulfilling their duties, are their

sufficient accountability structures in place to bring them into line or censure when necessary (Government Gazette, 2009; King Committee, 2016).

6.2.1 King IV and the Companies Act provide a guideline for director duties

The data from the interviews revealed several common perceptions amongst board directors, company secretaries and board experts on directors' duties, as outlined in the Companies Act and King IV. Table 5 in Chapter 5 presented the 16 shared views on the accuracy of the King IV (2016) and Companies Act (2008) in defining the role and duties of a board director in South Africa. The data was analysed using frequency analysis where specific themes were aggregated into codes. "How to execute ethics and governance on the board" was the highest ranked, with a frequency count of 10, of issues where King IV and the Companies Act provide guidance. That said, although the consensus that King IV and the Companies Act were good guidelines or frameworks was strong, it was also clear from the data that it was not an exact science. The other general consensus was that the King IV and Companies Act were formulated in a way to help boards to prevent inappropriate actions by directors. This finding is supported by King IV's emphasis on Director Independence as described in Chapter 2 of this study. The King IV Report (2016) recommended the establishment of a unitary Board as a governance structure that will ensure ethical activity of the board, ensuring that no single director is able to enforce their power over the entire board (King Committee, 2016).

The King IV describes independence as "...the exercise of objective, unfettered judgement. When used as the measure by which to judge the appearance of independence, or to categorise a non-executive member of the governing body or its committees as independent, it means the absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making" (King Committee, 2016). This definition supports the construct of the King IV (2008) and the Companies Act being recognised as good for the management of ethics and governance on the board.

The second highest rank was "King IV is different from the Companies Act" with a frequency count of eight. Again here, the participants strongly highlighted the difference between the King IV and the Companies Act, even though both were considered as good guides, they were identified by the sample group as serving different purposes. The Act and the King code focused on different things; most of the participants highlighted how King IV was more detailed than the Companies Act because it focussed extensively on the issues of ethics, corruption and the importance of understanding the business that

the director agrees to serve. An interview with Company Secretary (CS)1 highlights the point:

“the Companies Act per se does not talk to what is your role... it says you have authority and you must exercise that in a certain way and manner and not misbehave or harm the company...but as to what the role of a board is, as to what the role of a single director is, the Companies Act is basically silent. This is where the [King Code] governance comes in to help them understand. Again not only to make them more effective but also for them to protect their backsides”.

The interviews revealed that the Companies Act was, on the other hand, generally perceived to be more aligned to common law practice, stressing the importance of adherence to the law and serving the company in a way that does not cause legal problems for the firm.

The King IV (2016) report highlights instead key non-legal direction on director responsibilities including how to effectively support the organisation’s management, setting a strategic direction and monitoring the execution of strategy, whilst at the same time holding management and board members to account for the organisation’s performance (King Committee, 2016). As one participant observed, “I think the King IV is quite practical because it’s not law, it’s a code, and its best practice. And it’s quite easy to read. I think if I was a director of a listed company, I feel I would get guidance from that”.

The third highest constructs were two opposing views, both with a frequency of six as seen in Table 5 of chapter 5. The two constructs are ‘yes, the King IV and Companies Act provide guidance to directors’ and the opposing construct is ‘no, directors are guided by experience’. In an interview with Board Director (BD)1, they held the view that “...it’s a good guideline and especially now that you have to comply and explain, makes it a better guideline. And it’s more comprehensive, the principles are exactly what we should be following. I think in real life there’s a lot more than King 4 but as a framework, it’s a great framework for ethics and governance”.

The opposing view which emphasises that directors are guided by experience, and not the King IV or the Companies Act, speaks to the overriding concern of having a board that is knowledgeable, skilled, experienced, diverse and independent enough to discharge fully its governance role and responsibilities (King Committee, 2016). King IV itself points clearly to the need for a balanced and effective board, which can only be achieved when the composition accounts for the aforementioned qualities (Deloitte, 2017).

These three constructs clearly indicate that there is a robust consensus on the utility of the King IV and the Companies Act as guidelines for directors in South Africa. There is also consensus that these guidelines serve different purposes and therefore should be understood as a piece by directors of boards. A balanced approach, marshalling both the guidance of King IV/Companies Act as well as one's particular suite of skills and experiences, is clearly an important factor in achieving effectiveness.

6.2.2 The extent to which directors are held to account for decisions

As part of answering research question 1 it was also important to get the participants' views on the extent to which directors are held to account for the decisions they make. This was especially relevant vis-à-vis decisions which significantly impact the organisation and are not consistent with the guidelines of the Companies Act (2008) and King IV (2016), i.e. in the best interests of the company and all its stakeholders.

The top ranking construct was that 'directors are accountable by law', which featured 18 times. In an interview with CS1, the accountability aspect of the Companies Act was brought into sharp focus:

“the serious ammunition in the Companies Act is Section 218. Section 218...says any person who contravenes any provision of this act will be liable to any person who suffers any damages.”

CS1 went on to say “they only have to prove a link between my non-compliance to the Act and their damages, [and] they have a claim, a civil claim against me for their damages”.

Adherence to the Companies Act is predicated on the idea that with this power and authority, directors must accept greater accountability. Non-compliance with the Companies Act could result in either the company or individual being sanctioned through a fine or even imprisonment (The Companies Act, 2008).

The second highest construct with a frequency of 10 was that board directors are 'held to account by shareholders'. The more traditional view of director's accountability is found in agency theory (Jensen & Meckling, 1976), where directors are appointed to the board by the shareholders and therefore the board would be accountable to shareholders should they make decisions that are not in the best interest of the company or harm the company. (Hutchinson et al., 2015; Shivdasani & Yermack, 1999b).

Directors of boards are voted into office by shareholders, existing directors and the CEO of an organisation, therefore their accountability is to these stakeholders firstly (Hutchinson et al., 2015; Shivdasani & Yermack, 1999b). Falato, Kadyrzhanova and Lel (2014) explain that boards of directors ultimately have a fiduciary responsibility to protect shareholders' interests. Protecting the shareholders' interests must always be done in an ethical and sustainable manner, ensuring other stakeholders' interests are being addressed in line with the organisation's triple bottom line objectives. Along with their legal duties, directors must also monitor the organisation's management to ensure governance requirements are being implemented by the organisation's senior management teams and in an ethical manner where governance is observed and adhered to (Oshry et al., 2010). In South Africa, however, accountability of boards has often fallen short in practice.

The third highest construct is the shareholders role vis-à-vis directors being held 'accountable on paper but not in practice'. In an interview with BD3 it was made clear that there are less and less cases of the board being taken to court or the executive, rather it is shareholders "putting pressure on boards to resign or changing boards. So there is accountability in that shareholders put on boards and expectations that are put on boards". BD 3 further acknowledged that "there may be other responsibilities of the board in terms of the Act and King Four but nobody is looking over the board to say that those things are being neglected".

As highlighted in Chapter 1, corporate failures have heightened international concern around the management of company boards (Jiraporn, Davidson, et al., 2009) but in South Africa, even though the country boasts cutting-edge financial and regulatory structures, accountability of board directors is still low, especially within the public sector. However, private sector failures such as African Bank have highlighted the need to have a culture of accountability in theory and in practice.

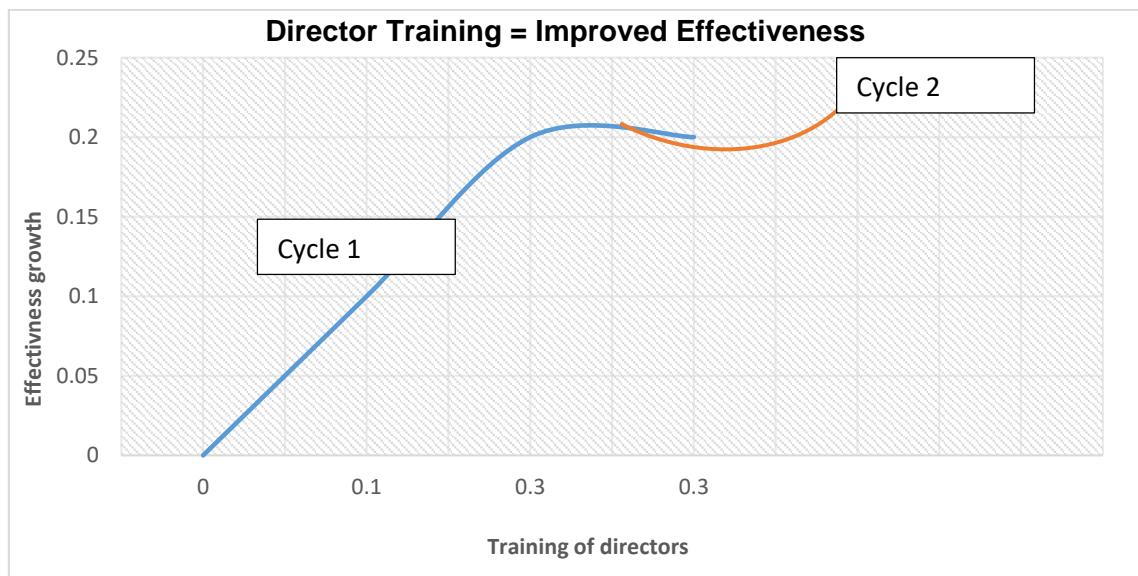
6.2.3 Conclusive discussion for Research Question 1:

The findings concluded that King IV and The Companies Act give good guidelines for directors on boards. Moreover it was important for the directors to understand and inculcate these guidelines, so they can effectively fulfil their duties. There was common understandings on their efficacy, as well as what specific purposes they serve: the Companies Act being more aligned to the Common Law and a legalistic understanding of accountability; and King IV, on the other hand, rooted more in specific principles for executing duties and obligations as a board director.

A notable outcome of the results that did not feature heavily in the literature was that of director training. In the results the subject of training was highlighted as a key risk management tool, particularly in the areas of political risk and community risk, as well as a host of new demands presented by changes in the way information flows and is used in different ways, as evidenced in the interview with BD1, who beseeched fellow directors to “be very cognisant of what the new risks are...and anticipate non-industry risks”. Table 8 of Chapter 5 highlights the relevant constructs for training. The consensus was high for building a culture of training within the organisation, not only for directors but for management as well.

The reviewed literature did not address training much, if it all, and this was identified as a gap in the existing body of work on the effectiveness of multiple board directors. The value of a future research agenda centred on the different aspects of training to support multiple board directors and increase their effectiveness seems abundantly clear from the interviews.

Figure 3: The relationship between training and effectiveness of MBD

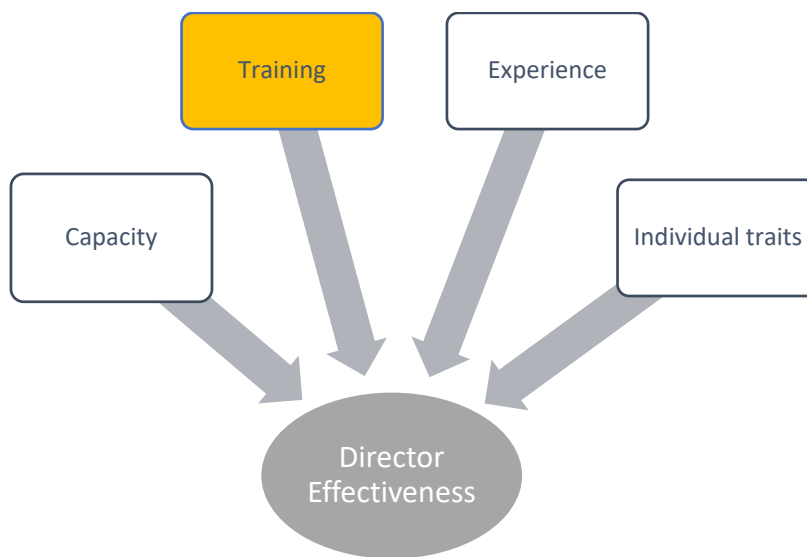


Source: McNameeM (2017)

The graph in Figure 3 above indicates the impact of director training on director effectiveness. The researcher put forward that as training for multiple board directors increases so does the effectiveness of the director. As such, director training should be a continual process which grows in cycles (cycle one in blue and cycle two in orange) where the first cycle shows the effect of training and the resultant effectiveness of the director. At some point, however, effectiveness will plateau and potentially decline if further training is not continued in cycle 2, to further upskill and enhance the director’s contribution to the board.

Figure 4 summarises this study outlays all the individual inputs - identified in the findings of the study – that contribute to the director’s effectiveness. The locus of control with these inputs lies with the individual – the director. The study revealed a clear gap in literature regarding the impact of continuous training on the effectiveness of directors. In this figure, training has been added as an equal input factor into the director effectiveness. Another clear outcome from the findings was that ‘effectiveness’ is not a simple step process but one which requires a combination of inputs which work together to form a desired outcome.

Figure 4: Inputs into Director Effectiveness



Source: McNamee (2017)

6.3 RESEARCH QUESTION (2a): Are directors of multiple boards perceived to contribute more value to the board?

This research question aimed to gain the perspective of board directors, company secretaries and governance experts on the perceived value that busy directors contribute to the board.

The researcher expected that multiple board directors would be perceived as contributing less value to the board because they would have less capacity to prepare for meetings, thereby reducing their capacity to offer sound advice and make decisions that will contribute to the firm’s success. The researcher further expected that busy directors would not be available to attend meetings as regularly as prescribed, which would result in reduced effectiveness. The researcher’s expectations were informed in part by studies of corporate governance scandals referred to in Chapter 1, such as the collapse of Enron

in 2001, which was largely due to directors shirking their board duties (Genova, 2014). In terms of directors having broad experience across multiple industries, the researcher expected that this would be beneficial to the board and help to add value to decision making in the cases where the director has had direct experience. This would always be offset, the researcher further expected however, by the director's consequent lack of capacity to prepare and attend so many board meetings.

6.3.1 Directors perceive themselves as conditionally effective

The highest construct for this question was 'effective because of limited number of board memberships', with a frequency of seven. The second highest were 'effective because of selectivity' and 'effective when it is high level and provides support', both with a frequency of four. These three constructs all speak to one theme: the need for additional support structures to be in place for busy directors, owing to their capacity constraints.

As BD4 despaired:

"It's very strenuous. I had no life. It was very strenuous and then I'm fighting with the kids, I'm fighting with the husband, my quality of life is just deteriorating. So I wouldn't want to do that again, maybe it's not just because of the three boards. I think if maybe I had the three boards maybe I would be able to continue with life..."

Supporting this perspective was BD5, who reinforced the need to look at thresholds for multiple board directors, cautioning that

"...you need to know for yourself whether you've reached the threshold and if you are an executive somewhere, you can't do more than three other boards. You know, beyond that it becomes, you know, difficult to even find the time to do the work because here I take leave to go to my board meetings, especially the private sector board meetings, and it means that, you know, I can't quite be here".

This construct is a good reflection of the Busyness Hypothesis (Fich & Shivdasani, 2006) as indicated in Chapter 2 of this study. The busyness hypothesis suggests that participating on multiple boards prevent directors from being effective because they suffer from time constraints, especially when they serve on three or more boards. One key outcome of the negative impact of 'busyness' is diminished oversight of board functions and decisions (Lee & Lee, 2014), In effect, this suggests a strong correlation between weak corporate governance and busy directors, which would result in inadequate execution of duties and governance not being monitored effectively – and therefore, a high risk to firm survival. Ahn, Jiraporn and Kim's (2010) findings also align to these constructs. In their study, they found that multiple directorships negatively

affected the quality of managerial oversight and influenced agency conflicts in acquisition decisions (Ahn et al., 2010). Their research findings showed that when companies acquired firms with busy boards, there was a high likelihood for the acquiring company to experience negative abnormal returns. They further explained that this detrimental impact on the business was only relevant when the number of board seats exceeded a certain threshold. In the same light, studies of the Dedication Effect (López Iturriaga & Rodríguez, 2014) highlighted in Chapter 2 speak to the challenges that directors face when they serve on multiple boards: they struggle to dedicate enough time and other resources to each board they serve on, which naturally has a negative impact on value contributions to boards.

Another study by Sharma and Iselin (2012) showed that the association between multiple-directorships, tenure of the independent audit committee members and financial misstatements was highly correlated.

6.4 RESEARCH QUESTION (2b): In terms of board's composition, how important is director experience when recruiting board members?

The results from this question presented a very robust consensus for experience being an important consideration when appointing boards. The highest construct was 'yes, different industry experience contributes to diversity and brings different perspectives' with a frequency rate of 13. The second highest construct with a frequency of 8 was 'it depends how seriously the person takes their role'. In the interview with BD2 they highlighted "I think board diversity is quite important. The board...the more diverse you are the more people raise different questions. ...". Participant CS2 added that "I have sat in so many board meetings where a director will say, you know chair, based on my experience in another entity we went through this or that. This worked or this didn't work". These participants were of the view that directors with multiple boards across various industries could add value to the board because of the exposure to issues experienced in other companies and the lessons that can be drawn from those directors' experiences when dealing with similar issues.

This data aligns with the Reputation Hypothesis, which posits that multiple directorships can lead to positive results in terms of firm performance (Fama & Jensen, 1983). The reputation hypothesis is also aligned to the reputation effect (López Iturriaga & Rodríguez, 2014) which suggests that directors of multiple boards are perceived to be of a high quality and therefore holding a high reputation, as a result the company benefits from having these directors with 'high reputations' on their boards. The reputation hypothesis posits that directors boasting multiple external board seats were likely to be more experienced and therefore able to provide quality advising and monitoring on behalf

of the company (Fama & Jensen, 1983). The high level of experience would then enable the director to develop a reputation as a monitoring specialist (Ferris et al., 2003; Gilson, 1990).

In their study, Ferris, Jagannathan and Pritchard (2003) established that busy directors were better able to increase the profitability of the organisations they were associated with because of their highly esteemed reputation. The three scholars also found that directors who served multiple boards of large, profitable organisations were more likely to be invited to join other boards. The study went on to conclude that serving on multiple boards did not impact the responsibility of the director negatively in terms of executing their board duties effectively (Ferris et al., 2003).

To add more depth in understanding the perceptions of the participants around the value that multiple board directors contribute towards the board, the researcher asked an additional question which would indicate what the participants considered to be a suitable number of boards that a director could serve at the same time.

6.4.1 The maximum number of boards for director effectiveness

The highest frequency for this question was 'six' and the construct stated 'a total number of three boards' was considered to be suitable and this was only when the director had capacity and was not sitting on multiple committees or committed to another executive role. Interestingly, the second highest recorded construct, at a frequency of 'five', stated that 'it is not about the number of boards but rather more about the individual's work ethic and commitment' which will indicate the maximum number of boards per individual, therefore this argued that it varied per director.

The highest construct, which suggests limiting directorships to a maximum of three, is aligned to the United States National Association of Corporate Directors which recommended, as outlined in Chapter 2, that senior executives and CEOs should hold three or less board positions outside of their executive roles (Ahn et al., 2010) and the Council of Institutional Investors (2016) recommended that directors with full time jobs should serve two boards at a maximum and no more (Council of Institutional Investors, 2016).

This finding is also aligned to Fich and Shivdasani's (2009) busyness hypothesis, in their study the scholars referred to directors who served three and more boards as 'busy', in this case then directors are aligning to the busyness hypothesis and recommending three as a maximum number of boards, when capacity and other commitments which may contribute to time constraints are taken into consideration.

In an interview with BD4 they confirmed “I think if you’re going to continue with the other stuff maybe the three is a really good number” while similar views were expressed by BD1 who said “I would say if you’re a new director I would probably go with the 3 that the King also recommends if it’s not full-time. Say 3 boards to serve on a bank, with non-executive directors you’re doing other stuff, this is not your day job.

The “busyness hypothesis” (Fich & Shivdasani, 2006) states that a large number of appointments can make directors over-committed and thereby compromise their ability to effectively monitor management’s actions in implementing the organisation’s strategy (Sarkar & Sarkar, 2009). Essentially this study highlighted that when directors are not effectively monitoring, what often happens is that the management fails in delivering the planned outcomes of the strategy, shareholders’ interests are not protected and therefore shareholder value is adversely effected.

6.4.2 Closing remarks for Question 2

Question 2(a) and 2(b) aimed to ascertain the perceived value and importance of busyness and experience when appointing directors of multiple boards. The common understanding seemed to be that experienced multiple board directors were highly valued by most of the participants; however, this was also argued by some up to the point at which the benefit would no longer be extended because of the director’s absence or unpreparedness in meetings (Ferris et al., 2003). The existing literature in Chapter 2 of this study aligns with the findings from Chapter 5: the Reputation hypothesis (Fama & Jensen, 1983) and Busyness hypothesis (Fich & Shivdasani, 2006) were both relevant bodies of work in answering the two parts of the question. It was evident from the results that the participants leaned towards finding a balance between busyness and reputational value. Therefore, these results would indicate that the more experienced the director, the more likely they would’ve been exposed to broader industries and similar issues from previous experience – hence, there is much of unique value they bring to the board. But capacity questions loom large – if the director proves unable to resolve time and resource constraints, the value contribution to boards will inevitably be compromised. Overall the interviews suggested that busy directors can effectively harness their experience to bring net value to different firms – but only up to a point. The Busyness hypothesis, which identified that directors must know their thresholds and avoid taking on too many board commitments, is borne out in most of the perspectives reflected in the interviews.

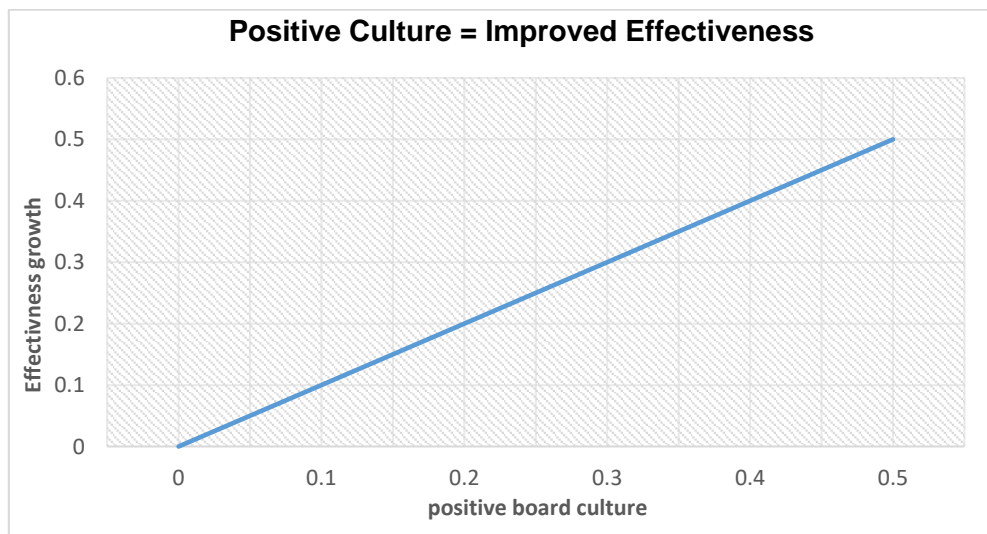
A construct which did not appear in the literature from Chapter 2, but emerged as a theme during the interviews, was that of board culture. Participants stressed the

importance of culture playing a role in ensuring effectiveness of directors – whether these were single boarded or multiple boarded directors. CS3 advised in an interview that

“...the guides are there and the guides will always be there but the culture of the Board and how the Board functions is really informed by the leadership of that Board, you know, the Chair, the Company Secretary and the CEO together, you know, that trio actually, you know, drives the ethics and the conduct of the Board...”

Gill (2010) advises that “The chairman’s role in such situations becomes vital in holding the group to its collective task of facing the uncertainty of not knowing and not deferring to the expertise of one to answer the question” (p.9). Gill (2010) explains that the “influence of emotion and behavior in the quality of thinking” (Gill, 2010) in the boardroom is highly dependent on the chairman of the board. In order to develop a constructive and effective board, the chairman needs to promote a culture of positive thinking which results in positive behaviour and thinking. On the contrary, negative thinking results in the board being ineffective and defensive (Gill, 2010). Figure 5 below depicts the relationship between culture and effectiveness.

Figure 5: Relationship between culture and effectiveness



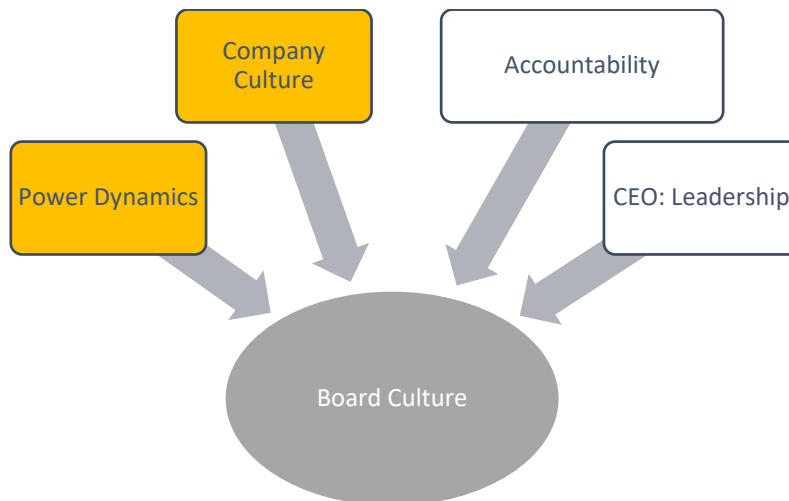
Source: McNameeM (2017)

Figure 6 below identifies two themes that were revealed in the interviews but not evident enough in some of the literature from Chapter 2 of this study. The culture of the board plays an extensive role into influencing the effectiveness of the board as a whole and the effectiveness of the individual director. The culture of the board however is influenced by a number of input factor such as the Power dynamics of the chairman in asserting legitimate power over the CEO and the directors of the board. Secondly the company

culture plays a role in influencing the overall board culture as well, companies that are more traditional and formal in nature are highly likely to have a formal and traditional culture prevailing on the board.

Figure 6.4 has highlighted Power Dynamics and Company Culture as new themes that emerged from the results of the study and were not evident enough in existent literature by scholars who have analysed multiple directorships.

Figure 6: Inputs into culture of the board



Sourced from: McNameeM (2017)

6.5 RESEARCH QUESTION 3: What factors should board directors consider when accepting multiple directorships?

This question tries to identify some of the commonly understood factors that a board director should contemplate when taking on multiple board directorships. With divergent country contexts (Clark & Brown, 2015) and coupled with individuals’ unique traits, the question regarding factors to consider when going into multiple directorships becomes not only important but also context-dependent. The ability to uphold multiple directorships is determined by the director’s ability to manage these issues (Clark & Brown, 2015). The question also sought to tease out some of the challenges associated with multiple board directorships.

The researcher expected that the physical capacity of the director to prepare and attend multiple meetings (more than three boards) would be the biggest challenge. This expectation was based on the assumption that to effectively monitor and advise a listed company, the director would have to expend a certain amount of time per board, per committee and per management team that the director oversees.

The highest aggregated construct for this question was ‘time constraints’ at a frequency rate of 10 counts. The second highest constructs, both with a frequency rate of seven, were ‘conflict of interest’ and ‘conflicting schedules’. Two out of the three highest constructs refer to time constraints whereas one focuses on director independence. This indicates that the top challenge for multiple board directors is time.

Accordingly, BD1 explained the importance of assessing one’s capacity before considering to take up another initiative such as a board directorship. It could take only one more board commitment to have a destabilising affected across all directorships one holds.

“My rule of thumb is that when I take on something new I must drop something. Or like in the case of Company A I dropped three things because I was a chairman and it was a complex thing at the time. So the first thing is to be honest with yourself that you have the time and the willingness to accommodate”.

Another Participant who shared a similar viewpoint was Participant BD4 who stressed “I think the first thing is making sure you understand your time commitments”, further adding that

“I think you can wing it for one or two but you can't... You know, for people to recommend [you] to others, it means you have something to offer and I will say then, [it is advisable to] have a threshold for yourself where you're gauging whether you're offering what was sold to the people and that's what should stop you, not a number [of boards but rather your own threshold aligned to your capacity]”.

Directors are expected to serve the board effectively. Ntim (2013) argues that ‘effective contribution’ is only present when directors have the capacity and skills to effect quality monitoring, advising, decision making and reducing the expropriation of company resources and wastage. Effective director contribution is important because it enhances the performance of the organisation and also balances the interests of internal and external stakeholders (Ntim, 2013). Therefore, the director’s capacity to perform their duties is very important as it will help drive effectiveness of the director.

Effective governance is also contingent on the national and sectoral requirements and constraints, which are context dependent (Clark & Brown, 2015). The study by Clark and Brown (2015) goes on to confirm that differences will always be present across countries; coupled with the size of the business sector, relative quality, its norms and values, will always help inform considerations by the board of directors, perhaps especially in emerging market economies. In South Africa, as elsewhere, its particular institutional,

cultural and legal frameworks will help shape the role of the board of directors (Clark & Brown, 2015).

In their study, Lei and Jie Deng (2014) described the supply constraints in the market for qualified independent directors, which would lead to directors being expected to serve multiple boards. In turn, multiple board directorships would increase the number of 'overlapping independent directors' which would threaten the independence of directors (Lei & Deng, 2014). In Hong Kong, Lei and Deng (2014) found that independent non-executive directors had committed to too many directorships. Their study observed that multiple directorships would "...compromise their ability to devote sufficient time and energy to their duties" (Lei & Deng, 2014).

Equally the dedication effect suggests that busy directors are faced with time and resource constraints which reduce their ability to effectively contribute (that is, dedicate adequate time and resources) to the board (López Iturriaga & Rodríguez, 2014).

6.5.1 Advising multiple board directors on effectiveness

The highest construct for this question was 'create the capacity to take on the new board membership' at a frequency of six followed closely by the construct 'research the company and know what you are getting into', with a frequency rate of five. These two constructs highlight some of the key determinants to decision making that determine whether or not the director will become effective on the board.

According to López Iturriaga & Rodríguez (2014), busy directors are perceived to hold a higher reputation effect. But beyond a certain threshold (Ferris et al., 2003), the busyness effect will increase agency costs and reduce director effectiveness. This study postulated a strong correlation between director effectiveness and director capacity. When director capacity is reduced, directors are expected to be less effective (Ferris & Jagannathan, 1999) in their management and oversight role, engaging stakeholders, bringing resources to bear and identifying institutional voids. In sum, they will fall short in their contribution to firm success (Ferris et al., 2003).

In this vein, CS3 put forward that

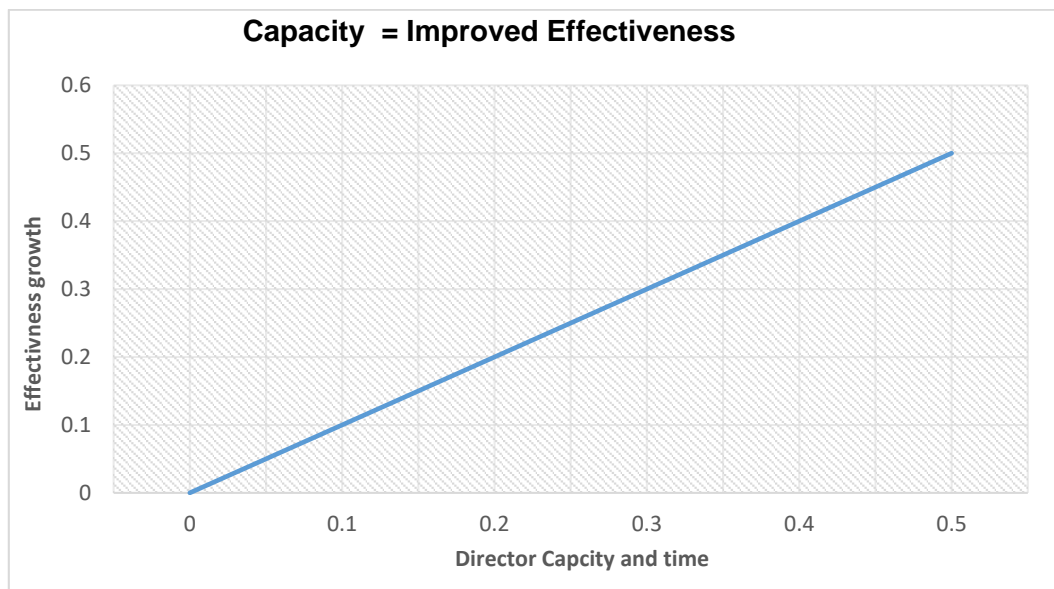
"knowing what the company's about, knowing the risks that are impacting the company. And it's very difficult when you sit on a lot of boards to be in tune with what's happening with the company, the risks the company is facing. So it's definitely something to consider, you ultimately need to ensure that you will be able to put the shareholder as well as the company at a priority level".

6.5.2 Conclusive results from Research Question 3:

It is evident from the findings in Chapter 5 that there is consensus around time being the biggest challenge for multiple directorships. This aligns to the findings by Fich and Shivdasani's (2009) who concluded that the busyness hypothesis is negatively associated to the effectiveness of directors who sit on multiple boards.

Other studies that agree with the busyness hypothesis (Fich & Shivdasani, 2006) identify company performance largely in financial terms, measuring board of directors' influence against financial performance. (Ahn et al., 2010; Elyasiani & Zhang, 2015; Ferris et al., 2003; Fich & Shivdasani, 2006; Lei & Deng, 2014; Sharma & Iselin, 2012). According to these findings, a busy director negatively impacts the financial returns of the companies they serve.

Figure 7: Relationship between capacity and effectiveness



6.6 RESEARCH QUESTION 4: Do boards in South Africa apply a formal recruitment process when looking to appoint directors to the board or is it based on relationships?

This question raises a critical issue around the process of recruitment applied when appointing directors. Internationally and in South Africa, recruitment is still heavily reliant on the existing directors' network when appointing new directors. In the case where a potential candidate is less networked, they may never get appointed as a director. This question aims to understand the board members' and board experts' view on the process of recruitment and if this can or should be improved.

The researcher was expecting that directors were recruited mainly through the network and relationships that the other board members had. The researcher did not expect that formal board director recruitment processes existed nor that recruitment agencies would hire on behalf of the board.

The highest construct for this question was that 'recruitment performed through the use of trusted networks' with a high frequency of 12. The second highest was that recruitment was being done through the use of recruitment agencies at a frequency of 9, indicating a growth in using agencies to recruit directors.

The majority of participants indicated that they believed recruitment was performed through the use of trusted networks of the existing board members, emphasising the importance of belonging to a network – or risk never being recommended as a potential board member. As Participant BD1 stressed

“Because I think you do trust the networks and more I think I say it is a combination of both as far as I’m concerned. I strongly urge that you do both that you get a professional to handle the appointments and I’m talking about EXCO level and the board level. Board recruitment itself”.

In support of this viewpoint Participant BD2 added “So most of the boards have a decent network. And they would say ‘so and so’s’ retiring we need another member, we would prefer a black female”.

According to resource dependence theory, boards of directors are expected to maintain external networks such that it benefits the organisation in attaining access to these limited resources (Chakrabarty & Bass, 2014). The success of the organisation is thus dependent on the board’s ability to build relevant networks in the necessary industries to gain access to resources that the firm needs to operate. Because of this requirement to network externally, which is heavily incumbent on board members, the directors would often find that they have a relatively good network outside of the organisation.

CS4 states

“one would be naïve to think that the old school or the old boy network doesn’t work. Of course it does. ...I would imagine that if you had to look at every director who sits on a public listed company board in south Africa, I would imagine that at least 75% of them have probably been introduced to that board by somebody else on that board who knows them”.

The concept of small world theory, which refers to networked directors adding value in terms of corporate governance, advising on efficient technologies and supporting

innovative compensation structures to the firm (Larcker et al., 2013), is underpinned by a basic assumption that a well-connected director (boasting both formal and informal ties) has superior access to information. And that information helps the director aid strategic decision making (Mizruchi, 1996) and disseminate ideas and knowledge across the firm (Burt, 1980; and Useem, 1984).

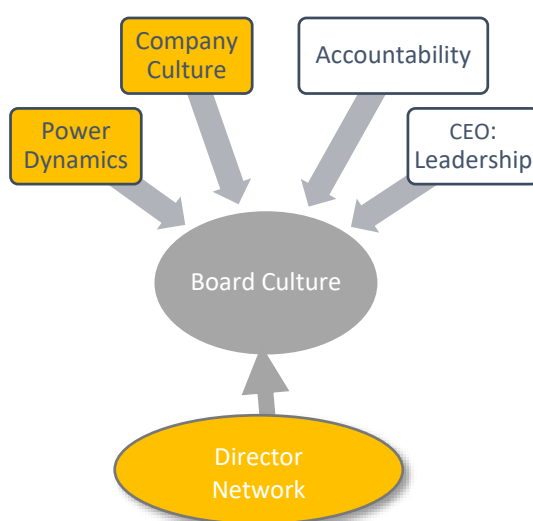
According to resource dependence theory, the board composition may be seen as a response to the external challenges that a firm may face (Salancik & Pfeffer, 1974). In any environment, resources may be scarce and links with other stakeholders and organisations at a premium. Board members who are able to tap into outside links and networks are particularly attractive in conditions of scarcity (Salancik & Pfeffer, 1974).

6.6.1 Conclusive Results for Research Question 4

The conclusive results indicate that the network is still very much a key factor in recruiting directors onto boards. The network however is very much limiting in terms of adding new or different skilled members to the board. It is highly likely that directors would network with people who are similar to them in terms of thinking or in similar careers. As such, this practice is limiting in terms of adding diversity to the board of directors.

Figure 8 indicates the influence that the Director’s network will have on the board’s culture. When the board is heavily reliant on its own network to recruit new board members, it diminishes the diversity in thinking of that board. Scholars who have analysed board composition (Chakrabarty & Bass, 2014; Charitou, Georgiou, & Soteriou, 2016; Kang et al., 2007) put forward that when board directors recruit from their network, they tend to recruit people that are similar to them, hence influencing the overall culture of the board but also diminishing diversity.

Figure 8: The director network influencing culture of the board



CHAPTER 7: CONCLUSION

7.1 Introduction

This chapter first summarises the main findings of this study, highlighting the relevance of the study to the context of South Africa. A 'Board Director Effectiveness' model, devised by the researcher based on the findings of the interviews discussed in Chapters 5 and 6, complemented by the literature review in Chapter 2, is then presented. The chapter concludes with some acknowledgement of the study's limitations as well as recommendation on potentially fruitful areas for further research on the subject of busy directors.

7.2 Principal Findings

The primary purpose of this study was to determine the perceived effectiveness of directors who sit on multiple boards in South Africa. The study aimed to contribute new insights on busy directors and contribute to the growing literature on multiple directorships (Fich & Shivdasani, 2006), which hitherto has largely been neglected in South Africa. By providing a multi-faceted picture of director effectiveness that synthesises a number of key perspectives on this issue from governance experts, company secretaries, and busy directors themselves, this study has highlighted the urgent need for South Africa to align its impressive corporate governance architecture to this persistent trend and advise (if not legislate) accordingly.

Fich and Shivdasani (2006) raised the question of director effectiveness cogently and thoroughly in their study. In examining the limitations directors experienced when they sat on more than three boards, the authors devised the classification 'busy directors'. More recent studies have picked up on their lead and examined how the performance of companies across various industries were influenced by the phenomenon of busy directors.

This study went further. It has contributed a new element to the extant literature by conducting a qualitative analysis in a country – South Africa – where busy directors is a persistent trend but largely unexplored. The uniqueness of this study was based on three factors:

1. The study of multiple board directors and their effectiveness is limited in South Africa

2. South Africa has a unique context which stems from its particular history; as such, the advent of multiple directorships is impacted by legislation which tries to ameliorate ongoing inequalities

3. South Africa has globally recognised governance structures in place; they serve to promote ethical corporate behaviour, but there is ample evidence that the application of the law has been shoddy in parts and sometimes even ignored.

The findings of the study were divided into five main categories which are discussed below.

7.2.1 Director Duties

The study sought to discover if there existed a common understanding of director duties as set out in the King IV and Companies Act of 2008. It was evident in the results that two conflicting views were apparent. The majority of the board directors interviewed agreed that the Companies Act and King IV were not only a good representation of the duties they were expected to perform on the board, but that they also fully understood their duties and enforced the guidelines in their roles as directors of boards. The directors also agreed that the guidelines were simply one guide; experience was an important, supplementary guide.

On the other hand, the company secretaries and governance experts interviewed were of the view that directors of boards, and especially those that are considered 'busy', were not necessarily fully aware of the duties and roles set down in the King IV and Companies Act. The company secretaries shared that in most cases they would provide summaries of the guidelines as and when there were updates, but they could not confidently state that the directors were aware of them. The company secretaries also added that the Companies Act was less detailed in terms of describing the director's duties when compared to the King IV, but only the former was legally binding.

The study indicated that although South Africa's governance frameworks and systems reflected global best practice, there were gaps, which result in some directors still not understanding what is required of them. Directors of multiple boards, this study found, had ample opportunities to 'stretch' their capacity, possibly beyond what is viable because in part King IV is only an advisory mechanism, ie it has no teeth. On the other hand, the issue of capacity was also overlooked by the board when recruiting new directors to the board because, again, less focus was placed on how effective these directors would be in fulfilling their duties.

7.2.2 Director Training

Director Training was considered to be a key aspect that contributes to director effectiveness, both the busy directors (Fich & Shivdasani, 2006) as well as company secretaries. Yet though training was widely perceived as a necessary activity it was not being prescribed and implemented to the extent that one would expect, nor was it a particularly strong focus of boards.

In line with training, the study exposed various complexities to operating and managing a firm in today's business environment. The Complex Adaptive Systems (Ford, 2008) model discussed in Chapter 6 illustrated that the value of 'experience' was in some ways limited by the rapid pace of change, which made being effective on a board a product of continuous learning and training.

As discussed in Chapter 2 of this study, leadership flexibility and adaptability can be studied in many contexts. Mintzberg (1973) identifies that one of the contexts in which leadership can be studied is behaviours – i.e. the behaviour that the leader chooses to enact in different situations. Flexible leadership is necessary as it enables the directors to be agile in today's complex business environment where myriad economic, social and political influences can impact the success of an organisation (Ford, 2008). The requirement to have the agility to manage companies of the future not central to the interviews but all agreed that more directors needed to upskill in this regard.

7.2.3 Director Experience

Chapter 1 clearly describes the 'director experience' effect on South Africa boards. The relative shortage of certain skills and experiences in South Africa resulted in a limited pool from which recruiters to boards could tap. Directors with a high reputation effect will therefore be expected to take up more directorships (Lei & Deng, 2014). South Africa presents a unique example in that, due to its highly unequal historical relationship between its different population groups as well as the advent of legislated transformation post-apartheid, it would be reasonable to assume that the pool of experienced black directors that are readily available to take up board positions is limited.

In the findings the participants all agreed that experienced directors were highly sought after. As such, the probability of inexperienced directors being appointed to a listed board was highly unlikely – except if their technical skill was so unique that it transcended all other considerations. This need to appoint experienced directors feeds into the busy director phenomena due to that fact that directors who are perceived to have a high reputation effect (López Iturriaga & Rodríguez, 2014) would be invited to join multiple boards – to the extent that the director's capacity would be overlooked.

7.2.4 Culture

Board ‘culture’, specifically how it reflects the Chairman’s conduct, came through strongly as an important, underexamined theme during the interviews. During the researcher’s board observation, the importance of culture became even more evident. The board observation took place in one listed company and the researcher was able to draw light to the theme of culture in a practical and theoretical sense. Whilst observing the board, it was evident that the chairman was in full control of the meeting, framing everything from how the directors would present views, the decision making process, the dress code and other formalities. Though several negative experiences of board chairmanship were conveyed during the interviews, it was clear than when board chairs kept their hand firmly on the tiller, ensuring that adequate preparation by all directors was a *sine qua non* of being on the board, it mattered less whether a director was a busy director or not – they were usually effective, they had no other choice.

The table below is a high level summary of the research questions the findings in addition to those discussed above:

Table 7.1: Summary of findings

Research questions	Main Findings
<p>1. How do board directors/members and governance experts understand/describe the board director’s mandate?</p>	<ul style="list-style-type: none"> • The findings concluded that The King IV and Company Act give good guidelines for directors on boards and that it was important for the directors to understand these and use them when to effectively fulfil their duties. • Most directors did not fully understand the duties and therefore their ability to effect them was questionable.
<p>2 Are directors of multiple boards perceived to contribute more value to the board?</p>	<ul style="list-style-type: none"> • The results from this question presented a very high consensus for experience being an important consideration when appointing directors. • This was aligned to the reputation effect meaning that experienced directors were perceived to be of a higher quality and would therefore positively impact the financial performance of the company.

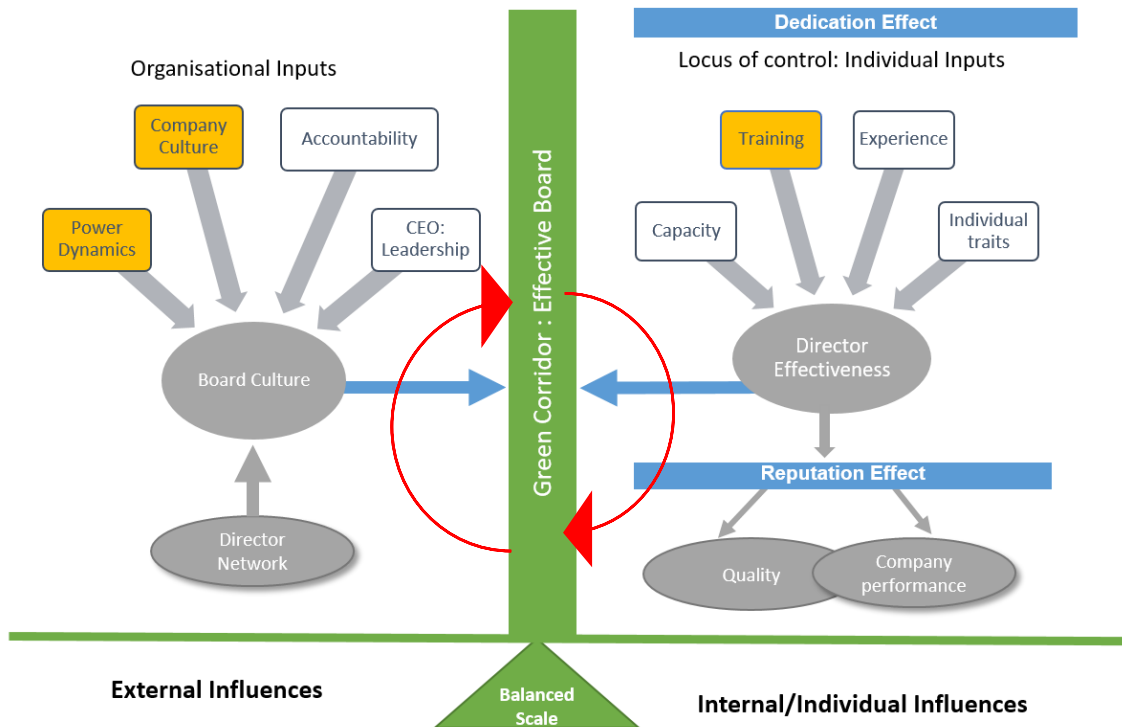
<p>2(b) In terms of board's composition, how important is director experience when recruiting board members?</p>	<ul style="list-style-type: none"> • Directors of multiple boards are perceived to be of a high quality and therefore holding a high reputation, as a result the company benefits from having these directors with 'high reputations' on their boards. • Directors agreed they would look for experience
<p>2 What factors should board directors consider when accepting multiple directorships?</p>	<p>Lack in capacity of directors to sit on multiple boards, and the need for additional support structures to be in place if they should choose to become multiple board directors. It is evident from the findings in Chapter 5 that there is consensus around time being the biggest challenge for multiple directorships.</p>
<p>3 Do boards in South Africa apply a formal recruitment process when looking to appoint directors to the board or is it based on relationships?</p>	<p>The conclusive results indicate that the network is still very much a key factor in recruiting directors onto boards. The network however is very much limiting in terms of adding new or different skilled members to the board. It is highly likely that directors would network with people who are similar to them in terms of thinking or in similar careers and therefore this fact is limiting in terms of adding diversity to the board of directors.</p>

7.3 Implications for Management

The Director and Board Effectiveness model presented below draws on the findings of this study. It hopefully serves as a useful framework to sensitise directors, boards and firms on the need to better understand the complex dynamics around busy directors. The Model attempts to encapsulate the key factors – training, capacity, reputation and experience – that impact director effectiveness, as revealed through the literature review and interviews conducted for this study. The researcher humbly submits that the Model could help inform policy discussions on whether current regulations on busy directors in South Africa are adequate and fit for purpose.

The Director and Board Effectiveness model in Figure 7.1 brings together the different aspects required in trying to achieve effective boards and effective directors of the board.

Figure 9: Director and Board Effectiveness model



Soure: McNamee(2017)

The model is divided into external influences as well as internal influences of the board of directors which impact their relative effectiveness. Most literature (Clements et al., 2015; Fama & Jensen, 1983; Ferris & Jagannathan, 1999; Fich & Shivdasani, 2006; Jiraporn, Singh, et al., 2009; Lee & Lee, 2014) highlighted in Chapter 2 of this study focussed on either one or two key aspects depicted in the director effectiveness model and how it influenced the effectiveness of multiple board directors or the board’s effectiveness as whole. The main shortcoming in these earlier studies is that they take a singular view in trying to identify the cause of diminished effectiveness of directors.

As discussed in Chapter 2 of this study, the board of directors is expected to navigate through dynamic environments which may impact the business. As such, directors should aim to be agile in managing for change. Therefore a simplistic view on only one aspect of the influences to director effectiveness is not sufficient. Figure 7.1 (as developed by the researcher of this study) identifies that director effectiveness is a result of a balanced view of many variables and is not a linear process, as such the Complex Adaptive Systems (Ford, 2008; Mintzberg, 1973) thinking was applied in developing this model.

7.3.1 External Influences

In terms of the external influences identified in the model it identifies the following inputs into board culture:

- Power Dynamics

Chapter 2 identifies that legitimate power is based purely on a person's title and position in an organization (French & Raven, 1959; Hughes & Cotterell, 1999). Legitimate power is very similar to the notion of legitimacy of authority. The chairman of the board ultimately holds legitimate power over the executive management of the organisation and therefore can be said to hold the highest power after the shareholders (Hendry & Kiel, 2004). The chairman therefore plays a significant role which will affect the other inputs identified for the board culture to be that of an effective board (where directors are effective at fulfilling their mandatory duties). Gill (2010) explains that the "influence of emotion and behavior in the quality of thinking" (Gill, 2010) in the boardroom is highly dependent on the chairman of the board. In order to develop a constructive and effective board, the chairman needs to promote a culture of positive thinking which results in positive behavior and thinking.

- Company Culture

Company culture refers how the company's culture can influence the culture on the board. For example a traditionally formal company with also require a traditional formal board.

- Accountability

In terms of accountability, the board of directors ultimately has a fiduciary responsibility to protect shareholders' interests. In protecting the shareholders' interests, directors have to ensure that the business operates in an ethical and sustainable manner, ensuring other stakeholders' interests are being addressed but not to the detriment of the organisation's bottom line impact (Falato et al., 2014).

- CEO Leadership

Through their study they revealed that when CEO's have more power than the board of directors, they tend to hire directors that are similar in thinking to themselves and when the board holds more legitimate power over the CEO a similar behaviour tends to take place; the board will hire directors that are similar to themselves (Westphal et al., 2001).

Director Network

- As identified earlier in this study, the more that board members are appointed from the network, the less diverse the board become in terms of thinking and finding creative solutions. Heavy reliance on board networks can often, however, result in negative outcomes. The literature suggests two key issues in this regard: directors

end up selecting people who are similar to them in thinking and therefore adding very little diversified thinking on the board (Kang et al., 2007)

7.3.2 Internal Influences

The internal influences of the model indicate a number of inputs into director effectiveness which are directly linked to solving the dedication effect (López Iturriaga & Rodríguez, 2014) discussed in Chapter 2 of this study.

The inputs for internal influences of director effectiveness are discussed in greater detail in Chapter 2 of this study and they include

- Capacity of directors to fulfill their duties efficiently (Fich & Shivdasani, 2006),
- Director training (Kajee, 2015; Martin, 2006),
- Relevant experience required to fulfil their duties (Charitou et al., 2016; Gray & Nowland, 2013)
- Individual director traits are aligned to the value and culture of the organization but also the board's culture (Lei & Deng, 2014; Zaccaro et al., 1991)

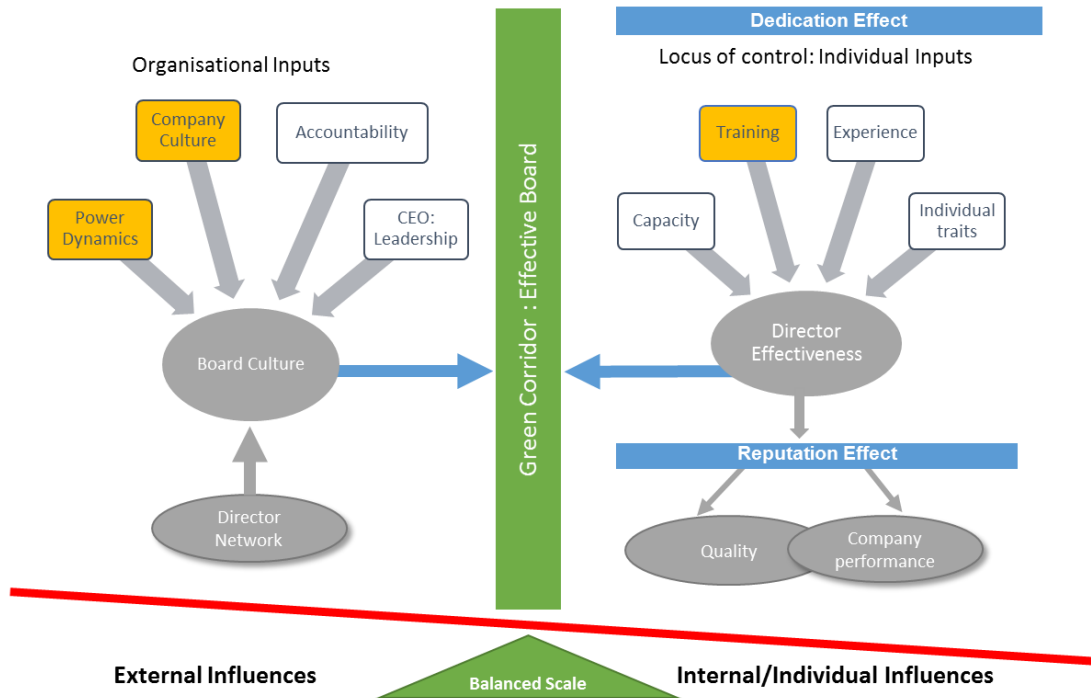
All these inputs have been discussed in Chapter 2 and 6 of this study and the combined effort of these inputs results in balanced director effectiveness.

The outcome of director effectiveness through the specific model is the improved reputation of the board; as such, company financial performance should be enhanced (Chang & Sun, 2016; Jiraporn, Singh, & Lee, 2009).

Both the external and internal influences of the model are input factors into the overall effectiveness of the board of directors. When both the external and internal influences are balanced on the continuum between the external and internal influences, the Green Corridor Effect – which relates to a positive alignment between the director effectiveness and the company board culture – is created, resulting in high board performance. This process is also depicted as a continuous cycle.

The scale is not always balanced, however, as depicted in Figure 7.2 below. In the case where the equilibrium between external and internal influences is lost, it tends to indicate which one holds power over the other. Figure 7.2 indicates that the internal influences are heavier than the external, hence this would indicate a situation where the director has influence of the board and the chairperson is probably not in full control of the board culture, performance and outcomes. In this case, the board would be out of equilibrium and the board would essentially become ineffective.

Figure 10: Director and Board Effectiveness model - out of balance



The model can also be used to depict a case the external influences are off balance and weighing heavier than the internal influences. This would depict that the company culture, power dynamics between the CEO and Chairman is not balanced – where the CEO tends to exert his power over the board – and accountability and CEO leadership are weak. As such it is important to maintain a balance between the External and Internal when managing and leading organizations through challenging economic times where change is constant.

7.4 Limitations of the Research

- *Relevance to all companies versus listed companies*
The study will infer results to JSE listed companies only. The directors in this population will belong to the boards of listed companies South Africa, this limits the ability to infer the results much wider as there are higher expectations on a director who sits on the board of a listed company. Different factors may influence the effectiveness of directors on non-listed boards. Therefore, to gain a greater understanding of the topic, it is recommended that a further study is conducted on non-listed companies in the public and private sector.
- *Director Bias*
The second limitation would be the bias of the directors who sit on multiple boards. Hence it is important to ensure the questionnaire does not lead them to be overly-

defensive or feel offended, rather the questions should aim to open up free flowing conversation where true reflections are shared.

- *Researcher's Board Experience*

The researcher is not a board director and has limited exposure to boards, therefore this poses a limitation on the researcher's behalf to give a lived experience of board effectiveness. The researcher was only able to observe one board meeting but was not able to compare this to other boards to either confirm or disprove some of the emerging themes.

7.5 Suggestions for future research

The outcome of the research would suggest there needs to be further analysis conducted on the relationship between director training and effectiveness. It could be argued that multiple board directors would need specific training to ensure they are equipped to become effective on all the boards they are active on. This would require an in-depth study to determine which aspects of director training would be relevant for multiple board directors.

8. CONCLUSION

This study highlighted that insufficient attention has been paid to a number of factors which bear on the busy director phenomenon, as it relates to the South African context. Issues of capacity, experience, networks and board culture percolated throughout the interviews and merit considerable future research. The study reveals a complex picture of the busy director phenomenon in South Africa. This qualitative study, complemented by a comprehensive review of relevant literature, revealed a highly complex picture of the busy director phenomenon in South Africa. One finding that perhaps emerges most powerfully from the study findings is the heavy prominence that interviewees placed on the value of 'experience' in board director selection. One cautionary note raised by this preponderance of attention on experience is that some firms overlook the vital issue of capacity. When seriously compromised, capacity deficits of board directors can have a hugely negative impact on the performance and functioning of boards and organisations. That said, although limitations on busy directors have been imposed in other regions such as Europe and North America, this study found that the particularities of the South African context may make similar restrictions unwarranted – at least for the time being – owing to the relative scarcity of certain skillsets and experiences within the current pool of potential board directors.

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8. APPENDICES

Appendix 1: Research questionnaire for Multiple Board Directors

Name:

Organisation:

Job Title:

Date:

Dear Multiple Board Director

Thank you for participating in this exploratory study of board directors in South Africa. I really appreciate your time and input into this research.

The title of this research is “Factors that influence perceived effectiveness of directors on multiple boards” The purpose of the study is to explore what extrinsic and intrinsic factors influence the effectiveness of directors who sit on more than three boards.

This interview is conversational and exploratory. I would like to encourage you to speak openly and to trust that the information shared during this interview will be confidential and you will remain anonymous. I will be following an ethical process to ensure your confidentiality during the interview and post our discussion.

Before we begin, may I ask you to please sign the consent form and can you please confirm that you are happy for me to record the interview using an audio recording device?

Question 1:

What is your definition of a board director’s Mandate in South Africa?

Question 2:

Could you kindly share with me your director experience to date?

Question 3:

What have been some of the key factors that influenced your success as a director on multiple boards?

Question 4:

What have been some of the risks you have had to face as a result of being on multiple boards?

Question 5:

When you are invited to join a board, what do you consider before accepting or declining?

Question 6:

In your opinion, does board experience matter when appointing a skilled person to a JSE company?

Question 7:

What are your most challenging factors with having to sit on multiple boards?

Question 8:

What is your maximum limit in terms of boards you will serve at one time and why?

Question 9:

How does one get appointed to a board in South Africa, is it formal or informal?

Question 10:

How do you recommend we increase the pool of skilled directors in South Africa

Appendix 2: Research questionnaire for Company Secretaries

Name:

Organisation:

Job Title:

Date:

Dear Company Secretary

Thank you for participating in this exploratory study of board directors in South Africa. I really appreciate your time and input into this research.

The title of this research is “Factors that influence perceived effectiveness of directors on multiple boards” The purpose of the study is to explore what extrinsic and intrinsic factors influence the effectiveness of directors who sit on more than three boards.

This interview is conversational and exploratory. I would like to encourage you to speak openly and to trust that the information shared during this interview will be confidential and you will remain anonymous. I will be following an ethical process to ensure your confidentiality during the interview and post our discussion.

Before we begin, may I ask you to please sign the consent form and can you please confirm that you are happy for me to record the interview using an audio recording device?

Question 1:

In your opinion and experience, do directors who sit on multiple boards add more value to the board?

Question 2:

What do you think some of the challenges of sitting on multiple boards are?

Question 3:

What recruitment processes are followed when recruiting directors in South Africa?

Question 4:

In your experience, how much preparation should go into a board meeting?

Question 5:

Do multiple board members chair the same number of committees as those who are members of three and less boards?

Question 6:

Have you seen a growth in terms of the average number of boards that directors simultaneously belong to in South Africa?

Question 7:

(If more than three) what in your has caused this spike and what should the ideal average be?

Question 8:

If you had a choice between recruiting a multiple board director and new inexperienced but skilled director who would you choose and why?

Question 9:

What risks does the company face when they have directors who serve multiple boards and how do they mitigate these risks?

Appendix 3: Research questionnaire for Board Governance Experts

Name:

Organisation:

Job Title:

Date:

Dear Board Governance Expert,

Thank you for participating in this exploratory study of board directors in South Africa. I really appreciate your time and input into this research.

The title of this research is “Factors that influence perceived effectiveness of directors on multiple boards” The purpose of the study is to explore what extrinsic and intrinsic factors influence the effectiveness of directors who sit on more than three boards.

This interview is conversational and exploratory. I would like to encourage you to speak openly and to trust that the information shared during this interview will be confidential and you will remain anonymous. I will be following an ethical process to ensure your confidentiality during the interview and post our discussion.

Before we begin, may I ask you to please sign the consent form and can you please confirm that you are happy for me to record the interview using an audio recording device?

Question 1:

How many directors on JSE listed companies are trained by IoDSA?

Question 2:

Should directors be regularly assessed/audited to ensure they are fulfilling their fiduciary duties?

Question 3:

What is the average number of boards directors sit on in South Africa?

Question 4:

What skills, experience does a director of a JSE listed company need?

Question 5:

Should directors be regulated in terms of the number of boards they can sit on?

Question 6:

What in your opinion are some of the biggest challenges South African companies are faced when it comes to board governance?

Question 7:

What are some of the main issues on governance have you picked up in South Africa?

Question 8:

Should King be considering multiple directorships as an issue and why?

Appendix 4: Invitation Email to Participants

Dear Participant

I am Corporate Affairs Executive pursuing an MBA with the Gordon Institute of Business Science (Gibs); Pretoria University. I am hoping to schedule a 45 to 60 minute interview with you as part of my research study. My research area falls within the board governance and I am specifically looking at the advantages and challenges of serving on multiple JSE listed boards in South Africa and hoping to build a framework that guides directors on what to consider when joining multiple JSE listed boards.

I would also like to declare that I am under the research supervision of Dr Tendai Mhizha who is a faculty member at the University.

The interview can take place in the form of a Skype or telephone interview or face-to-face, as best suits you. I am also attaching an interview guide to frame the topic and the interview as well as my Research Proposal should you be keen for more detail. As far as I know this will be pioneering in a South African context and it would be impactful to have you as a participant in this initiative.

May I ask for your response be it positive or not within 72 hours of this email, and thank you for your consideration.

Kind Regards

Mpho McNamee

Corporate Affairs Executive and MBA Student

Contact Details:

Email: mpho.lethoko@gmail.com

Mobile: 083 454 7481

Appendix 5:

CONSENT FORM

Researcher: Mpho McNamee, Gordon Institute of Business Science, MBA

Name of Participant: _____

Organisation of Participant: _____

1. I confirm that I understand what the research is about and that I have had the opportunity to ask questions
2. I understand that my participation is voluntary and that I can withdraw at any time without giving reason
3. I agree to take part in the research
4. I agree to my interview being audio recorded
5. I agree to the use of anonymised quotations in publications

Participant's Name: _____

Signature:

Researcher's Name: _____

Signature:

Date: _____

2012)

(Saunders & Lewis,

Appendix 6:

Gordon Institute of Business Science

University
of Pretoria

10 August 2017

Mpho McNamee

Dear Mpho,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data conditional to the below:

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

Appendix 7: Consolidated Constructs

Rank	Constructs [Consolidated]	Frequency
1	Yes, different Industry experience contributes to board diversity and brings different perspectives	13
2	It depends on how seriously the individual takes their job	8
3	Not necessarily - some board members take on more work than they can manage	6
4	Not necessarily - experienced people sometimes do not add value	5
5	Experience enforces governance and adherence to scheduled meetings	2
6	Single board members come to meetings unprepared	1

Rank	Constructs [Consolidated]	Frequency
1	Minimum recommend 3 boards	6
2	Not about the number of boards but about work ethic and commitment	5
2	Four or more boards	5
4	Depends on individual capacity	3
5	It depends on how many subcommittees one is involved in	2
6	2-3 boards	2
7	Sitting on More than one board benefits the board	2
8	Maximum 6 boards	1

Rank	Constructs [Consolidated]	Frequency
1	Both experience and skills are valuable	6
2	Director experience brings diversity to the board	5
3	Director experience provides guidance for the board member	3
4	The ability to think independently and objectively are equally important	3

Rank	Constructs [Consolidated]	Frequency
1	Time constraints	10
2	Conflict of interest	7
3	Conflicting schedules of different board sittings	6
4	Inadequate preparation time because board packs arrive late	3
5	Not fulfilling duties	3
6	Keeping abreast with latest trends in the different industries	1
7	Having oversight of board member performance	1

8	Busy schedule compromises family time and quality of life	1
9	Costs spiral out of control	1

Rank	Constructs [Consolidated]	Frequency
1	Create capacity to take on the new board membership	6
2	Research the company and know what you are getting into	5
3	Potential candidates must evaluate the team / company to be joined (incl. alignment of values)	4
4	Ensure the candidate is the right fit for the board	3
4	Objectivity and independence are key skills to look out for	3
6	Have an in-depth understanding of the Companies Act and Board Regulations	2
7	Consider IoD or similar memberships for exposure	2
8	Candidates must be knowledgeable in order a good impression	2
9	Have the ability to form and maintain good relationships with team	1
10	Be prepared to be a part of an extended network	1
11	Be open to learning and set aside adequate preparation time	1
12	A well rounded diverse team is of the essence	1
13	Self-evaluation of ones readiness for the role	1

Rank	Constructs [Consolidated]	Frequency
1	Yes - Gender transformation is important	8
1	Yes - Racial transformation is important	8
2	Yes - However getting the best candidate for the job is key	3
2	Yes - However some companies are struggling with the implementation of transformation	3
5	Yes - Age diversity is important	1
6	Mixed views - some boards are not mature enough	1
7	Transformation not a priority for some multinationals	1

Rank	Constructs [Consolidated version2]	Frequency
1	Recruitment performed through the use of trusted networks	12
3	Recruitment performed through the use of head-hunting firms	9
2	Recruitment performed through Talent Recognition within Companies	1