

Role of boards in strategic oversight of State-Owned Enterprises in South Africa

< 26403243 >

A research project submitted to the Gordon Institute of Business Science, University of Pretoria,
in partial fulfilment of the requirements for the degree of Master of Philosophy (in Corporate
Strategy).

<24 November 2025>

ABSTRACT

In South Africa, State Owned Enterprises (SOEs) are confronted with various challenges including financial mismanagement, poor performance, corruption, high debt all of which require bailouts from government on regular basis. Most of the challenges are attributed to governance failures emanating from lack of oversight and non-functional monitoring systems. Despite the fact that strategic oversight is a core function of board of directors entrusted with the function to oversee the functioning of SOEs, it remains unclear as to how do boards of directors discharge the fiduciary responsibility of oversight function over strategy implementation on SOEs. Thus, the research was aimed at determining how boards are providing strategic oversight over strategy implementation in SOEs. A qualitative research strategy using interpretive paradigm with a case study design was adopted for the study. The scope of the research was limited to Schedule 2 SOEs in South Africa across different sectors covering energy, transport, construction, development finance and agricultural finance. Data was collected through semi-structured interviews with twelve (12) participants, including current and previous board members and executive directors with at least three (3) years of experience at a board level from the selected SOEs. The data collected for the study was analysed using a thematic content analysis approach to identify emerging themes related to board strategic oversight.

The research findings demonstrate that strategic oversight is a multifaceted and dynamic function that extends beyond the theoretical and legal prescripts. Boards execute this function through a holistic approach focused on mandate fulfilment. Oversight is primarily discharged through establishing functional governance structures including board committees, where board members actively engage the executives on the financial and non-financial performance of the SOEs on a continuous basis. A unique empirical finding demonstrates that boards often adopt a hands-on approach, where boards get involved in operational activities when there are capacity constraints, suggesting a practical role of boards as primary engine for effective strategic oversight. The research demonstrates that effective oversight function is dependent on three factors, the execution of the oversight function, the competency and integrity of the board members, and the political and regulatory environment. Key barriers affecting boards from effectively discharging their oversight function include political interference, incompetence of some board members, bureaucracy and regulatory red tape. The current appointment process of board members is perceived to be highly political, as candidates with no requisite skills and experience often get appointed to serve in boards. The study highlights that for the boards to discharge their fiduciary responsibility of strategic oversight on SOEs, the regulatory environment and competency of board members must be addressed.

Keywords

Board strategic oversight, strategy implementation, board of directors, State-Owned Enterprises, Corporate Governance.

Declaration

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

Date: 24 November 2025

Contents	
ABSTRACT	ii
Keywords	iii
Declaration	iv
ACRONYMS	8
CHAPTER 1: DEFINITION OF PROBLEM AND PURPOSE	9
1.1 Introduction	9
1.2 Background of the research problem	9
1.3 Description of the problem	11
1.4 Research objectives	11
1.5 Business and theoretical need for the research	12
1.5.1 Theoretical relevance for the research	12
1.5.2 The business relevance for the research	13
1.6 Scope of the research	14
1.7 Structure of the research	14
1.8 Conclusion	15
CHAPTER 2: LITERATURE REVIEW	16
2.1 Introduction	16
2.2 State Owned Enterprises Overview	16
2.3 Legislative Frameworks governing SOEs in South Africa	18
2.3.1 The Public Finance Management Act (PFMA)	18
2.3.2 The Companies Act	19
2.3.3 King Code of Corporative Governance	20
2.4 The Agency Theory	20
2.5 Role of boards in executing strategy oversight on strategy implementation	21
2.6 Factors enabling effective board oversight on strategy implementation	24
2.6.1 Board Strategic oversight governance structure	25
2.6.1.1 Parliament	26
2.6.1.2 The Executive Authority	26
2.6.1.3 Board of Directors	27
2.6.2 Skills, competencies and expertise of board members	27

2.6.3	Nomination and selection of board members	28
2.6.4	Board independence	29
2.6.5	Board tenure	29
2.6.6	Barriers and challenges to effective board oversight	30
2.7.	Conclusion	32
CHAPTER 3: RESEARCH QUESTIONS.....		33
3.1.	Introduction	33
3.2	Research question 1	33
3.3	Research question 2.....	33
3.4	Research question 3.....	33
3.5	Conclusion.....	34
CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN		35
4.1	Introduction	35
4.2	Research strategy and paradigm	35
4.3	Research design	36
4.4	Population.....	37
4.5	Level of analysis and Unit of analysis	37
4.6	Sampling method, sample size, sampling frame and criteria	38
4.7	Research instrument	39
4.8	Data gathering process	40
4.9	Data analysis approach	42
4.10	Reliability and Validity or transferability of the research	44
4.11	Ethical clearance	45
4.12	Limitations of the research	46
4.13	Conclusion.....	46
CHAPTER 5: RESEARCH FINDINGS		47
5.1	Introduction	47
5.3	Findings for Research Question 1	48
5.3.1	Understanding of board strategic oversight function	48
5.3.1.1	Dependent on the institution	48
5.3.1.2	Holistic oversight.....	49
5.3.1.3	Mandate fulfilment	50

5.3.2	Views on how strategic oversight ought to be discharged	51
5.3.2.1	Monitoring of Executive Performance.....	51
5.3.2.2	Regular engagement with executives	52
5.3.3	Board of directors' strategic oversight in practice	53
5.3.3.1	Governance.....	53
5.3.3.2	Board committees.....	53
5.3.3.3	Board composition and independence	56
5.3.3.4	Performance management	57
5.3.3.5	Overseeing strategy development and review.....	58
5.3.3.6	Oversee appointment process of executives	60
5.3.3.7	Crisis intervention	60
5.3.4	Conclusion for question 1	61
5.4	Findings for Research Question 2	62
5.4.1	Process followed in board members' appointment	62
5.4.1.1	General practice.....	62
5.4.1.2	Political process	64
5.4.1.3	Nominations.....	67
5.4.1.4	Head-hunting	67
5.4.1.5	Advertisements	68
5.4.1.6	Referrals.....	69
5.4.2	Requisite leadership competencies for board members.....	69
5.4.2.1	Governance.....	70
5.4.2.2	Exposure in boards	70
5.4.2.3	Executive leadership	71
5.4.2.4	Negotiation and critical thinking	72
5.4.2.5	Business and technical skills.....	72
5.4.2.6	Directorship training.....	74
5.4.2.7	Ethics	74
5.4.3	Critical skills and experience required.....	74
5.4.3.1	Relevant academic qualifications	75
5.4.3.2	Experiential learning.....	76
5.4.3.3	Financial skills	76

5.4.3.4	Legal background	77
5.4.3.5	Audit, risk and compliance	77
5.4.3.6	Labour relations.....	78
5.4.3.7	Sector knowledge	78
5.4.4	Conclusion for question 2	79
5.5	Findings for Research Question 3	79
5.5.1	Factors preventing board of directors to fully provide oversight function in SOEs.....	79
5.5.1.1	Political interference.....	80
5.5.1.2	Bureaucracy	82
5.5.1.3	Regulatory red tape	83
5.5.1.4	Incompetence of Directors	84
5.5.1.5	Multiple misalignments.....	85
5.5.1.6	Conflict of interest	85
5.5.1.7	Directors workload	87
5.5.2	The root causes of these challenges	87
5.5.2.1	Political parties' interests	88
5.5.2.2	Board members' careerism	88
5.5.2.3	Lack of shareholder support	89
5.5.2.4	Limited strategic thinking.....	89
5.5.2.5	No boundaries between board and management.....	90
5.5.3	Remedial actions to address these challenges	91
5.5.3.1	Enhancing parliamentary oversight.....	91
5.5.3.2	Adherence to the constructs of oversight function.....	92
5.5.3.3	Board independence	92
5.5.3.4	Maintenance of boundaries	93
5.5.3.5	Implementing board member performance contracts	94
5.5.3.6	Board members training.....	95
5.5.3.7	Improving the recruitment process.....	96
5.3.4	Conclusion for question 3	97
5.6	Chapter Conclusion	97
CHAPTER 6:	DISCUSSION OF RESULTS	99

6.1	Introduction	99
6.2	Discussion of research question 1: Strategic Oversight in Practice	99
6.2.1	Understanding of board strategic oversight function	100
6.2.2	Views on how strategic oversight ought to be discharged	102
6.2.3	Board of directors' strategic oversight in practice	103
6.2.4	Summary of findings of research question 1	109
6.3	Discussion of research question 2: Competencies and Appointment Process	110
6.3.1	Process followed in board appointments	110
6.3.2	Requisite leadership competencies for board members appointments	113
6.3.3	Critical skills and experience required	116
6.3.4	Summary of findings for research question 2	119
6.4	Discussion of research question 3: Barriers, Root Causes and Remedial Actions	119
6.4.1	Factors preventing board of directors to fully provide oversight function in SOEs	120
6.4.2	Root causes of these challenges	123
6.4.3	Remedial actions to address these challenges	125
6.4.4	Summary of findings for research question 3	127
6.5	Conclusion	128
	CHAPTER 7: CONCLUSION AND RECOMMENDATIONS	129
7.1	Introduction	129
7.2	Principal Conclusion	130
7.2.1	How boards of directors execute strategic oversight on strategy implementation	132
7.2.2	Requisite competencies and appointment process followed for boards	134
7.2.3	Barriers, root causes for effective strategic oversight and remedial actions	135
7.3	Theoretical contribution	137
7.4	Business implications	137
7.4.1	Legislators	137
7.4.2	Executive Authority	138

7.4.3 The Boards.....	138
7.5 Limitations of the study.....	139
7.6 Suggestions for future research	139
7.7 Conclusion.....	140
REFERENCES	141
ANNEXURE A: CONSISTENCY MATRIX	152
ANNEXURE B: ETHICAL CLEARANCE	153
ANNEXURE C: INFORMED CONSENT FOR INTERVIEWS	154

LIST OF FIGURES

Figure 1: Governance structure of State-Owned Entities in South Africa	25
Figure 2: Conceptual framework for effective strategic oversight	131

LIST OF TABLES

Table 1: Outline of the research report chapters	14
Table 2: Interview protocol	40
Table 3: Summary of research participants	47

ACRONYMS

ACRONYM	DESCRIPTION
APP	Annual Performance Plans
CEO	Chief Operating Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
GDP	Growth Domestic Product
HCR	Human Capital and Remuneration
IoDSA	Institute for Directors in South Africa
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicator
MOI	Memorandum of Incorporation
NOMCO	Nominations and Compensations Committee
OECD	Organisation for Economic Co-operation and Development
OEMS	Original Equipment Manufacturer
PFMA	Public Finance Management Act
PRASA	Passenger Rail of South Africa
SAA	South African Airways
SABC	South African Broadcasting Corporation
SOE	State Owned Enterprise
SOEs	State Owned Enterprises
SONA	State of the Nation Address

CHAPTER 1: DEFINITION OF PROBLEM AND PURPOSE

1.1 Introduction

A significant function of corporate governance is strategic oversight. Although this role is considered crucial and must be performed by board of directors, many institutions seem to give it less attention. Therefore, this chapter will provide a background of the research problem while trying to gain a deeper understanding of how strategic oversight is undertaken in State Owned Enterprises (SOEs) in South Africa and what gaps exist in how it is performed. Furthermore, the chapter will also highlight the research objectives, informed by the business and theoretical need for the research. Lastly, it will also highlight the research scope and structure of the report.

1.2 Background of the research problem

Different countries define SOEs differently. The OECD (2017) highlights that an SOE is any entity that is acknowledged as an enterprise under national law in which ownership and management are exercised by government. Richmond et al. (2019) notes that many developing and emerging nations, strategically establish SOEs to achieve certain economic and social outcomes. They are mainly found in strategic industries ranging from infrastructure, energy, finance and extractives (OECD, 2024). Although the achievement of socio-economic outcomes seems to be the primary purpose of establishing SOEs, Baum et al. (2024) asserts that the establishment of SOEs is also driven by the need to address market failures while attaining social outcomes in a cost-efficient manner. Additionally, governments establish SOEs like Development Finance Institutions as instruments to drive infrastructure development in fulfilment of their public policy objectives as stated by Xu et al. (2021, pg. 271). Such policy objectives may include policy reforms in relation to pressing issues like reduction of carbon emissions (Ocampo & Ortega, 2020, pg. 3).

In SOEs, government holds more than 50% of the shares, either directly or indirectly (Chitiga-Mabungu et al., 2021). Despite this configuration, the SOEs operate independently from the public administration (Dragomir et al. 2021). As such, they are required to have board of directors that serve as the accounting authorities of the entities. Bakhtiyarovich (2025) indicates that the accountability of board members and financial performance of the SOEs is influenced by the level of autonomy given by the state. Despite being able to operate independently from government, many SOEs are criticised for their poor performance and low productivity (Khambule, 2025). With the largest portfolio of about 300 SOEs, South Africa is one of the largest countries with SOEs globally (Balbuena, 2014). Whilst Adebayo & Ackers

(2022) argues that South African SOEs have good corporate governance practices in place, when compared with SOEs to other countries, they confirm that SOEs in Singapore are better governed than SOEs in South Africa. This finding may perhaps suggest why SOEs in South Africa have been mired in serious challenges particularly on corporate governance.

The precarious state of SOEs is confirmed by Marimuthu (2020) where it's highlighted that the South African SOEs have been receiving ongoing negative media publicity for performing poorly. It is mentioned that most of these enterprises are unable to meet their financial obligations, and they constantly find themselves in precarious financial positions. Nyatsumba & Poole (2021) states that the African Airways (SAA) has been limping between various turnaround strategies for several years, with little to no success. As a result, SAA has been one of the SOEs bailed out by government because it is struggling financially. However, it is not the only SOEs that has been bailed out, other SOEs who have received bailouts include Eskom and the South African Broadcasting Corporation (SABC) (Diko, 2019). Noting that their underperformance is not only a threat to the fiscus, but most credit rating agencies have also expressed a concern on these SOEs and indicated that they pose a major threat to an economy struggling like South Africa (Daily Maverick, 2024). While it seems that the efforts in place to help these SOEs to turnaround are not yielding the desired outcomes, this begs the question of what role does board of directors play in strategy implementation.

Certainly, the dire situation in the South African SOEs landscape is too small to ignore, because of the implications it has on the society at large. Hence President Ramaphosa has acknowledged this challenge in his 2025 State of the Nation Address (SONA) saying that our SOEs are facing several challenges including high debt, shortage of skills, inadequate infrastructure investment and the effects of state capture (SONA, 2025). The President added that government is continuing to implement the reforms of the SOEs in the country so that they can fully discharge their economic and social obligations. This will involve the implementation of new models to improve entity oversight and governance.

Although government is upbeat about improving the situation in SOEs, Nyatsumba & Poole (2021) states that despite the implementation of turnaround strategies, SOEs in South Africa continue to poorly perform, suggesting there may be problems in how they are governed. While most of these non-performing SOEs are under the control of board of directors, it remains unclear as to how are boards carrying out strategy oversight on the implementation of strategies. According to the OECD (2011), the ongoing pressure to improve the SOEs performance forms part of the interest to focus on SOE boards. It should be noted that the increased focus on SOEs is not only unique to SOEs in South Africa, the need for

improved SOEs performance also exist in countries that have long functioned with SOEs that were expected to perform in a commercial manner.

1.3 Description of the problem

Beshlawy & Ardroumli (2021) notes that in the wake of recurring corporate scandals and the collapse of corporations, the role of boards of directors is becoming more relevant, evolving and on the spotlight. Within the SOEs environment, failures are attributed to the lack of oversight and non-functional monitoring systems. This is notwithstanding the fact that De Masi et al. (2020) notes that one of the key functions of boards is strategic oversight. However, Boivie et al. (2021) contends that, in many instances, the definitions of the role and functions of boards oversight, are primarily derived on empirical models or explicit theories that force presumptive behaviours onto boards. Hence the question of what boards do or should do in relation to strategic oversight over strategy implementation, remains a central focus in governance research (Boivie et al., 2021). As such, it is important that this research consider directors' views on the role they play on strategic oversight of strategy implementation of SOEs and how it lends itself to the failures or successes of SOEs.

1.4 Research objectives

According to the Public Finance Management Act (1999), it is expected that the board of directors for SOEs act with honesty, fidelity and integrity in the best interests of the SOEs they are managing. In this regard, the overall objective of this study is to determine how the boards are discharging their fiduciary responsibilities when providing strategic oversight on strategy implementation of the SOEs. Informed by this objective, the study sub-objectives are as follows:

- a) To determine critical factors that enables the effective provision of board oversight on strategy implementation.
- b) To establish any critical and relevant competencies required by board members to enable them to discharge their function on strategic oversight on strategy implementation.
- c) To identify any barriers that affect boards of SOEs in relation to discharging effective strategic oversight function on strategy implementation.

Therefore, to achieve the main research question and the sub questions listed above which will help to achieve the research objectives of this study, the following key questions are asked. "How do boards of SOEs discharge strategic oversight of strategy implementation? As

informed by the board directors, what are the main factors and barriers to effective strategy oversight?

1.5 Business and theoretical need for the research

1.5.1 Theoretical relevance for the research

Successful organisations depend on strategies that are well crafted to manage the intricacies of the constantly changing business environment. But implementing these strategies calls for an effective administration and oversight (Oduor, 2024). Mutize & Tefera (2020) claim that there has been an increase in the number of SOEs that are failing to perform in South Africa when compared with those that are doing well. Amongst the reasons attributed to the SOEs failures, is the lack of oversight and non-functional monitoring systems. This is notwithstanding the fact that SOEs play a significant role in national economies, balancing public governance and corporate efficiency (Bakhtiyarovich, 2025).

Klarner et al. (2021) states that overseeing corporate strategy is a fundamental role for board of directors. Whilst in the centre of corporate governance are board of directors, a principle commonly agreed to by most policy makers and scholars (Federo et al., 2020). However, literature still has differing views on the board of director's role. Watson & Ireland (2021) argues that there is normally an expectation that boards will be involved in the formulation of corporate strategies, but there is limited information on how boards oversee strategy execution (Abalaka et al., 2023). This is notwithstanding the fact that most organisational outcomes are shaped by the board (Boivie et al., 2021, pg. 01).

To highlight the significance of the board, Zeitlin (2018) indicate that the functions of the boards are changing and growing significantly following the corporate scandals that caused big businesses to collapse. Castellanos & George (2020) suggest that the responsibilities of the boards must entail both internal and external functions, ranging from providing an oversight to the work done by executive management and participating in the firm's strategic direction. To this end, Andres & Vallelado (2008) suggest that a board should be viewed as a key structure for providing an oversight to the conduct of executive managers while advising them on which strategies to implement.

Based on the above-mentioned arguments raised in relation to what the boards should do and should not do, there seems to be varying views, regarding how boards can influence the implementation of strategy implementation in organisations, in particular to SOEs. This gap is highlighted by Dragomir (2021, pg. 06) who state that the boards of most SOEs lack de

facto autonomy because governments appoint most board members, which means they have limited influence on strategic decisions because Politicians can change strategies at will, through change of legislation or lie of command. Boivie et al. (2021, pg. 01) argues that “The question of what boards do, or should do, remains a central focus in governance research from the emergence of modern academic research. Noting the gap, the study will investigate what the board of directors do, in providing strategic oversight for the execution of corporate strategy. Furthermore, given the aforementioned, this research will focus on the topic of role of boards in SOEs in terms of strategic oversight to strategy implementation as argued by Adebayo & Ackers (2021) that conducting more research on SOEs is necessary for a better management of these institutions so as to enhance their competitiveness, while improving their capacity to fulfil their mandates.

1.5.2 The business relevance for the research

Boivie (2021) remarks that learning more about corporate governance policies, and structures to improve the efficacy of an organisation, is the main research for corporate governance research. As hybrid organisations, SOEs contribute significantly to economies through the provision of services and products in domestic and international markets (Dragomir, 2021). In the economy of South Africa, they are a vital part of key economic sectors like transport, mining and energy (Chitiga et al., 2022). Notwithstanding the crucial role, they have in the economy of South Africa, weak or poor corporate governance as reported in various media platforms has largely threatened their impact. Kreye & Ausloos (2021) indicate that when organisations like SOEs fail to perform, its consequences are enormous, and their effects are seen in many facets of society from low economic growth and rising unemployment levels.

Considering the economic impact the SOEs has in society, this study will assist in establishing board strategic oversight functions to ensure effective corporate strategies implementation. Boivie et al (2021) states our understanding of boards and their directors may be enhanced when we study more about what they do based on directors’ implicit views on the work they get to do. Boivie et al. (2021) contends that this is because there may be discrepancies between what academic theories say about the board of director’s role and what directors do. Therefore, conducting this study will be crucial towards understanding the oversight function exercised by the board towards the execution of corporate strategy.

1.6 Scope of the research

The scope of the research is limited to all the schedule 2 SOEs in South Africa as classified in the Public Finance Management Act (PFMA) of 1999. Schedule 2 entities include all those entities expected to generate revenue to fund their operations. Amongst these listed entities is a range of organisations providing services in different sectors such as Transport, Built Environment, Energy and Telecommunications. Most of the entities operating within these sectors, are mainly the largest contributors to the economy of South Africa, therefore the participants considered for this study were current and previous boards of directors, as well as executive directors of the SOEs operating within the sectors mentioned above. Given the role played by the participants identified above in their positions within the SOEs, the research focused on gathering their views based on the experience they have of how boards of directors' exercise strategic oversight on strategy implementation of SOEs. Furthermore, while there are about twenty-one (21) SOEs classified as schedule 2 entities operating on various sectors, a deliberate intent to focus on four sectors was done to make it easy to compare the results of the study.

1.7 Structure of the research

Table 1: Outline of the research report chapters

CHAPTER	DESCRIPTION
Chapter one	Provides a background to the research problem, while also identifying the problem that the research is trying to address supported by a theoretical need for the research as well as a business need for the research.
Chapter two	Provide the literature review of the research by exploring different concepts, theories and literature on the role played by boards of directors in providing strategic oversight provided by on strategy implementation, to support the objectives of this research.
Chapter three	Details the research questions that has been formulated from literature related to the topic researched.
Chapter four	Describes the research methodology followed for the research.
Chapter five	Present the results from the semi-structured interviews conducted for the research while analysing these results.

Chapter six	Discusses the results presented in line with the literature covered in Chapter Two and the research questions covered in Chapter Three.
Chapter seven	Provides the main findings of the research, including its implications to the stakeholders of these institutions, and the limitations thereof with suggestions for future research.

1.8 Conclusion

This chapter has introduced the objective of the study, informed by the research gap identified in the theoretical and business need for the study. Furthermore, the scope of the research is covered to delineate areas that will be covered. Section 2 that follows will then unpack the literature review for the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The objective of this study is to assess how board of directors for SOEs execute their fiduciary responsibility of exercising strategic oversight on strategy implementation. This chapter will peruse existing literature and theory on effective strategy oversight rendered by board members in particular to the SOEs. The chapter consists of five Sections covering relevant literature focusing on the topic studied. Section 2.2 will first describe SOEs and their landscape in South Africa. This Section will then be followed Section 2.3 which will focus on the applicable legislative frameworks governing them. Whilst Section 2.4 will focus on theoretical framework for the study, followed by Section 2.5 focusing on the role of boards in executing strategic oversight on strategy implementation. Thereafter, Section 2.6 will outline the factors that enable effective board oversight over strategy implementation as well as any barriers. Section 2.7 will then conclude this Section.

2.2 State Owned Enterprises Overview

Mutize & Tefera (2020) describes SOEs as organisations that are either partly or completely owned by the state to deliver on certain priorities in accordance with various legislative frameworks. Providing basic services such as infrastructure, transportation, electricity, water and telecommunications constitutes some of the mandate the SOEs have (Zhou, 2024; OECD, 2024). Governments often establish SOEs to deal with inefficiencies in domestic markets and to promote economic growth through the services they render, and the goods produced in these sectors (Cuervo-Cazurra & Li, 2021). For this reason, Dragomir et al. (2021) explains that most commercial SOEs generate significant percentages to the Growth Domestic Product (GDP). In the Organisation for Economic Co-operation and Development (OECD) member states, it is estimated that SOEs “represent a large part of the business entities with a total value of close to two trillion U.S. dollars” (Yu et al., 2022, pg. 02). Noting the aforesaid, there is no doubt that SOEs forms an integral part of economic growth and development.

While the state is a significant shareholder in SOEs, the SOEs operates independently from the public administration (Dragomir et al. 2021). The OECD Guidelines highlights that the government should not be engaged in the day-to-day operations of the SOEs. This is not withstanding the fact that the state plays different roles in how SOEs function, and how they

are regulated, supervised, owned, and supported financially (Rentsch & Finger, 2015). In theory, SOEs are structured to function like private companies (OECD, 2018). However, Yu et al. (2022) argues that it cannot be correct to assume that SOEs must operate like private companies. This is because most businesses have a potential to generate high profits from their business operation, which SOEs cannot do because their focus is typical on government priorities that normally clashes with the focus on profit maximisation. Many scholars argue that expecting SOEs to operate like private sector is not ideal, because the existence of SOEs to provide essential services, which is different for the private sector. It is believed that if SOEs are made to focus on profit maximisation, they are likely to create a reduced access to the services they offer to certain segments of the society.

Given that most SOEs operate as enterprises for the public sector, they vary in in terms of configuration and size, and most of them are found in key economic sectors such as transport, energy and finance. Whilst these configuration tends to be dominant in many countries with SOEs, Zhang (2023) points out that there is no global overview of SOEs, because the majority of research studies undertaken on SOEs typically reflects a limited view of the landscape of SOEs at a globally since they normally focus on countries that belong to Organization for Economic Co-operation and Development (OECD). Nonetheless, Miążek (2021) notes that the proportion of SOEs has grown by 20%, accounting for the 2,000 global corporations. This is line with the assertions made by Cardinale et al. (2024, pg. 468) who indicates that “In the 21st century, State-Owned Enterprises (SOEs) have re-emerged as key players in strategic sectors, showing a renewed intention to contribute to relevant economic and societal objectives, including structural economic change, innovation, internationalisation, and industrialisation”.

There are various types of public entities in South Africa listed in the PFMA and they include Schedules 2 or 3. Marimuthu (2020) states that the classification of SOEs is premised on the rationale of its establishment. SOEs fall into two categories of enterprises, that is commercial or non-commercial. Large SOEs like Transnet and Eskom are listed as Schedule 2 entities and operate as commercial entities. While, commercial SOEs are entrusted with economic development, they also have a profit-maximisation objective. Therefore, their key focus should also be on improving service delivery (Marimuthu, 2020). Conversely, government establish non-commercial SOEs; to deliver services to communities on their behalf and their objective are not financially driven (OECD, 2015). Therefore, the Section that follows will unpack the legislative frameworks governing SOEs in South Africa and to outline the applicable roles each prescript has on the role of boards on strategy oversight.

2.3 Legislative Frameworks governing SOEs in South Africa

To acknowledge the distinct context to which commercial SOEs in South Africa function and operate, it is important to understand the legislative environment and frameworks that govern SOEs. Like any other South African companies, SOEs in South Africa are governed by the same company laws governing the corporation of companies in South Africa. Due to the intricate relationships, they have with the environment where they operate, SOEs which are government owned business enterprises require coordination amongst different stakeholders (Marinathu, 2020). Hence commercial SOEs in South Africa are governed by various legislative frameworks such as the Constitution (which serves as the primary law in the country), the PFMA (Public Finance Management Act No 1, 1999) and the Companies Act (Companies Act 71, 2008) (de Visser & Waterhouse, 2020). However, there are guidelines and protocols such as the King Codes on Corporate Governance and the Protocol on Corporate Governance in the Public Sector, which support the functions of boards for SOEs.

2.3.1 The Public Finance Management Act (PFMA)

To support effective service delivery, South Africa's PFMA aims to guarantee sound, effective and transparent financial management within government and its entities (Public Finance Management Act, 1999, p.12). Furthermore, the Act also provides functions for the board of directors of SOEs. With respect to the board of directors, Section 49 (1) and (2) of the PFMA stipulates that "every public entity must have an authority which must be accountable for the purposes of this Act. If the public entity has (a) (b) has a board or other controlling body, that board or controlling body is the accounting authority for that entity" (Public Finance Management Act, 1999, pg. 46). In this regard, Section 50 (b) of the PFMA expects the board of directors "act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the public entity" (Public Finance Management Act, 1999, pg. 47).

The relationship between the SOE board of director and the shareholder department is governed by the Shareholder Compact. Adebayo & Ackers (2022, pg. 182) notes that "the Shareholder Compact represents a performance agreement between SOEs and the shareholding and it is one of the accountability documents deployed by the shareholding ministry and the owning state to track SOE performance". The Protocol for Corporate Governance in the Public Sector (1997), the Public Finance Management Act (1999), and the Treasury Regulations, published in accordance with Section 76 of the PFMA form the

foundation of the Shareholder's Compact (National Treasury, 2002). While Section 29 (1) of the Treasury Regulations and Section 52 of the PFMA stipulates that SOEs boards must develop corporate plans for three years, outlining the strategic objectives of the entity and expected outcomes, the key performance indicators and measures for assessing the entities performance in line with the entities objectives as agreed to by the board and the shareholder department (Public Finance Management Act, 1999; National Treasury, 2002). The Shareholder Compact is adjusted and reviewed annually in line with performance of the entity from the previous financial year providing details about the corporate plans three-year outlook.

Lu & Zhu (2020, pg. 130) notes that from "a legal perspective, a board is established to meet regulatory requirements". Based on this reasoning, the OECD guidelines highlights that the role of the board includes both the strategic guidance and effective supervision of strategic plan implementation. Even though the PFMA and Treasury Regulations are quite clear on the responsibilities of the board, it seems that most SOEs comply with these regulations only in theory, but they disregard what is expected from them as the Accounting Officers of the SOEs.

2.3.2 The Companies Act

Based on their listing in the PFMA, SOEs are recognised as enterprises in the Companies Act. Adebayo & Ackers (2022) point out that the provisions of the Companies Act applicable to publicly listed companies, are also equally applicable to SOEs. The Companies Act (Act 71 of 2008) stipulates that the board of directors for companies are selected through the Annual General Meetings (AGMs). However, within the SOEs environment, the state is the sole or majority shareholder, therefore, the relevant Minister appoint the board of directors (de Visser & Waterhouse, 2020). Amongst the functions of the board of directors specified in the Companies Act is the oversight role of boards. The Act stipulates that the boards are responsible for overseeing the management and operations of the company, ensuring compliance with legal and regulatory prescripts. While the Companies Act provides a framework with some of the functions of the boards, de Visser & Waterhouse (2020) points out that in instances where there has been a conflict between the PFMA and the Companies Act in particular to the affairs of the SOEs, the PFMA always prevails. Understanding the regulatory environment of SOEs is critical, because legislation should create an enabling environment for SOEs to do business and not inhibit them. A legislative environment that is conducive that helps SOEs to optimise performance is of key importance.

2.3.3 King Code of Corporative Governance

In addition to the legislative prescripts outlined above, SOEs are guided by the King Code of Corporative Governance which outlines a critical role of board of directors in ensuring ethical, effective and sustainable corporate governance in South Africa. In the context of SOEs, Dragomir et al. (2021, pg. 6) highlights that Corporative Governance includes “the ownership function of the state, the supervisory role of government, the monitoring role of the board of directors, and the agency implications of contracts between the SOE and government”. The board of directors, also referred to as the accounting authority and accountable to Parliament, are seen as the custodian of governance of the SOEs and are responsible for steering the organisation toward achieving its objectives while balancing the interest of stakeholders (IoDSA, 2016). The King IV Report on Corporative Governance, particularly recommends that the board of SOEs should oversee corporative governance and must approve and oversee the implementation of an organisation’s strategy (IoDSA, 2016; de Visser & Waterhouse, 2020). The Code emphasis is more than just about compliance, but it also provides a framework for effective and ethical leadership.

2.4 The Agency Theory

Ogabo et al. (2021, pg. 862) remarks that “the fundamental governance theory underpinning ownership structure is the agency theory”. Literature points out to the fact that Smith was the first scholar to provide an insight to the agency conflict, where he argued that managers wouldn’t be prepared to exercise the same amount of caution when managing the affairs of other organisations other than their own (Ogabo et al., 2021). However, the popularity of the agency theory came through Jensen & Meckling (1976) who define the contractual relationship between one party (the principal) and another party (the hired agent) in terms of service the agent delivers on behalf of the principal. Shapiro (2005) describes this relationship as an arrangement where one-party acts on behalf of another. Because of this arrangement, decision-making is delegated to the agent by the principal. In the case of SOEs, the board of directors are the agent, and they act on behalf of the shareholder department (the principal) to oversee the functioning of SOEs which also includes the implementation of strategies.

However, Ogabo et al. (2021) note that due the nature of the relationship that exist between the principal and the agent, it impossible to fully contract the agents for every action that affects both the welfare of the principal. Regardless of the different views regarding what board should do, Kanakriyah (2021) mentions that the primary responsibility of the board is to make sure they work in the best interest of the shareholders that appointed them. Although this viewpoint

is not always happening as it should because the relationship between the principal and the agent is complicated, the application of the agency theory helps us to explain the procedures and structural connections between the state as a regulatory body and shareholder of the SOEs (Dragomir, 2021). Lu et al. (2022, pg. 5) also states that the “Agency theory assists us in understanding the monitoring role of Board of Directors in supervising and controlling management actions”. Therefore, utilising this theory in this study will be used to assess how the board of directors are executing strategy oversight on strategy implementation of SOEs in South Africa.

Whilst Boivie (2021) argues that the agency theory is normally used on corporate governance studies, the reality of boards and implicit views about their work may not be adequately captured by this theory. The gap on this theory is presumably on the assumption that executives should be monitored, and the boards must provide this oversight role. Boivie et al. (2016) points out that many of the boards lack the drive and capacity to properly conduct an oversight function. Thus, the study will also assess the capacity the boards have to undertake oversight functions in SOEs.

Given the institutional arrangement that exist in SOEs, complex challenges frequently arise and the board, whether intentionally or inadvertently, which make decisions that may not be beneficial to shareholders (Kanakriyah, 2021). Furthermore, Pandey et al. (2022) claims how board's functions are largely influenced by corporate governance. Therefore, applying this theory on this study will help us to understand the challenges and barriers faced by boards when engaging with their principal agents (i.e. shareholder department) when discharging their fiduciary duties.

2.5 Role of boards in executing strategy oversight on strategy implementation

The OECD Guidelines (2024) clearly stipulates that boards play a pivotal role in shaping the strategy, oversight, and performance of individual SOEs. Agwu (2023) highlight it is always difficult to realise the impacts of the roles of board of directors in organisations, however, whenever if things go wrong in organisations, boards become the focus of attention. Normally, there is an expectation that boards must always develop strategies that help organisations to stay afloat in a competitive and dynamic environment (Agwu, 2023). However, the role of boards also entails the overall governance of organisations which also includes oversight functions of organisational performance and compliance with all legal and regulatory requirements of the organisation, and they also serve as watchdogs of the management teams.

Over and above that, Ingley & Van der Walt (2001), states that the board of directors are authorised by OECD corporate governance rules to oversee an organisation's financial returns and management effectiveness. Thus, to fulfil their role, the board must steer the strategy in the right direction while averting any disputes that may arise while balancing the needs of the various stakeholders involved in an organisation (Oliveria et al., 2022). However, El Dirir et al. (2020) argues that there have been instances where corporate governance mechanisms have occasionally failed to stop financial malpractices, because of the lack of control mechanisms in the absence of competition. The afore mentioned points out to a conflict between the board's mandate and practical constraints imposed by the settings to which boards operate.

While it is debatable as to what constitutes the role of the board, Jebran & Chen (2021) contend that most scholars have primarily studied the subject of corporate governance in relation to controlling the functions of the board. Through this process, academics and policy makers concur that, the board of directors are crucial for corporate governance (Federo et al., 2020). Grounded on the agency theory, their role is defined by the Organisation for Economic Cooperation and Development (OECD, April 1999) as that of managing and directing business corporations. As a crucial component for corporate governance, the board structure specifies the distribution of rights and responsibilities among the different participants in the corporation. Despite the different to what they ought to do within the parameters of corporate governance, the emphasis is on the role of the board is on control, direction, and the organisational framework necessary for running an organisation.

Even though it is clear on what boards role are, Boivie (2021) point out that the question of how many directors perceive their work when in boards remains a critical question for both practitioners and scholars. This is notwithstanding the fact that the board form part of the upper echelon, which gives them the ability to have a big influence on how strategies are implemented (Boivie, 2021). The OECD Guidelines (2024) mentions that the role and duties of boards should be clearly defined in legislation and board members must always act in the best interest of the enterprise. Adebayo & Ackers (2022) notes that the board charter in South African SOEs describes the role of boards and its committees. Despite the clearly spelled out roles for board of directors, the actual perception by board members of the work done they have to do remains an unanswered critical question for both research and governance practices.

Notwithstanding the fact that some boards may not perceive their role as critical, the board is structurally essential in SOEs, because it acts as a link between the entity and government, and it is entrusted with making strategically operational decisions (Thomson & Alleyne, 2022). This is notwithstanding the fact that government has the power to influence these strategies.

However, the effectiveness of strategy implementation is heavily reliant on the relationship that exist between the board and government (Meyfroodt & Desmidt, 2024). While successful strategy implementation generally involves different personnel in the organisation (Köseoglu & Aladag, 2020). There are empirical findings in literature that supports the idea that board participation in planning processes promotes successful execution of strategies (Meyfroodt & Desmidt, 2024). In essence, the SOE boards are a critical strategic player whose performance is tied to its relationship with government, and its involvement in strategic planning processes.

However, Köseoglu & Aladag (2020) contend that successful strategy implementation is not monolithic, it must consider unique industry practices. It is influenced by various factors such as organisational structure, leadership, strategic consensus and control mechanism (Noble, 1999). Ultimately, people are central to strategy implementation regardless of their structure and level of control, which puts interpersonal issues at the heart of the process. Furthermore, the level of strategic unanimity is also another crucial interpersonal criterion necessary for effective strategy implementation. Despite the understanding of these general principles, many SOEs fail to effectively implement strategies because board members appointed without a clear and competitive selection processes (Thompson & Alleyne, 2022). As a result, some board members lack the requisite skills, expertise, and capacity needed to handle the diverse roles and responsibilities of the position. It can therefore be argued, that while strategy implementation is complex everywhere, the fundamental problem preventing SOEs board to perform is the deficient human capital resulting from a flawed board appointment system.

Kreye & Ausloos (2020) suggest that the lack of autonomy and board independence is a crucial and persistent obstacle in SOEs when compared to private companies. While measures like the introduction of non-state-owned shareholders in China has improved the performance of most SOEs (Yu et al., 2022), with attempts to limit grants and subsidies in the European Union, many SOEs still fail to effectively deliver on their mandate and remain dependent on government for funding (Dragomir, 2021). This persistent dependency on government and failure by SOEs is explained by Dragomir et al. (2021, pg. 06) where they indicated that “due to the centralisation of administrative power, SOE boards do not have de facto autonomy if the government appoints most board members”. Essentially, the appointment of board members and centralised power of SOEs renders the boards to lack autonomy needed for effective, independent oversight, regardless of legislative attempts to reduce state dependency.

2.6 Factors enabling effective board oversight on strategy implementation

For the board to be effective, there are many factors that contribute to effective board strategy oversight on strategy implementation. Good corporate governance is deemed a key factor in ensuring that SOEs operate effectively and contribute to the economy's competitiveness (Miażek, 2021). Jebran & Chen (2021) further highlights that given that boards are part of corporate governance, and shareholders rely on them to oversee the organisational performance whilst maximising the value of shareholders, hence the subject matter is crucial. Despite this understanding, the dual objectives of SOEs and the environment to which they operate, presents unique challenges for corporate governance practices that requires specific attention. This implies that the very nature of SOEs introduces complexities that complicate the effective achievement of board's role.

Wang & Hussainey, (2013) as cited in Lu et al. (2022) believes that the power and influence of boards on corporate governance, is the primary reason that has captured boards regulations from both policy makers and corporate governance scholars. However, Kreye & Ausloos (2020) contend that managing disputes between the principals and the agents is one function of corporate governance. Hence with the rise in corporate scandals, regulatory bodies across the globe have introduced strict regulations and institutional structures for SOEs boards (Banerjee et al., 2021). While most scholars believe that regulatory tightening is normally a common reaction to governance failures. Lu et al. (2022) argues that the emphasis on tightening board rules demonstrates how powerful boards are, and in many instances, there is a curiosity on how boards operate. It can be argued that tightening rules for boards is an essential measure for controlling board's power and as a necessary response to corporate governance crises when considering the board's function and impact.

Boards are typically understood through three main functions: performance, structure and processes (Bradshaw et al., 1992). Effective boards of directors have been demonstrated to be linked to good organisational performance (Asahak et al., 2018). While traditional measures have focused on board effectiveness on financial measures like return on assets, return on investments or return to shareholders (Stanwick & Stanwick, 2002; Erhardt et al., 2003), modern views suggest that effective boards must also be measured on effective oversight, challenging management, and ensuring compliance with operational and strategic decisions (Babić et al., 2020). Kreye & Ausloos (2020) reinforce this view by pointing out that the 2008 financial crises have reignited the debate on whether good corporate governance has any effect on the financial performance. In essence, the afore mentioned demonstrate that the measurement of board effectiveness cannot only be narrowed to financial performance, but it should be broad enough to also consider compliance and strategic oversight aspects.

2.6.1 Board Strategic oversight governance structure

Babić et al. (2020) highlights that the traditional approach to understanding the role of board of directors is predicated on the view that the board structure influences its effectiveness, which is why defining a board structure is essential. Three structural variables which includes leadership structure, board composition and the number of non-executive board members are used to analyse board structure (Babić et al., 2020). Asahak et al. (2018, pg. 2) states that “an effective board must have the proper board structure, enabled by the right composition, and participate in correct processes”. According to Boivie et al. (2021), corporate governance structures aim to set up more efficient corporate governance procedures, facilitate efficient board oversight and improve entity performance. Ultimately, effective organisational performance hinges on board strategic oversight, which is highly dependent on an appropriate board structure and composition.

In the SOE environment in South Africa, the governance structure is depicted by the diagram below. However, the IoDSA (n.d.) notes there are overlaps in the levels of accountability, which then comprises SOEs governance.

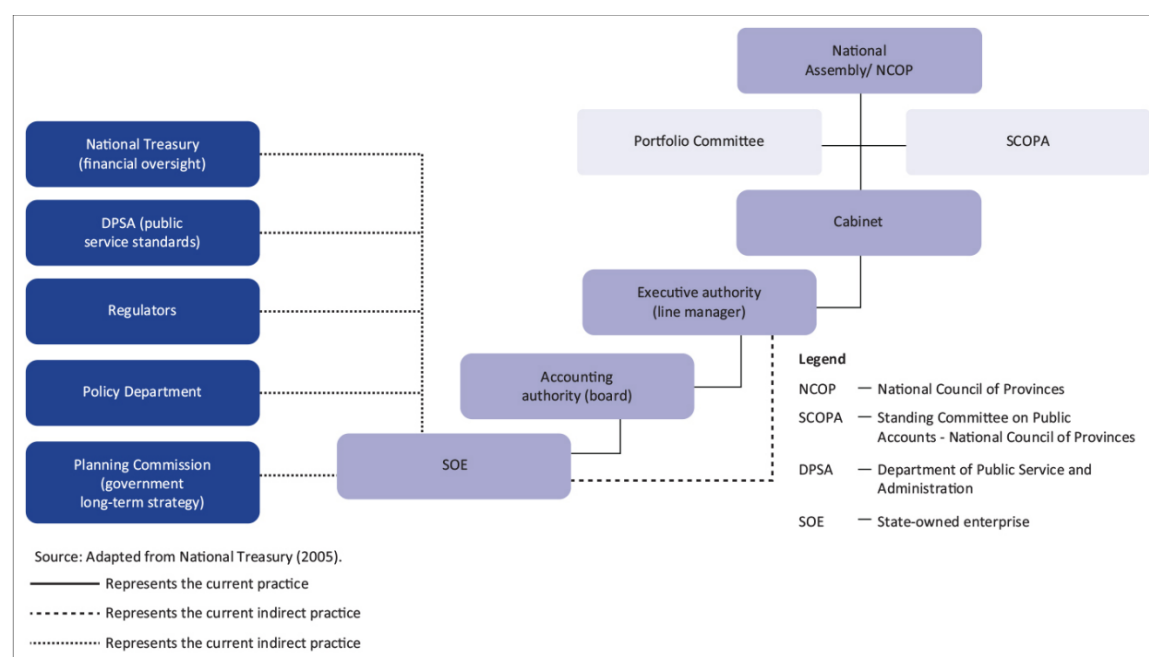


FIGURE 1: Governance structure of state-owned enterprises in South Africa.

Figure 1: Governance structure of State-Owned Entities in South Africa

Source: Adapted from Mpete & Maier (2024)

The framework on SOEs governance structures in South Africa mentions that “the governance oversight vests in Parliament, the Executive Authority and Board of Directors” (National Treasury, 2005, pg. 01) as described below.

2.6.1.1 Parliament

The South African Constitution Section 55 (2) gives the National Assembly and Provincial Legislatures the authority to supervise their respective Executives (National Treasury, 2005). With respect to the SOEs, parliament carries out this mandate by reviewing annual performance reports of SOEs which include annual financial statements to assess their performance (National Treasury, 2005). The Portfolio Committee then conduct its oversight function of SOEs by reviewing the non-financial performance information which forms part of SOEs annual reports. Whilst the Standing Committee on Public Accounts (SCOPA) focuses on audit report and audited financial statements issued by the Auditor General of South Africa.

2.6.1.2 The Executive Authority

SOEs are controlled and managed by the Executive Authority. The PFMA grants the Executive Authority the power to oversee the SOEs strategies, shareholder’s compacts and quarterly reports (National Treasury, 2005, pg. 2). The Executive Authority also acts as a shareholder, and their focus is to guarantee the SOEs financial stability and to safeguard appropriate returns on investments (National Treasury, 2005). The National Treasury and Minister of Finance provide an oversight role on SOEs finances, while the relevant, despite the line function Executive Authority shareholder role.

Shareholder oversight is distributed amongst various departments, and the Executive Authority is empowered by legislative prescripts to regulate SOEs, develop policies and to have the sole responsibility of appointing and dismissing board members (Mpete & Maier, 2023). Likewise, the Executive Authority must ensure that the board appointed has the qualification to guide the SOE and that the right balance of executive and non-executive directors is appointed. While legislative prescripts empower political Executive Authorities to oversee board control of SOEs, there is increasing evidence that suggest that most of these Executive Authority members lack the required skills to discharge their mandate (Sidki et al., 2024). Considering the above, it seems as if the system designed to enforce the appointment of competent board members is weakened by the Executive Authority in entrusted with this responsibility because these Authorities themselves are not well qualified.

2.6.1.3 Board of Directors

According to the PFMA, a competent and efficient board, composed of executive and non-executive directors must lead and oversee all SOEs (National Treasury, 2005). Additionally, it is expected that the board possesses the necessary skills to be able to strategically guide the SOEs. National Treasury (2005) indicates that the board is ultimately answerable to the shareholder for the operations and performance of the SOE, and it bears full responsibility of the SOE performance. In accordance with the Companies Act and the PFMA, the SOEs executives and non-executive directors, as well as the entire board, bears full fiduciary responsibilities (IoDSA, n.d).

2.6.2 Skills, competencies and expertise of board members

Thompson & Alleyne (2023) indicates that the board members' diverse qualifications and skills add value to the organisation. Sidki et al. (2024) points out that having a well-educated leadership team is crucial in corporate governance, since people who are highly educated can understand complex situations and to make strategic decisions with ease. Lu & Zhu (2020) suggest that most directors are typically lawyers or bankers, who have ties to company. Contrary to this, research shows that, in most SOEs, board candidates' political affiliation and dedication are deemed more important than their professional competence during the selection process (Sidki et al., 2024). Noting the afore mentioned, it can be said that SOEs undermine their own governance effectiveness by prioritising political appointments over professional skills that has been proven to be necessary for sound strategic leadership.

Various theories confirm that the competence of board members is also a key factor influencing their effectiveness and ultimately the organisational performance in both the private and the public sector (Gnan et al., 2011). Numerous corporate governance studies support this view, identifying competence of board members as an important requirement for the effectiveness of the board (Beasley, 1996). Sidki et al. (2024), notes that among the essential competences boards must have, is the industry knowledge, business knowledge, and governance expertise which are all crucial for carrying out board duties. Fundamentally, the effectiveness of a board can be linked to the professional competence of its board members, with a required skill set centred on business and governance.

Even though competence and skills are considered important, Bedard & Chi (1993) demonstrate that experience is critical for developing superior competence. The OECD (2005) suggest that business expertise is regarded crucial for the SOEs and public sector governance. This view is premised on the understanding that the experience of board

members may be a way to close the managerial gap that exist in the public sector. It is argued that if board members of SOEs are experts in business, they could contribute some valuable business practical lessons to the organisations.

However, Kreye & Ausloos (2020), argue that good corporate governance rather than board's skills and competency, usually results in companies' strong financial performance. Lin et al. (2020) suggest that such shortcomings can be attributed to the fact that SOEs are prioritising social and political priorities, leaving boards with little time and energy to monitor the executive directors as required. Noting the above, the success of SOEs cannot only rely on individual attributes, however, effective structures and processes are also essential.

2.6.3 Nomination and selection of board members

de Visser & Waterhouse (2020) indicate that the nomination of board members for SOEs is governed by various legislative prescripts, and the process is varied according to the type of the SOEs and the applicable laws which include the Companies Act, the PFMA and founding legislation of the SOE. The PFMA grants the relevant Minister (i.e. Executive Authority) the power to appoint board members (Public Finance Management Act, 1999). However, it does not specify the procedures and criteria for board appointments. While the Companies Act recommends that for SOEs classified as companies, board members must be elected at the Annual General Meeting (AGM), where government as the majority shareholder department, must exercise its voting rights (de Visser & Waterhouse, 2020). But the Act is silent on the nomination process to be made by the public for board members.

Considering that some SOEs have founding legislations, the appointment of board members is stipulated in these legislations. de Visser & Waterhouse (2020) highlights that some legislations outline the procedure for selecting non-executive board members, while other remain silent on this. Although, guidelines like the Protocol on Corporate Governance in the Public Sector and the King IV Code provide recommendations on board appointments, they are not legally binding. Both prescripts emphasise the principles of transparency, merit and representation. Hence, Thompson & Alleyne (2022, pg. 478) indicates that "political appointments are common to SOEs, and government usually establishes boards for their own political pursuits". This observation is supported Szarzec et al. (2022) who indicate that board appointments in SOEs are normally decided upon by a certain interest group, comprising of politicians and authorities in the government administration. Consequently, some scholars contend that political appointments of board members in SOEs is a primary cause for SOEs failures.

2.6.4 Board independence

Fama & Jensen (1983) points out that board independence is a critical element of good governance primarily rooted in the agency theory. While the agency theory acknowledges the potential conflict between the principals (i.e. shareholders) and the agents (i.e. board of directors), it does acknowledge that the board oversight role is the most critical function in an organisation. Board independence is associated with the capacity of the board to oversee and regulate management's operations in line with stakeholder's interest (Gnan et al., 2011). According to Lu & Zhu (2020), researchers use the percentage of independent directors in a board to measure board independence, the more independent directors are in the board, the more independent the board is. While independent directors are not full-time employed by the company, internal directors do (Lu & Zhu, 2020). Therefore, by including independent non-executive directors in the board composition, the necessary degree of board composition can be attained because they are presumed to be free from management influence and to be objective when providing oversight role.

Although literature suggest that in the SOE environment, board independence must be viewed differently, because the relationship that exist between management and the board, and the one that exist between the shareholder, and the board must be considered. Despite this complexity, the World Bank (2014) suggest that the Chairperson and the CEO of SOEs should be clearly separated to maintain oversight. Research conducted by Zhang & Yu (2016) supports this view and demonstrate that increasing board independence can boost company performance and minimise financial risks. Sasidharan (2020) further demonstrates that board independence increases the value of the SOE and that having independent board members on the board of SOEs helps to safeguard the interest of the minority shareholders. While the SOEs presents a unique challenge due to its configuration, with the state having majority shareholder, research confirms that board independence is critical for enhancing the SOEs value, performance and for protecting shareholder's interest.

2.6.5 Board tenure

Board tenure is determined by various corporative governance factors (Sun & Bhuiyan, 2020). The IoDSA (2018) mentions that when determining the ideal length of service for board members, it is important to make sure that the board members are independent, effective and that their organisation needs their knowledge and expertise at that specific moment. Kaunda & Pelser (2023) highlights that proponents of long-tenure argues that it assists directors to gain the necessary skills and competencies, increasing their effectiveness in their oversight

functions. Hence, Principle 7 of the King IV codes recommend that, “the board needs to ensure that non-executive directors are rotated on a regular basis to maintain objectivity, which is one of the non-executive directors’ primary contributions. At the same time, care must be taken to protect the required institutional knowledge” (IoDSA, 2016, pg. 04). Thus, a director’s term of office and whether or not they are eligible to be reappointed at the end of their tenure must be explicitly stated in the memorandum of incorporation (IoDSA, n.d.).

The Department of Public Enterprises (2002) recommends that each director’s appointment should be in writing and limited to a maximum period of three years. Nonetheless, the PwC & IoDSA (n.d) suggest that non-executive directors should be rotated to guarantee that one third of the nonexecutive directors retire each year. However, at the discretion of the shareholder, subject to terms and conditions of the employment contract, board members can be removed their term ends. According to Kuzman et al. (2018), the challenge with this system is that, in contrast to the private sector, it appears that changes in board members within SOEs, are driven more by politics than by performance. As such, political interference on board tenure and rotation may end up leading to inefficiencies and poor performance by the board. As noted by Tisane (2022), this further leads to frequent delays before an effective board procedure can be reestablished because there is no adequate rotational plan for individual board members. Therefore, the Executive Authority and the SOE must agree on a staggered board members rotation in order to bring in new expertise, while maintaining board operations (Dragomir et al., 2021; IoDSA, 2016).

2.6.6 Barriers and challenges to effective board oversight

Khoza & Adam (2007) remarks that while there have been several governance codes and guidelines published on corporate governance, few deal with governance in SOEs. In this regard, three major challenges are identified by Wong (2004) on the corporate of SOEs and they include, excessive political meddling, lack of transparency, and contradictory and multiple goals. Out of the three challenges outlined above, Kaunda & Pelsner (2022), states that political meddling and ineffective corporative governance makes the top challenges that lead to the poor performance of most SOEs. Within this context, it is alleged that in entities like the SABC, Eskom and Transnet, board meddling is a key challenge (Mohuba, 2023). It can therefore be argued that the gap created by clear governance prescripts on SOEs, contribute to political meddling in some of the big entities in South Africa.

Mohuba (2023) states that the governance structure currently in place for SOEs is disjointed and ineffective. This is notwithstanding the fact that there are various legislative frameworks

in place such as the PFMA, the Companies Act, and guidelines included in documents such as the King IV Report. The appointment of board members is a key challenge associated with this, and the absence of consistent policies throughout the SOE landscape, hinders corporate governance changes in South Africa's SOEs (de Visser & Waterhouse, 2020). For example, the PFMA mentions that power to appoint board members rests with the Executive Authority, while the Companies Act recommends that for SOEs classified as companies, board members must be elected at the Annual General Meeting (AGM). Hence de Visser & Waterhouse (2020) indicate that clarity must be provided to address the issue of supremacy on these various prescripts in the case of conflict.

Furthermore, it is alleged that unclear roles for boards and the absence of clear frameworks on corporate governance contribute to SOEs poor performance. Khoza & Adam (2007, pg. 23) summarises this as "the governance challenge confronting state-owned enterprises with creating a balance between government's inclination to control public enterprises, and the business imperative to achieve excellent performance within these enterprises". This challenge happens even when boards of SOEs are meant to be a critical layer of accountability for SOEs and oversight, serving as a link between the state and the SOE (de Visser & Waterhouse, 2020). Thus the stability and operations of SOEs, are threatened by boards confronted by role uncertainty (Bhorat et al., 2017).

Prevalent and persistent narrative surrounding SOEs boards suggest that an excessive number of board members are "captured" and as a result, they frequently promote narrow private interests while serving on these boards (de Visser & Waterhouse, 2020). Literature suggest that state capture in South Africa's SOEs needs to be understood within the context of corporate governance collapses. The widespread corruption and reckless financial mismanagement reported on SOEs such as Transnet, Eskom, South African Airways (SAA) and the Passenger Rail Agency of South Africa (PRASA) is seen as evidence of the growing governance crisis at these entities.

While there are varied opinions to reasons for SOEs failures, Okhmatovskiy et al. (2021) argues that corporate governance is a major issue that SOEs must deal with. SOEs are constitutionally required to uphold high standards of public administration, with emphasis on values of development-oriented, accountable and professional (Constitution of the Republic of South Africa, 1996). However, de Visser & Waterhouse (2020) laments that some SOEs have deviated greatly from these principles and values, and the economy and taxpayers have paid a heavy price for this. Given this dire situation in the majority of SOEs, it can be said that governance failures within these SOEs represent a serious violation of constitutional accountability.

Chitiga-Mabungu et al. (2022) highlight that there is evidence that the South African government has spent substantial amounts on SOEs bailouts in recent years and the struggle of some SOEs, “with some teetering on the brink of collapse” as cited by Nyantsumba & Poore (2021) serve as evidence for major governance failures in SOEs. Undoubtedly, when SOEs are not performing, the rest of the economy suffers (Chitiga-Mabungu, 2022). This is because governments would need to increase its borrowing, which will discourage private investment, resulting in a reduction in gross domestic product (GDP) and an increase in unemployment, especially amongst the unskilled. Furthermore, the increasing bailouts made to SOEs, coupled with a lack of competition, creates a cycle that perpetuates poor performance and substandard service delivery (Habir, 2021). Without a doubt, South Africa’s economy is negatively affected by the persistent sub-par performance, which is caused by governance failures.

2.7. Conclusion

This chapter has provided the literature review to shed some insights on some of the core principle governing strategy oversight functions that have to be undertaken by board members over strategy implementation. Although the literature covered in this chapter is not only specific to South Africa, the information provided needs to be understood within the context of South African SOEs, to understand what are the factors that enable board to provide effective oversight function. Furthermore, the Section also addresses some of the barriers that are preventing boards from fully discharging their oversight functions in particular to SOEs. Informed by relevant theories and literature covered in this chapter, the next chapter will therefore cover the research questions for the study.

CHAPTER 3: RESEARCH QUESTIONS

3.1. Introduction

Determining how board of directors are exercising strategic oversight on strategy implementation of SOEs in South Africa is a key objective for this study. The relevant theory and literature on the subject as covered in Chapter 2 have been used to formulate the research questions.

3.2 Research question 1

RQ1: How do board of directors' exercise strategic oversight on strategy implementation of SOEs in South Africa?

The aim of this question was to assess participants understanding on the concept of strategic oversight and to determine how it is exercised in the respective boards where they are serving. Section 2.5 above highlights that board play a crucial role in executing strategy oversight on SOEs. However, some scholars contend that some board members lack clarity regarding their role on strategic oversight. Thus, the purpose of this question was to ascertain if board members understand the concept of strategic oversight.

3.3 Research question 2

RQ2: What are the critical factors required to enable the board of directors in providing strategic oversight on strategy implementation?

The aim of research question 2 was to determine if there are any critical factors that enable boards to effectively provide oversight function over strategy implementation of SOEs. Section 2.6 shows that there are different factors that enables effective strategic oversight by boards, however, information on certain factors is limited. Therefore, more research is required to identify additional factors that enable strategic oversight over strategy implementation.

3.4 Research question 3

RQ3: What are the barriers or challenges experienced by board of directors in overseeing the corporate strategy implementation in State Owned Enterprises?

Research question 3 is aimed at determining the barriers or challenges that prevents boards from effectively discharging their oversight function over strategy implementation in particular to SOEs (Wong, 2004; Khoza & Adam, 2007). While it is expected that board members provide oversight role over strategy implementation, literature indicates that there are barriers preventing from executing effective strategy oversight (Boivie, 2016). The study will investigate the numerous barriers that appear to be impeding boards from carrying out their oversight role in the context of SOEs.

3.5 Conclusion

The research questions investigated in this study are covered in this chapter. The research sought to better understand the topic of board oversight role in SOEs, and the methods used for providing it by engaging different people to seek answers to these questions outlined above. Furthermore, the research also sought to identify challenges and barriers preventing board members in discharging effective board oversight role. The next chapter will therefore be covering the methodology for the research.

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

4.1 Introduction

This chapter describes the research methodology and design for the study to answer the research questions outlined in chapter 3. A qualitative research strategy was used to explore the topic of board strategic oversight function over strategy implementation of SOEs. Data for the research was collected through semi-structured interviews with current and previous board members of schedule 2 entities. Furthermore, this chapter will also outline the sampling method including the criteria and sample size for the study. Participants for the research were selected based on their experience and understanding of strategic oversight in SOEs. Lastly, the imitations on the methodology followed will also be covered.

4.2 Research strategy and paradigm

A qualitative research strategy was adopted for this study to determine the role of boards in providing strategic oversight over strategy implementation of SOEs. Creswell & Creswell (2023, pg. 05) define a qualitative research strategy as “an approach to explore and understand the meaning individuals and groups ascribe to a social or human problem”. Merriam (2009) explains that a qualitative research design is located within an interpretivist paradigm because this approach focuses on collecting rich data to derive multiple interpretations and meanings for the same phenomenon in different contexts, which was the case for this research. Following Merriam’s explanation above, the researcher aimed to understand the phenomenon of strategic oversight in various contexts and investigate factors that contribute to successful strategic oversight of strategy implementation in SOEs. Moreover, the interpretivist approach was suitable for the study as the researcher was hoping to learn more about the role of boards in the context of SOEs in terms of strategic oversight over strategy implementation. Furthermore, literature indicates the interpretivist research is deemed appropriate for business and management research, to organisational behaviour (Saunders & Lewis, 2018), the researcher believed that the use of this approach is appropriate for the study for it falls within business management.

The study adopted an inductive approach because the researcher wanted to develop a theory based on the data gathered during the research. As stated in the previous Sections, there are too many barriers which prevent the boards from effectively discharging their oversight

function as conceptualised, hence there are fewer consistent findings on the research topic (Boivie et al., 2016). Therefore, the inductive approach was considered with the intention of coming up with some of theories or conclusions. Kumar & Ujire (2024) states that inductive approaches start with a collection of observations and work their way up to a broader set of hypotheses about those experiences. Given the paucity of literature in relation to the functions of the board, in particular to the provision of strategic oversight on strategy implementation for SOEs, the chosen research approach allowed the researcher to gain a new perspective and knowledge on issues related to the concepts studied. Elliot & Timulak (2005, pg. 149) point out that “exploratory questions, suitable for qualitative inquiry are normally used when: (a) there is little known in a particular research area; (b) existing research is confusing, contradictory, or not moving forward; or (c) the topic is highly complex”. Considering that the topic on role of boards in terms of strategic oversight over strategy implementation is highly complex especially for the SOE environment, the type of questions used in the research were also exploratory in nature.

4.3 Research design

Creswell & Creswell (2023) highlights that research designs outline the direction for procedures to be taken in a research study. The research was exploratory in nature as the research sought to understand how board of directors for SOEs exercise strategic oversight on strategy implementation. Five general research designs are identified by Bryman (2012) and Wagner et al. (2012) and they include, cross-Sectional, longitudinal, case study, comparative and experimental. At its core research design, focuses on the way the researcher collects data. According to Kumar (2014), a case study design is established on the idea that similar cases usually exist though in different formats. Given the nature of the study which focuses on role of boards for SOEs, a case study design was adopted for the research. Choosing a case study design was meant to help the researcher gather insights from different people who have served in boards of different SOEs to offer insights from one case into the circumstances and events typically related to the group representing the case selected. This decision was premised on the argument by Kumar (2010, pg. 10) who state that “case study designs are based upon the assumption that the case being studied is typical of cases of a certain type, and therefore a single case can provide insights into the events and situations prevalent in a group from where the case has been drawn”.

Furthermore, Bryman (2012) further that case study design is more advantageous in qualitative research because they help provide a thorough analysis of a case under study.

Additionally, Kumar (2014) demonstrates how useful case studies are, when exploring a topic where little is known or when you wish to have a comprehensive grasp of the phenomenon or situation similar to the one being studied. The case study approach allowed the researcher to gain a thorough understanding of how various boards of SOEs are providing strategic oversight over strategy implementation, which is a topic not well understood.

4.4 Population

Taherdoost (2016) defines a population as a combination of items or individuals with similar traits. The study population for the study was confined to all past and current board members of all the twenty-one SOEs categorised as schedule 2 SOEs in the PFMA. Schedule 2 entities include all those entities expected to generate revenue to fund their operations. These SOEs are autonomous, they are either fully or partially owned by the state, they are governed by boards of directors that report to the shareholder Executive Authority, they must accomplish various socio-economic objectives of government as outlined in a shareholder compact and they are supposed to fulfil both developmental and commercial goals (Public Finance Management Act, 1999). Amongst these listed entities is a range of organisations providing services in different sectors such as Transport, Financial Services, Built Environment/Construction, Energy and Telecommunications. It is estimated about 300 individuals have served or are currently serving as board members in the 21 schedule 2 entities listed in the PFMA. The study target population also included executive directors of SOEs classified as schedule in the PFMA. The population of this study conformed to the King IV guiding principle which expects that the oversight function to be carried out by the board.

4.5 Level of analysis and Unit of analysis

Bogie (2025) mentions that the 'thing' that the research is about, which is about what the research question aims to understand is known as the level of analysis. Therefore, the level of analysis studied in this research was the board strategic oversight. Whilst the unit of analysis is about who or what you use to gather data about the 'thing'. In this regard, the unit of analysis for the study included the participants views, opinions shared, perceptions and experience which were used to determine the factors that are deemed critical for the board to discharge their oversight function in SOEs, as well as the leadership competencies required for boards to exercise effective oversight function, and the barriers impeding on boards to fully discharge their oversight function over strategy implementation of SOEs.

4.6 Sampling method, sample size, sampling frame and criteria

Hair et al. (2019) mentions that a sample is a selection derived from a larger set of individuals. In theory, a sample is intended to be a representative of the target population from which information is gathered and can eventually be extrapolated to the entire population (Ghauri & Grønhaug, 2015). Thus, a process of selecting research participants or respondents is referred to as sampling. Although sampling in qualitative research aims to provide better knowledge of how certain individuals understand a particular topic or occurrence in a social setting, generalisability is compromised (Neuman, 2011). However, saving time and money when conducting research is an advantage of sampling (Kumar, 2014).

Purposive sampling was used to select the research participants for the study. Terre Blanche et al. (2010) mentions that purposive sampling means that the members, or cases or units selected should be representative of the target population, and be strategically relevant to the study (Bryman, 2011). Based on Creswell & Creswell (2023) the choice of purposive sampling was considered for the study to enable the researcher to select the most suitable people for the research based on their role and experience of serving in boards of SOEs, so as to help the researcher in understanding the research question.

Participants relevance was the basis used for the sampling criteria, which also included a knowledge and experience of board strategic oversight function from previously or currently serving as either an executive or non-executive director in a board of an SOE. To select those who participated in the research, judgement was used to determine who will be able to respond to the research questions aimed at achieving the study goals. Most of the people selected to form part of the sample of the study were identified from the network of individuals that the researcher has since the researcher works in a public sector environment. A suitable number of participants who were knowledgeable about the phenomenon under study were chosen in order to guarantee the quality of the data gathering process. Furthermore, participants were chosen on the basis of their experience and their minimum of three years of in the SOE environment; with a criterion also including the position, experience, sector and knowledge of the topic studied. Social media platforms and integrated reports for the SOEs were used to verify the details of the selected participants. This process was done to address any potential bias that the researcher had in selecting participants for the research.

Whilst the sampling frame included individuals who have either served in boards in the past or are currently serving in boards (in both executive and non-executive board roles) as well as executive directors (the c-suite) of schedule 2 SOEs with at least 3 years' experience serving as board of directors or executives of these entities. Additionally, executive directors of the

schedule 2 SOEs were considered, for they participate in various board committees where board of directors discuss the implementation of various strategies within the organisation. A sample for the study was made up of twelve (12) individuals. The participants had experience from participating in five (5) SOEs categorised as schedule 2 in the energy, transport, development financial institutions, agricultural finance, and construction entities. As there are twenty-one (21) schedule 2 SOEs listed in the PFMA, the participants selected to participate in the study did not cover all these SOEs, because the selection criteria mainly focused on position, sector, experience, knowledge of the topic to ensure the validity of data collected (Daniel, 2019).

4.7 Research instrument

In qualitative research, there are various research instruments that exist, and they include instruments such as interviews, observations, open-ended questionnaires (Zohrabi, 2013). Zohrabi (2013) notes that the primary goal of the interview is to get direct firsthand information from some informed individuals. Whereas Ruslin et al. (2022) state that an interview is a form of a dialogue in which two or more individuals exchange information through questions. In keeping up with the study goals of exploring how strategy oversight is provided in SOEs, interviews were adopted as a research instrument for this study. Lopez & Whitehead (2017) state that interviews have an interview guide referred to as an interview protocol providing a set of questions for discussion. An interview protocol is intended to delineate various aspects of a study and is typically influenced by the degree of a structure that the researcher seeks to conform to in conducting the research (Taherdoost, 2022). To seek out how well the respondents understand the phenomenon of strategic oversight, the interview protocol included questions aligned to the literature review covered in Section 2 of this report. In facilitating questions that were asked during the interviews, short open-ended questions were included in the interview protocol as reflected in the interview protocol provided in Table 1 below in line with the research objectives and informed by the literature review (refer to **Annexure A**) for the consistency matrix. The interview protocol was structured such that the interview process takes 30 - 35 minutes. However, 45 minutes was scheduled for the interview to accommodate the interview introduction and questions from the participant.

Table 2: Interview protocol

RESEARCH QUESTION	INTERVIEW QUESTIONS
RQ1: How do board of directors' exercise strategic oversight on strategy implementation of SOEs in South Africa?	a) What is your understanding of board strategic oversight function for SOEs in South Africa?
	b) In your view, how should the role of strategic oversight be discharged in SOEs?
	c) In your SOE, how do/did board of directors' exercise strategic oversight on strategy implementation?
RQ2: What are the critical factors required to enable the board of directors in providing strategic oversight on strategy implementation?	a) What process is followed in the SOE you are representing to nominate or appoint board members?
	b) What type of leadership competencies should board members have to be able to exercise strategic oversight function on SOEs?
	c) What are the critical skills and experience required for board members to provide a strategic oversight function on strategy implementation of SOEs?
RQ3: What are the barriers or challenges experienced by board of directors in overseeing the corporate strategy implementation in State Owned Enterprises?	a) What do you think prevents board of directors to fully provide oversight function in SOEs in South Africa?
	b) What do you think are the root causes to the challenges you have identified?
	c) What measures are in place to address these challenges?

4.8 Data gathering process

Taherdoost (2021) indicates that data gathering process is divided to two main categories which include secondary data collection method and primary data collection methods. When collecting data through primary method, data is collected directly from the respondents of the

study (Kumar, 2014), which has been the case for this research. This primary data was collected through semi-structured interviews. Kumar (2014) highlights that there are three categories for data gathering process in qualitative research, it includes semi structured interviews, observations and secondary sources. Since the purpose of this study was to explore a phenomenon of interest, which is about “board strategic oversight”, semi-structured interviews were deemed suitable for this research. Georgescu & ANASTASIU, (2022) points out that as its name suggests, the semi-structured interview consists of a number of predetermined questions, as well as one or more predetermined topics. The predetermined questions are addressed to all the interviewed persons of which the sample is composed, respecting the same order and their arrangement in the interview guide. However, apart from these predetermined questions, the semi-structured interview allows the interviewees to develop certain topics of discussion, but also to propose new topics of conversation. The ability to collect data on the opinions and experiences of people who have served or are currently serving in boards of SOEs on the subject under study was another advantage of using semi-structured interviews. The process of using semi-structured interviews for this study is consistent with the claim made by Karatsareas (2022) that semi-structured interviews are based on open-ended questions so that participants are encouraged to share their experiences and provide their opinions on the subject under investigation.

The first step taken before the data gathering process was to conduct a pilot test with someone knowledgeable on the SOEs space to assess the effectiveness of the time allocated for the answering of questions in the interview protocol. On average, all interviews were completed in 35 minutes. According to Roulston (2010), it is recommended that interview questions are shorter to get longer interview answers. Karatsareas (2022) highlights that the use of an interview protocol enables the researcher to monitor the progress of the interview conducted and to redirect the interview to the original plan if the respondent deviate from the topic discussed. Furthermore, if there are new and intriguing topics raised during the interviews, the researcher may ask impromptu questions not included in the interview protocol.

Overall, twelve (12) interviews were conducted and were conducted either online (via Teams) or in person. Out of the twelve (12) participants interviewed, only one (1) interview was done in person and the other eleven (11) of the interviews were conducted via the Teams online platform. The interviews were recorded to ensure the quality of the data gathered is maintained. However, the researcher only captured notes on those salient points raised by the participants to ensure she fully gives attention to the process without causing distractions. Due to the availability of participants, the interviews were conducted over a period of seven weeks. The same questions as outlined in the interview protocol in table 2 above were used during the interview process. However, there were instances when the researcher will seek

clarity from the participant based on a response they provided. The objective of these questions was to gain different viewpoints and experience from the respondents in relation to the topic of strategic oversight as well as barriers that affect boards from fully discharging their role of oversight.

At the end of each interview, the researcher downloaded all transcripts generated by the Teams online platform or phone recorder. However, the researcher had to make some edits to some of these transcripts due to the quality of the information that was generated to ensure they read well and can be understood. This procedure was guided by Neale (2020, pg. 669) method which states that if data “comprise audio recordings from interviews or focus groups, they will need to be ‘transcribed’, ideally verbatim and to the level of detail required by the particular project and method”. Saunders et al. (2017) note that in qualitative research, saturation is attained at a specific point, which is characterised as a point where there is no new themes or information emerging from the data and it serves as a standard for stopping to gather data. Considering this view, the researcher had conducted interviews up to a point where there was no new information generated. Furthermore, all recordings from the interviews as well as the transcripts have been stored in various secured data storage platforms such as cloud storage (i.e. Google Drive) linked to the researcher’s personal email account as well as on Dropbox.

4.9 Data analysis approach

In Creswell & Creswell (2023), data analysis refers to the process of classifying data collected through giving it order and structure. De Vos et al. (2011) notes that the data analysis process entails the task of reducing raw data, by sorting through information that is not relevant, while detecting important patterns and sharing them from the analysis. However, Daniel (2019) points out that this process of distilling raw data may be subject to personal bias, because meaning of data is generated from the researcher’s understanding. Therefore, it was critical for the researcher to acknowledge the bias and to attentively examine the data by confirming some of the points captured in the transcripts with the recordings to mitigate any potential bias. To make sure that the researcher is familiarised with the content of data collected, an iteration process was also carried out, which entailed reading transcriptions and other written material, including interview notes and connecting them to new information that was emerging while, gradually improving understanding and focus (Neale, 2020). The researcher took this account when undertaking this process in order to maintain the credibility of the data collected.

Every audio recording produced during the interviews was electronically stored in a folder that is encrypted. A password was assigned to the folder where these recordings are kept

maintaining the confidentiality of the information contained in the recordings. To guarantee that the quality of information gathered is not compromised, all recorded data were personally transcribed into text by the researcher. Each interview transcript was reviewed as the transcribing process was taking place to guarantee that the material being transcribed is accurate.

While conducting the interviews, the data analysis process was started with data categorised in terms of research questions. Through this procedure, the researcher was able to extract insights from interviews conducted and to identify topics to investigate further in subsequent interviews. From the data collected from the 12 interviews conducted, data was analysed using the thematic content analysis process. As a starting point, a matrix was created so that the data may be arranged into codes and categorised into themes to provide conceptual definitions that can be understood based on the text's comprehension. The intention was to identify patterns in the questions asked on strategic oversight, methods and approaches taken, enabling factors to strategy oversight and barriers to effective oversight. Moreover, the matrix was used to analyse and comprehend the connections among the different themes.

Adapted from Byrne (2021), the data analysis process followed an iterative 6 steps approach as covered below:

Step 1: Data familiarisation by the researcher - this process involved listening to the 12 interview audio records during transcription, reviewing all 12 transcripts from the data collected and verifying notes made during the interviews. The purpose of this step was to help the researcher to understand the data and noting preliminary impressions prior to undertaking the coding process.

Step 2: Generating initial codes – Revisiting each transcript to generate new notes, refine existing notes and aggregating these notes per research question and sub-questions as derived from the research protocol.

Step 3: Generating preliminary themes – from the codes that were generated, the researcher began to identify themes. This also involved aggregating codes based on their interrelatedness and discarding those that became obsolete in the process.

Step 4: Reviewing the preliminary themes – the researcher assessed each theme for richness, contradictions and relevance to the study objectives. This enabled the researcher to discard some and merging others using these three factors.

Step 5: Finalising the themes – the researcher used this stage to phrase and describe each theme according to its content and sub-themes. Accordingly, the researcher chose texts that she used as verbatim quotes to augment the description of the empirical findings. The

rephrasing of the themes also involved renaming and resequencing the themes and sub-themes.

Step 6: Producing the report – this stage mainly involved writing up Chapter 5 in ways that offer a golden thread of the findings.

4.10 Reliability and Validity or transferability of the research

Hasan et al. (2021) indicate that the quality of research is assessed with phrases such as reliability and validity. These terms explain how accurate a test, method or approach measures something. Bruton et al. (2000, pg. 95) explains that the word reliability “refers to the consistency or repeatability of such measurements”. Furthermore, reliability focuses on the study’s ability to produce similar outcomes consistently over extended periods. On the other hand, validity focuses on the accuracy and truthfulness of scientific findings. Bryman (2012) explains the concept of validity as the integrity of the research methods, findings and conclusions. Construct validity, also known as measurement validity, evaluates whether a research process is measuring the intended variables. While Sargeant et al. (2022) explains that internal validity assesses whether the findings are impartial and accurately portrays the situation studied. For all interviews conducted, an interview protocol with similar questions was used. This was done to ensure that their opinions or viewpoints are balanced and that results are not derived from the experience of one SOE.

Similarly, dependability the qualitative equivalent asks whether the conclusions and findings of a study are derived from the empirical data. Through the data collection methods that was adopted for this study, the researcher believes that the study is valid because participants views and experience were considered in a similar context with the use of acceptable research techniques on the topic researched. Furthermore, participants who were interviewed were either directly or indirectly involved in strategy oversight, accountability or formulation within their respective organisations. Therefore, the information they provided could be dependent on to produce conclusions or findings for the study.

Furthermore, the use of qualitative standard research methods ensured that primary and secondary data are obtained from reliable sources that have used credible data collection methods like in depth interviews and document analysis. By setting the criteria of participants required to participate in the research, which entailed knowledge and experience on strategy oversight, position which was verified through social media platforms like LinkedIn and Integrated Annual Reports, was necessary to confirm that the information is collected from reliable sources. During the research, the researcher ensured that the interview proceedings

are recorded, and details of all the interviews conducted to collect data from participants are kept as well to confirm the reliability of the primary sources considered for the research.

Findley et al. (2021, pg. 365) indicates that “external validity captures the extent to which inferences drawn from a given study’s sample apply to a broader population or other target populations”. In this regard, it can be argued that sampling and external validity are closely related. Considering that only six (6) out of the twenty-one (21) schedule 2 entities were represented in the interviews, generalising the findings of the research is not feasible due to the non-random sampling method used. However, by having outlined the procedures used in this research will help others to follow the same process and to reproduce the concept of “transferability”, which refers to the application of the research method in similar research setting and potentially arriving at similar outcomes, findings and conclusions.

4.11 Ethical clearance

Ethical clearance (**Annexure B**) was granted to the researcher by the Gordon Institute of Business Science before the data gathering process started. Hasan et al. (2021, pg. 1) notes that “ethical principles are essential to protect the dignity and rights of research participants”. Each interview began with the researcher explaining the participants rights and administering an informed consent form (**Annexure C**) to explain the interview procedure and obtain consent from participants to participate in the study through signing the consent form. Additionally, the researcher also disclosed to the participants that she works for the public sector but has no direct link to the entities being researched. This was done to gain trust, acceptance and cooperation from the participants. The researcher explained that her interest on the research topic was purely driven by interest to develop and gain knowledge and understanding on how SOEs functions in South Africa. The participants were also informed by the researcher that any information they provided for the study will be kept confidential and will only be used exclusively to further the study’s goal. The participants were also reassured that their identities will be kept confidential and only codes will be included in the interview transcripts. All of this was done to demonstrate that taking part in the study would not cause any harm to the participants.

As a start for the interview, the researcher gave a summary of the questions that would be covered during the interview and thanked participants for agreeing to participate in the study. The researcher also requested permission to record the interview proceedings, and each participant agreed to be recorded. The participants were reminded that they are allowed to withdraw from the interview at any time and there would be no penalty associated with such a decision. At the end of the interview, participants were asked if they had any questions

regarding the process and thanked them for their participation though sharing valuable insights into the subject matter studied. The researcher believed that following this process was important for ethical considerations, and to show respect for people who participated in the study (Hasan et al., 2021).

4.12 Limitations of the research

The research methodology used in this research has several limitations, some of which are listed below:

- **Researcher bias:** The presentation of the findings may be biased due to the researchers pre-existing beliefs regarding the subject matter, as the researcher is currently employed by government and occasionally interacts with some of the people involved in the SOEs.
- **Participant's bias:** Given the fact that most participants of the research were high profile individuals (i.e. board members and executive directors of SOEs) with potential political connections to the Executive Authorities in charge of some of these SOEs, it is possible that the participants did not fully disclose all the information in the interviews.
- **Sample frame:** Only a selected number of individuals involved in the SOEs were selected, therefore the results of the research cannot be generalised.

4.13 Conclusion

This chapter covered the research methodology that was followed for the study to investigate how boards of directors for SOEs provide strategic oversight on strategy implementation. The study followed a qualitative research strategy, rooted in an interpretivist paradigm and utilising an inductive approach to gain rich insights and develop new understanding of the topic studied based on the data collected. This approach was deemed appropriate given the complexity of the topic and the limited existing literature which specifically addresses the topic of board oversight on strategy implementation. The chapter further provided the rationale for the data collection instrument used and how data was analysed thereafter. Furthermore, the chapter discussed the concept of reliability and validity and demonstrated how it was addressed in the research. Lastly, the chapter also outlined limitations for the study.

CHAPTER 5: RESEARCH FINDINGS

5.1 Introduction

This chapter uses the findings from empirical data to offer a deeper understanding of how strategic oversight is undertaken in SOEs in South Africa and what gaps exist in how it is performed. To achieve this objective, the chapter is organised per research question whereby the participants' responses are clustered thematically. The themes were developed throughout the data analysis process which commenced during the data transcription stage. While Microsoft Teams did the transcription of the interviews, the researcher read, reviewed and corrected errors on the transcripts. During this process, the researcher highlighted key phrases and words which were used as codes under each research question and sub-questions. The researcher then aggregated these codes and created themes under each sub-question. Concurrently, purposefully selected relevant responses research participants and added them within each theme to substantiate the presented findings. For each verbatim quote provided under each of them, the report accordingly acknowledges the research respondent that made such statement to enable proper tracing of the response to the transcripts.

5.2 Summary Profile of Research Participants

A summary of the respondents is shown in Table 3 below, together with information about the industry of the SOEs they represented, their current or previous board positions, and the number years they have in the SOE environment. The identity of all participants has been kept confidential with Pseudonyms used to replace their details. Out of the 12 participants, 9 are non-executive directors with 3 serving on boards as executive directors.

Table 3: Summary of research participants

Participant	Industry	Position	Years of experience in SOE
P1	Development Finance Institution	Non-Executive Director	12
P2	Development Finance Institution	Non-Executive Director	15
P3	Energy	Non-Executive Director	05
P4	Transport	Non-Executive Director	04
P5	Transport	Non-Executive Director	16
P6	Agricultural Finance	Executive Director	05
P7	Energy	Non-Executive Director	07

P8	Development Finance Institution	Non-Executive Director	08
P9	Energy	Non-Executive Director	28
P10	Construction	Non-Executive Director	04
P11	Development Finance Institution	Executive Director	18
P12	Transport	Non-Executive Director	05

5.3 Findings for Research Question 1

Research question 1: How do board of directors' exercise strategic oversight on strategy implementation of SOEs in South Africa?

The aim of this research question was to assess participants understanding of the concept of strategic oversight, to determine how it is exercised in the respective SOEs where they are serving as board members and to explore it is exercised in practice.

5.3.1 Understanding of board strategic oversight function

In this question, participants were asked to share understanding of board strategic oversight function for SOEs in South Africa. There were varying views provided by the 12 respondents who participated in the study on how they understand the concept of strategy oversight. Some participants indicated that strategy oversight is dependent on the institution, however it needs to be in compliance with the regulatory mechanisms such as the PFMA and Companies Act that govern the SOEs in South Africa. Whilst other participants responded to the question in terms of the holistic functions rendered by board of directions.

The responses to this question resulted in the emergence of three themes. It emerged that the oversight function is depended on the nature of the institution, the role entails holistic oversight, and all these roles are meant to help the SOEs to fulfil their mandate.

5.3.1.1 Dependent on the institution

The findings suggest that the respondents' understanding of board oversight is dependent on the nature of the institution. This has been elaborated by participant 8 as follows:

"So, look, let me also say that it depends on the nature of SOEs you are looking at. Alright, look, it also depends, right it depends on what is the definition of the strategy. But in government, over the years that it's a regulated kind [statute or legislation] of

requirement, right? So, others obviously report directly to Parliament, right, others to the shareholders. So, these rules then determine the strategy and functions of the board. Because SOEs are diverse “So, depending on what do regard as the SOEs. Others generate income, but I'm so you're your typical ones you're your Eskom, so the board will have to operate under those conditions, right? But again, in terms of company's law, a board of directors has fiduciary duties to protect the interest of the organisation and in this case and those SOEs will have to be profitable, that's how their measured” P8.

However, participant 1 indicated that the legal framework applicable to SOEs informs the board oversight function.

“Hmm. So strategic oversight, I would say, comes number one in terms of board functions. Maybe just to outline the legal framework. So, we obviously have the PFMA and then we have the Companies Act and state-owned companies generally need to comply with both” P1.

5.3.1.2 Holistic oversight

While each SOE has specific oversight requirements on board oversight, concomitant findings revealed that the board offers a holistic oversight on strategy implementation. Thus, under this response category some participants reflected on other functions that the board needs to perform, especially on ensuring that there is adequate capacity to implement strategies of the entity.

“So, the board look at all the affairs of the entity. This will ensure that there's a strict adherence to governance. Ensuring that the entity conducts itself in a manner that is aligned with all the key corporate values that are essential for the attainment of good corporate governance practises. This would obviously include the hiring of qualified and competent people to executive roles, because that's where the board get involved. As derived from the policy or as derived from the policy of the parent department that oversees the affairs of that of that particular SOE, and then of course monitoring things like prudent expenditure of the budget allocation. Located to that entity, making sure that the entity meets its performance targets in line with the budgets that have been allocated for specific tasks that need to be fulfilled” P4.

Reflecting on the same viewpoint, another participant stated that most of the functions carried out by board members contribute to the effective functioning of the SOE as highlighted below:

“All of those are done to ensure that things are done in line with relevant prescripts. The right people are hired and also more importantly the people they do what they are supposed to do in the job” P6.

Participant 10 emphasised that in terms of their oversight function, they would also check if the strategies developed by the SOE is well-resourced in terms of budgets and human resources. The participant stated the following:

“We would then look at the broader strategy and say can you just check that the stakeholders have been involved and that, you know, we then look at it probably in terms of resourcing, capacitation, making sure that the structures are in place, all the enabling processes are in place to enable the implementation of the strategy”.

The responses also revealed that strategy oversight is all encompassing and it involves more than just monitoring the strategy implementation, but it also focuses on areas of audits outcomes and to engage management on it as elaborated below.

“Because it's all encompassing, others perform their regulatory function” P8. “We also look at the external audits that needs to be conducted, the internal audits that need to be conducted, that also give us a bit of oversight in terms of, yeah, you said you're going to do 1234, these are your objectives. Here's your KPI's. Have you achieved it? Yes or no and how you're doing” P10.

5.3.1.3 Mandate fulfilment

The holistic view as presented in the previous sub-section is implemented in alignment to the SOE's mandate fulfilment. In support of this finding, one participant explained that strategic oversight should be looked at in terms of adherence to the reporting requirements of the SOEs.

“The board will have to ensure that the state-owned entity always stay within its mandate. It has clear determined strategic plans. It has annual performance targets and what it needs to execute on it's clear. They have to ensure that there will be a clear governance framework, all of those things, the governance framework, the execution on the strategy, the performance or the need for the state-owned entity” P6.

“And again, the board interest is to make sure that you invest in profitable entities. But there's always that a friction, between what is the risk appetite, what is the role of the DFIs relative to commercial banks? But at the end of the day, the agency must be profitable. So how do you balance, you know the investment decision based on commercial basis and investments, which must take into consideration the

developmental needs of the country. So yeah, those are the issues that you know, board members in SOEs needs to look in” P8.

5.3.2 Views on how strategic oversight ought to be discharged

Following the responses provided by participants on their understanding of strategic oversight, participants were requested to share their views on how the role of strategic oversight should be discharged in SOEs?

In their execution of their strategic oversight, research participants discovered that this role ought to focus on monitoring executive performance which also involve regular engagement with the executives.

5.3.2.1 Monitoring of Executive Performance

The research findings also revealed that a crucial element for strategic oversight is monitoring of executive performance. Reflecting on this area, participants highlighted that as executive directors are tasked with implementing organisational strategies, the board should monitor the performance to assess whether strategies are implemented in line with set targets and budgets allocated where participant 4 elaborated the following.

“Board monitors the work that's being done by the executive responsible for specific performance areas in the entity. For instance, the CFO have to adhere to as far as expenditure of the budget allocated to the entities is concerned” P4.

Participant 4 further highlighted that the board also check that programmes are done in a financially prudent manner. The CEO will then, for instance, be held accountable by the subcommittee that's responsible for monitoring the implementation of projects or the roll out of projects. And the CEO, will of course, be the overall responsible executive for the day-to-day running of affairs of the entity. So, the subcommittees are the ones that now need to pay specific attention to specific deliverables.

Giving another view to what strategic oversight is participant 4 stated the following.

“Strategic oversight also means actually looking at the governance aspects, it means checking the performance of the entity. it means for them ensuring that the organisation itself and performance is aligned to what is expected” P4.

This view was also echoed by participant 11 who stated that:

“Because there is a legislative target, and they then, in terms of strategic oversight, need to check our progress against that on a quarterly basis. They must also ask critical questions in terms of raising whether we're meeting targets or not” P11.

5.3.2.2 Regular engagement with executives

In addition to the monitoring role, other participants mentioned that boards must have regular engagements with executives through board meetings to assess the performance of the organisation and to identify deviations from any strategic or business plans.

“By having regular engagements with the executive who are responsible for the day-to-day running of the entities, and of course your quarterly board meetings that's where now the executive comes and account on different aspects of the programmes that they are carrying out on a on a daily basis. This should also of course include consequence management, where targets are not met or missed, or there is a non-adherence to stipulated policies and procedures” P4.

Participant 9 provided clarity on how these engagements should happen by stating the following.

“But at every board meeting, there are presentations by the executives. For instance, the human resources executive director would have to come tell us how things are. Yeah, and the finance executive director will do the same thing and if there is somebody responsible for strategy implementation level they will come and represent. If somebody is responsible for expansion, they will do the same. So, from time to time the executives will come and present to the board and that's how you monitor the implementation and to get on top of the situation, and that's what happens in practice” P9.

5.2.3 Guidance on remedial actions

Different to the views shared by other participants, participant 4 believes the board's role should be on providing guidance on remedial actions to be taken by the executive management during crisis period. The participant stated that:

“It is however the responsibility of the board to apply remedial actions. This could be done in investigations or inquiries or any other remedial actions or corrective measures which could be applicable, and which are within the ambit of the law” P4.

5.3.3 Board of directors' strategic oversight in practice

To gain insight into the practical implementation of strategic oversight, participants were asked to indicate how in their respective SOE, the board of directors' is exercising strategic oversight on strategy implementation.

In response to this question, the participants revealed that they execute this role through focus on governance, use of board committees, dependable board composition, overseeing institutional performance, overseeing the strategy process, appointment of competence executives and crisis intervention.

5.3.3.1 Governance

The research found that for a board to be effective in its oversight function, there is a need to establish frameworks of how the board will operate. Participant 5 deliberated on this point by stating the following.

"Yeah. Well, if you're on the board, usually you'll firstly have to develop a board charter. A board charter guides every board member, on what is their conduct and what is within their terms of reference for doing their work as well as the mandate of the board. So that normally helps to set the tone of the board role" P5.

5.3.3.2 Board committees

Furthermore, the research also found that the board interacts with the executives through formal structures such as board meetings and subcommittees to conduct oversight functions. Participant 4 pointed out that:

"The board meetings and its subcommittees serve as the main structures to engage with executives for this purpose. Meetings are scheduled to offer a predetermined annual programme" P4.

Unless there are exceptional cases requiring the board to meet, board meetings take place on quarterly basis as explained by participant 9 below.

"We had four board meetings, and as I indicated those board meetings essentially of non-executive directors but attended by 2 executives directors, and they are the link between the board and the rest of the executives" P9.

However, other participants indicated that in between these quarterly meetings, the subcommittees made up of board members will meet to discuss various issues concerning the SOE. These participants highlighted that:

“Subcommittee meetings would happen in between board meetings, so you can have say, for instance, per subcommittee either two or three subcommittee meetings within a quarter depending on the demand. If there are issues that require agent attention, those will be more frequent than” P4.

“So, there will be quarterly board meetings, in between there will be subcommittee meetings. so, depending on your skill and ability, you will either serve in risk or audit, or in governance, or financial where we look at the expenditure plans, you know, and the investment plans. So, in most cases I have served in those committees” P8.

Worth noting, many of the participants said that subcommittees are used as platforms by boards to engage with the executives on issues affecting the SOEs and this is where a lot of work gets done. Amongst the participants who reflected on this point, the following was stated:

*“A lot of work gets done at the committees. The committees would meet on average 6 to 8 * a year. You've got a committee like audit, which by the size of the organization and the issues that we are dealing with” P7.*

“So, I guess the broader oversight and then obviously within the board you know we have the board and then we have the subcommittees that are also responsible to make sure that they have some form of oversight over each of their areas, whether it's on the technical side” P10.

“Through these subcommittees they then explain project by project, and as a board you interrogate, you ask, and then once you are satisfied with answers given, then you can then recommend what needs to be recommended to the board. Ultimately the board, the one that approves the subcommittee work, is just a functionality, so it just interrogates. Furthermore, boards also make sure that the pros and cons are sort of looked at and that you know project planned makes business sense and it's aligned to the business strategy of the organisation and ultimately the board is the one that approves the work that comes from the subcommittee. So that's how you effectively exercise your oversight function” P4.

However, all SOEs are required to establish statutory subcommittees to comply with the regulatory requirements for corporative governance. Participant 7 explained that:

“Yeah. Well, firstly, all public entities must have a social and ethics committee, and then other companies would opt in based on the score that they have. If your score is 500 and the score looks at revenue, it looks at number of employees, it looks at” P7.

“So, we had two committees that are statutory, the ARC, I mean the audit committee, social and ethics, and then in terms of our memorandum of incorporation. There were also other committees that had been stipulated and that would be HCR. It would be risk; it would be investment and finance. It would be nominations committee which deals with remuneration matters, etcetera, etcetera” P7.

Whilst certain subcommittees are part of corporate governance statutory requirements, participants indicated that the number of subcommittees in an SOE is influenced by the size of the organisation as well as the number of board members.

“So institutionally, you know, the board, depending on the number or how big is the organisation. So, usually then you will have the board and subcommittees and so depending on the number of the board members, I think if it is less than 10, you have to justify the number of committees but if it more than that, you'll have 3 members forming part of the subcommittees on Audit, finance and risk. Sometimes, Human Capital, Corporative Governance, you know, including ICT and so forth” P8.

It appears that each SOE have different frequency of subcommittee meetings. For instance, participant 7 mentioned that their subcommittees meet on monthly basis, however, participant 4 clarified that the subcommittee chairperson determines the frequency of subcommittee meeting based on the volume of work the committee must concentrate on.

“We know that our role is to monitor performance, and we know that our role is to ensure good governance and compliance with all the laws, rules and regulations as we should. So, it means basically they (the subcommittees) meet monthly” P7.

“They should be predetermined because the chair of that particular subcommittee needs to weigh the amount of work that needs to be done by, say, for instance, audit and risk that, yeah, the chair of the subcommittee needs to sit with the Chief Audit executive or even the CFO beforehand” P4.

*“What you call the NOMCO, we call it a governance committee that meets more regularly. It meets about once every two months, so probably 6 * a year because that's where all the chairs of committee meet. So, we have grouped remuneration with human capital. We call our committee HCR, Human Capital and Remuneration. So that is the committee through which would exercise monitoring. Of performance and oversight on all matters pertaining to human capital and remuneration. And we do the*

same with risk. We assess risks constantly. There's risk everywhere in a large business such as ours" P7.

Although the research revealed that it is through subcommittees where most of the oversight work gets done, participants also highlighted that board meetings serve as formal structure for structured engagements with executive management. Participant 9 deliberated on this point by stating that:

"They do that by way of having board meetings and the important meetings would be attended by typically the Chief Financial Officer in some instances; the COO may attend as well. Yeah, to represent the executives. So, the board will ask them a number of questions, but the real guide or the compass will be the budget, so they'll monitor the implementation of the budget and looking at the timelines and deadlines under the review periods. The main point of interface to the board and the executive, is typically through the people that I have referred to earlier on. The Chief Executive Officer and the Chief Financial Officer" P9.

5.3.3.3 Board composition and independence

Whilst the board should comprise the appropriate balance of skills, knowledge, diversity, experience, and independence for it to discharge its governance role and responsibilities objectively and effectively. It was noted that the SOEs Chief Executive Officers (CEOs) and the Chief Financial Officers (CFOs) play a crucial role in board meetings by presenting to the board reports that give them insight into SOE performance and the schedules for achieving goals. Participant 9 explained that:

"The main point of interface to the board and the executive, is typically through the people that I have referred to earlier on. The Chief Executive Officer and the Chief Financial Officer. Typically, the board, will give the green light, but in terms of in depth understanding, the executives know the details. So, as the presentation is made to the board, the board will ask questions too, to understand what the executives are going to do to get to understand their timelines for implementation, or the deadlines on the way to implementation of the work and typically, it will be quarterly. Okay, every quarter, they would wish to know what has been achieved and the following interphase would typically, uh, be the first updated forecast and second updated forecast, and the third and fourth forecasts and at the end review of the full implementation" P9.

The study also discovered that a variety of tools such as shareholder compact, and corporate plans are used to manage the boards performance and to create independence from the shareholders. *Participant 4 pointed out that:*

“The board derives its mandate from the shareholder compact agreement that they have with the Minister, who is the shareholder representative of government in that entity. So, all the SOEs performance targets are outlined in that shareholder compact”.

This sentiment was also shared by participant 1 who stated that the performance deliverables of boards are generally captured through these instruments like a shareholders compact or a corporate plan. The participant highlighted that

“The third part of it is obviously the MOI [Memorandum of Incorporation], but I think from a strategy perspective the core of it would be in the corporate plan and through the quarterly corporate reporting, can then a shareholder minister provides that strategic oversight” P1.

5.3.3.4 Performance management

According to participant 9, based on lessons learnt from the private sector a shareholder compact was introduced after it was discovered that there were no instruments in place to manage the relationship of the SOE boards with the Executive Authority in terms of the SOE performance. The participant also remarked that the introduction of a shareholder compact was also aimed at defining boundaries from the board and the shareholder department by the stating the following.

“We ran things in line with the corporate governance practices in the private sector. But in addition to that, we had to enter a [Shareholder] compact. So yes, in the past it wasn't there, we then introduced it because we wanted to keep the government at bay or the shareholder at bay, and that compact will have what we are going to perform. So, you're not going to interfere, but if we don't deliver, you can come fire us, which is what happens in the private sector companies. What will get measured, and what is the cardinal objective and how will it be measured, what do we have to do by way of performance, what do we have to deliver financially, and all of those kind of critical criteria, what we have to deliver in terms of transformation because that was also important” P9.

Additionally, participant 4 underlined that the shareholder compacts will therefore define the functions that boards must perform on behalf of the shareholder departments.

“So, the board derives its mandate from the shareholder compact agreement that they have with the Minister, who is the shareholder representative of government in that entity. So, all the SOEs performance targets are outlined in that shareholder compact” P4.

Moreover, after developing the shareholder compact, the SOEs are required to ensure that the priorities outlined in the compacts are reflected in the annual performance plans for implementation by the SOE, with quarterly performance reports submitted to the shareholder department. This process was explained by participant 10 who stated the following.

“The strategy is cascaded into the annual performance plans. Which is signed up by the Minister on an annual basis. We also have a kind of a three-year corporate plan which gets revised every year where we consolidate the budget. So, part of the oversight is that we need to submit quarterly performance reports to the department and then back to the to the Minister and then we also have to in terms of oversight, is to look at the annual reporting cycles” P10.

5.3.3.5 Overseeing strategy development and review

According to participant 10, the board must also participate in strategy formulation to ensure alignment with the organisational objectives. In doing this, the boards must verify whether strategic plans also cover issues raised from consultations with stakeholders.

“We are responsible for setting the strategy overall strategy of the entity. This strategy has to be aligned to the National Act requirements. but I think the more important thing in terms of strategy development it is to make sure that stakeholders are involved in the process” P10.

“When we are implementing the strategy, we always must go back and see whether it is reflecting what the stakeholders in the ground have said that they wanted and that's incorporated into the strategy. So, part of the oversight is to make sure that when we have the consultation sessions. When we have engagements with stakeholders that when we present the progress on the strategy that they can ask questions and ask us in terms of what the issues are and why aren't we dealing with issues like water quality, why aren't we dealing with issues of maybe” P10.

Participant 6 provided additional information to the process followed in this strategy formulation by stating the following.

“We at least met twice in a year; we will have a strategy planning sessions and coming together to look at whether or not the strategy of the bank is still relevant and once of course, it's concluded that it is relevant and then the board strategy priorities will then be set and those strategy priorities will then lead into the scope of work in a particular area” P6.

To justify why boards should be involved in the strategy formulation process, participant 9 explained that it is quite critical for the board to understand how the strategies and plans are designed and highlighted the following.

“I think it's actually first important to understand the strategic design, or plans an organisation plans to implement, whether it has to do with what the organisation call its sense of destiny, where is it headed? And then from that then in terms of destiny they actually craft their vision which informs their overall plan. And then from the overall plan, they develop their strategy, they then move on to do what you might call an action plan which outline the kind of things that they are effectively planning to do, which would be a plan with their timelines and deadlines. The bulk of this is done by the executives and this is introduced to the board and sounded on that, and ones there is that understanding, the job of the board is to monitor the implementation of the grand design” P9.

Participant 6 also clarified that once the strategy is approved by the board, the board must ensure it provides oversight to how it is implemented and to provide to the executives.

“Sometimes they need to provide guidance. They need to say you know what? How do we move here? Board should be able to say, OK, this is how you should be proceeding, especially because you expect board members to be people with experience” P6.

Regarding the guidance provided to the executive, participant 10 stated that the board also will also look at how well does the strategy align with the resources allocated to deliver on the plans.

“So, we will then as a board have oversight for each of the subcommittees to make sure that whatever management is proposing is actually executable, because we cannot do a five-year strategy over one year, so one had to look at the five-year financial plan one had to look at the budget for each year. One had to look at the structure, and the resourcing. We also look at the issues of are you adequately resourced, do you have the skill sets required and then how are you dealing with

anything around the systems and processes? Which management will then tell us that this is what they require to?" P10.

5.3.3.6 Oversee appointment process of executives

As stated by some participants, the board is also in charge for overseeing the appointment process for SOE executives, specifically the Chief Executive Officer (CEO) and to recommend suitable candidates to the Executive Authority for appointment. Participant 7 and 8 explained how the boards undertake this function by stating the following.

"You're going to hire [a CEO] once you've gone through the process, but in our case, it doesn't work like that. We will run a process. Once we have ran a process, we will make a recommendation. And the minister appoints" P7.

"So that is the responsibility of the board, and the HR [Human Resource] committee will then look at, you know, the recruitment sometimes of the executives, it must be depending on the Act, you know. If the Act specifies who must be consulted for certain appointments, then the HR committee or Human Capital, will then facilitate adverts, the requirements and board members will then, conduct interviews and make recommendations to the minister, as required by the Act" P8.

Nevertheless, it was noted that the Executive Authority does not always agree with the board's recommendations regarding who should be appointed.

"Sometimes the minister rejects your recommendation. For instance, it took us 13 or 15 months to fill the role after our chief executive left, but on our own program we had set about to have a CEO within three to four months and I think within four months, if not five months" P7.

5.3.3.7 Crisis intervention

In addition to the functions listed above executed by the board as outlined above, participant 7 indicated that the status of an organisation at a particular time influences how a board carries out its strategic oversight function and stated that during a crisis period, the board had to get involved in the operations of the organisation.

"It [the organisation] had been very heavily incapacitated to the extent that there had been lots of resignations [of staff] and the few that were there were not coping with the amount of work. I imagine that ought to be the case, but when we found what we found there, we realised that we must be a little more engaged as a board. You then must

find a delicate balance. Between simply exercising strategic oversight, laying down the rules, laying down the direction and let the executive run with it. But we realised that in a turnaround environment. We realised that we had to fold our sleeves and get a little more involved. And what we then did was to establish a new committee which had not existed before at this entity. We call it the Board Operations Committee [BOPC]" P7.

"The BOPC comprises of individuals who are very technically inclined, who would understand what it involves to run an industrial plant, this committee would sit and interrogate operational plans, how maintenance was being executed at the problematic power stations. It would also sit and look at, for instance the procurement of parts as it was one of the problems because if you don't have parts, it would mean that if a plant is down, the lead time to getting that plant back on stream would be longer" P7.

"Strategic oversight is one thing, but ensuring an effective turnaround is another. And if we were to ensure that this effective turnaround is achieved, we must be engaged as a board". So, we would tend to veer more towards being more operationally involved for that time. Of course, that time came and went. Yes. And I must underline for you, as I say, that did not become a permanent state. It was a transient phase [arrangements]. Now that we are over the transient phase, we know that our role is obviously to determine the overall strategy" P7.

5.3.4 Conclusion for question 1

The findings covered in this Section demonstrates that oversight functions begin with establishing governance frameworks like a board charter to define the boards mandate and conduct. Additionally, the oversight function is primarily discharged through formal engagements in board meetings and subcommittees. In this regard, board committees serve as structures where the bulk of the board oversight function is carried out. These committees meet on regular basis, often in between board meetings to engage with executives and to thoroughly interrogate operational activities. The introduction of shareholder compacts was specifically aimed at defining boundaries for boards and the shareholder department. The boards mandate and performance targets are formalised in shareholder compacts or corporate plans. Performance is monitored against these plans, with quarterly reports submitted to the shareholder department. In terms of discharging oversight function, the board has to ensure strategic alignment of plans by overseeing the strategy development process and reviews. Furthermore, the board is also responsible for overseeing the appointment

process of key executives within the SOEs. In unusual circumstances, such as in crisis situations, the boards' role shift from focusing on strategic matters to getting involved in operational matters. However, on the overall it can be said that the strategic oversight function of SOEs executed by board of directors is a structured, multi-faceted process reliant on formal governance mechanisms and agreements.

5.4 Findings for Research Question 2

Research question 2: What are the critical factors required to enable the board of directors in providing strategic oversight on strategy implementation?

To determine the critical factors required to enable the board of directors in providing strategic oversight on strategy implementation, participants were asked to reflect on process followed to appoint board members, including the leadership competencies and requisite skills required during this process. The aim of this research question was to ascertain if there are any critical factors that are considered before boards are appointed, to ensure that once they are appointed, they can effectively provide oversight function over strategy implementation of SOEs.

5.4.1 Process followed in board members' appointment

The analysis of the responses to the question about the process followed in recruiting board members culminated in the emergence of five approaches. From the pattern picked up from the data during the analysis, it is apparent that these approaches are not mutually exclusive. They may be used concurrently or exclusively, depending on the circumstances of the institution and the shareholder. The responses suggest the general practice, political process, nomination process, head-hunting option, advertisement and referrals as processes followed in board members' appointment.

5.4.1.1 General practice

From the participants' responses it does not seem like there is a standard way to appoint SOEs board members. Few participants did, however, indicate that there is a general practice for the Executive Authority to issue a notice on print media to invite nominations for suitable board members for SOEs as articulated below.

“So, the Minister responsible, the executive authority responsible for that particular entity, who then becomes the shareholder compact agreement custodian on behalf of Government issues a notice, through parliament, a notice of invitation for suitable

people to be nominated for specific board responsibilities. Then whoever feels that they know someone who is capable of so firstly meeting those requirements but capable of discharging those specific responsibilities, then the person can be nominated and then a shortlist will then be carried out, suitability will be determined of the people who have been shortlisted and then the minister, based on the recommendation of the review panel will then, as the appointing authority. Then submit a set of names to Cabinet. I think they serve in the subcommittee of Cabinet responsible for that first, and then then goes to Cabinet for ratification. Hence, boards of SOEs are now announced by Cabinet as part of Cabinet process. They have to be rectified by Cabinet” P4.

Participant 6 outlined how the process has been undertaken in one of the SOEs when they were involved in the appointment of board members.

“I will give you a theoretical response because as I said, I have only been at the bank only for 3 1/2 years, actually, I found the board to be in there already. Then the board has a nominations committee. The nominations committee is supposed to deal with the affairs of the board. Members are allocated into the various subcommittees. Also, the state-owned entities will have either investee companies or subsidiaries, so the nominations committees will deal with the allocations of board members for these structures. So, when it comes to the board members themselves, the nominations committee is also given the responsibility to nominate out of the current board, members that should still be considered to be board members in the next board” P6.

Despite the research findings that shows that the Executive Authority is in charge of this process, as stated below participant 6 further mentioned that in many SOEs, the board nominations committee also participates in the board nomination process to ensure that they retain some board members for continuity.

“So, the nomination committee is supposed to nominate some of the board members back into the board. I mean for them to come back to the board and normally the chair of the nominations committee will normally be the chairperson of the board. Who can actually allocate and normally recommend the people to serve in the nominations committee, it's actually supposed to be the chairperson of the board who is supposed to lead, with the deputy chair of the board also being part of the committee and the CEO. So, normally these should be the three making nominations from existing board because the other board members really shouldn't be part of it” P6.

The research further found that even if the nominations committee is in charge of appointing new board members, the list of nominated candidates must still be submitted to the

shareholder department for further consideration. In the case of the SOEs under the purview of the Minister of Finance, the list will then be submitted to National Treasury for further consideration as explained below.

“After nominating the board members. Yeah, they give the list to the National Treasury. The National Treasury then also runs its own process, considers who out of the current board members can still be considered” P6.

Worth noting, the chairperson and deputy chairperson of the board are appointed by the Executive Authority to manage conflict of interests by those managing the process.

“Because then they're going to be compromised when they have to be nominated, but at least the chair and the deputy chair, are appointed by the Minister. Then that's at least in as far as it works for land bank nominations committee” P6.

“The shareholder typically appoints the chairman of the board. So, the Chairman and Chief Executive Officer must be endorsed by the shareholder minister. Then with the rest of the board members, the Chairperson has the final say” P9.

5.4.1.2 Political process

Even though the process outlined above demonstrates that the general process for appointing board members is through advertising the positions requesting nominations, the research revealed that due to the political nature of certain appointments, some board appointments are not advertised. To confirm this, participant 3 stated the following.

“I don't know what process was followed. Obviously, I don't know. I know because we were making a lot of noise as the business community. So, when the current President took over, he thought let me involve business. And one of the biggest issues obviously was the state capture. He then decided that I'm going to have to bring in as many businesspeople as possible into these SOE boards. He then called my boss and said to him I need four or five people to serve in the board of this entity. And also made the same call to BBC to say give me four people whom I can actually appoint to the board and that is how my name made it. You know to that list of four. After these names were submitted, not sure what vetting process did they do, you know, to say as much as are these still the right people to kind of point onto these board? I don't know what they then did. Right. So cabinet is informed that here's the process we followed to recommend these board members and then once it goes to cabinet then it goes

eventually then to Parliament as well. It's signed off and then it's gazetted as such in the Government Gazette. Yeah, so that's the process in essence" P3.

The assertion made by participant 3 was also raised by participant 9 who indicated that in their SOE, the appointment of board members was informed by the discussions of the ruling party at the time.

"Sometimes a debate happens to determine who to appoint, and selection criteria is used to take a decision even on political appointments. So, because the President insisted, they said why don't we take business led approach list criteria and judge these people against the criteria. So, they came up with a list of 14 criteria, and in 9 out of 14 they rated me. So, the President said no I can't argue with this objective assessment too. So that's how I came to be Chairman. But typically, I say, you know, uh, following that, what then happens with the rest of the other directors, the board regardless of how you look at it is the one that can set the criteria and invite others to join the board" P9.

Other participants shared different processes that were followed to appoint the board members and stated the following.

"So, the Minister responsible, the executive authority responsible for that particular entity, who then becomes the shareholder compact agreement custodian on behalf of Government issue a notice, which is usually done through parliament, a notice of invitation for suitable people to be nominated for specific board responsibilities. Of course, the notice will stipulate the kind of key competencies that are required" P4.

Participant 10 offered an elaborate response to outline the process that pertains to the involvement of the minister at various stages of the recruitment and this is summarized/covered below.

"On nominations and appointment of governing boards, it is also in there, but very briefly what happens is like the Minister appoints an advisory committee, now the advisory committee is selected by the Minister. The Minister decides who she wants on the advisory committee, the role of the advisory committee is to basically to start the whole process of nominations and what we call it, it's like a recruitment process. You go through the nominations process, then you go through the selection process, you go through interview process and do your final short listing and then you submit that to the Minister. So that's the role of the advisory committee. So that's quite legislated. So, the Minister then appoints the advisory committee and normally the Advisory committee tend to be people who are quite knowledgeable in the sector, the

people who have been in the sector and are quite experienced and competent. They understand the functioning of the of the sector. After than they will make a call for nominations. Right. Outlining here's the process to follow. Yeah. So, here's the process here to follow. Here's the scope of work we're looking for in terms of board members. And this is the scope of work and the criteria in terms of skills, experience, competencies required. All those kinds of things and what you need to submit and then all of that is then submitted through to the Department, where officials involved in all these processes and they're also part of the advisory committee as officials then looks at what has been received. They then work the process of shortlisting them for interviews, so they will go through their criteria in terms of what they're looking at. The Minister is very clear on the advertisement as to what they're looking for. They may specify that they're looking for females. They're looking for young professionals, they're looking for people with this experience, engineering experience, finance experience, legal experience. All of that stipulated then forms the shortlist criteria. The advisory committee will then shortlist and then they will then invite people to come for interviews. And then once they invite them for interviews, post the interviews, they will then look at it based on the CVs, the interviews, then they will then shortlist from maybe 20 candidates to maybe about maximum 10 board members. Then they'll say OK after 20. This is what you're recommending to the Minister. He has our shortlist of 10. Then they will recommend who the chairperson in their view should be. They'll recommend who the deputy chairperson should be and then they will submit this to the Minister. In case of auditing purposes, they then send the shortlist to the Minister. The Minister has a look at it and the Minister will then take the view of the advisory committee and most of the time she would then accept the nominations. Yeah. Sorry, recommendation of the advisory committee. Sometimes Minister may decide that listen, you've identified this person a chairperson. I want to change this person. So, Minister might just tweak it here and there, or Minister might say, you know what? I looked at it. And you know what? I feel that maybe I need to get somebody else. Normally Ministers accepts the advisory committee recommendations. Then if Minister is happy with recommendations, then they take the recommendations to cabinet" P10.

The research also discovered that once the board is constituted, the shareholder appoints from the appointed board members the chairperson for the board.

"The shareholder typically appoints the chairman of the board. Yeah, but its normally approached in 2 ways, in the case of Eskom because you get a new government, the ANC wanted to actually have a board that was deracialised and preferably chaired by a black person" P9.

5.4.1.3 Nominations

The study further demonstrated that another process used for board appointment is the nominations process. In this process, a shareholder department nominates officials referred to as shareholder representatives to participate in boards of SOEs. Though a common practice used by shareholders, participant 8 acknowledged that this process is not really legislated.

“So, there are two practices in government. There is one that is called the shareholder representative. It's a concept in government, but It's not required in-law, because there's no legal requirement to appoint a shareholder representative, but it's a practice that in most SOEs where you then have somebody who is regarded as the shareholder representative. So, this person basically becomes the eyes and ears of the minister within the board. So as part of risk management so that you don't have to wait for formal reporting in a case there are funny things happening within the institution. Then you can go and inform the minister that you know these are things happening at the board” P8.

Deliberating on this point, participant 8 explained that the Executive Authority will normally reserve one position for what it's called a shareholder representative. The participant stated that:

“[For instance], If you look at the Development Bank of Southern Africa in most cases, we'll find that there's one person who is working at the National Treasury sitting in the board” P8.

5.4.1.4 Head-hunting

Furthermore, the research pointed out that some participants were headhunted to participate in the SOE boards. Two participants confirmed that they were appointed through this process in the following manner.

“Yeah, I think working with the presidency, they went out on a head-hunting exercise. About, two or three months? And I kept saying no. And when I had said yes, it was a Friday afternoon, and he immediately made an announcement the following day” P7.

“The minister went around, put us all together and the first time we met each other was on the afternoon on which he was going to announce. We get called in for a meeting and all of us, boom, all of us got told you are being appointed to this board. I think

it was the 30th of September. He made an announcement then because he didn't want a leak. So, all of us had even forgotten we had been approached" P7.

"So, in my particular case, 4 people were advised to apply. There was one EM, who was actually invited to apply, and he got short listed. There was also a guy, how can I forget, the guy who founded Thebe investments and myself" P9.

5.4.1.5 Advertisements

Over and above the processes outlined above, some participants indicated that advertisements are placed in print media to request the nomination of potential board members.

"So, but for others [non-shareholder representatives], there will be, you know, an advert, in the newspapers, for people to be nominated, as board members. And then you know, the procedure is that you get nominated to be a board member for a particular term" P8.

However, participant 4 believes that this process is not authentic as it is sometimes altered to suit the needs of the shareholder department. The participant highlighted the gaps of this process by stating the following.

"But this process is kind of false that in that at some point National Treasury then said to our board that actually you can also help us with putting an external advertisement of the board and you can actually assess who are the board members to be appointed. And actually, tell us who out of the external people based on the type of boards that you require, you are recommending for appointment. So, one the current board members run a process, and we did that at certain point and after that they came back and said actually we don't want you to do that, we'll do the advertising ourselves" P4.

To emphasise the point made above, participant 6 further elaborated on the point by stating the following.

"Then they advertised and then ran with the process themselves and out of that they will then have a list that can be recommended to the minister that makes a final decision. We also understand that they also ask the parliamentary committees linked to the department to also nominate potential board members. The parliamentary Committee on Agriculture was also asked to do the same and the other one was the parliamentary committee or the Standing Committee on Finance, because we actually seem to be relevant to both agriculture and finance" P6.

5.4.1.6 Referrals

The research also discovered that there is a referral process used to appoint other board members. Participant 7 indicated that during their tenure in their SOE, a referral process was used to identify capable people who could be appointed to serve in the board in the following manner.

“The responsible Executive Authority approached individuals “Whom he believed would make up the matrix of the kind of skill sets that he wanted to put together to compose the board, and he approached them. For instance, I was approached for. About, two or three months? And I kept saying no.” P7.

In support of the referral process, participant 3 stated that:

“Yeah, yeah. That would have been the right way to do it. Ask for skills and don’t ask for names because then the names that you get, you know, you might end up having a mismatch” P3.

5.4.2 Requisite leadership competencies for board members

Participants were asked to identify the requisite leadership competencies taken into account when board members are appointed. This question was asked to understand the competencies that boards should have to provide strategic oversight into strategy implementation. An aggregation of the codes that emerged from the responses suggests that SOE board membership requires individuals that have practical experience of governance, exposure to boards, executive leadership experience, negotiation and critical thinking, business and technical skills, directorship training and track record of ethical practice.

Participant 7 backed up their assertion that experienced people with skills must be appointed, by stating the following:

“Yeah. So, I think we need to move towards a situation where we really appoint qualified people, right, so a qualified person means they have both experience and skills you know” P7.

On the contrary, participant 3 stated that she does not know the competencies they looked for when appointing her by saying:

“Not that I know of. No, I don’t know. Instead, said a finance person or I’m a chartered accountant by profession, so I don’t know. You know, when they looked at my CV, they

thought, OK, she's a chartered accountant. She fits. So, from my understanding, no, they didn't ask for any skills because I'm just trying to think" P3.

5.4.2.1 Governance

Participant 4 emphasised there is a need for some governance experience, because being in a board is all about governance. The participant stated:

"Which will speak more to your human capital and HR related issues and there are people who have a thorough understanding of governance in general, because that's exactly what it is" P4.

5.4.2.2 Exposure in boards

The research findings pointed out that individuals should have prior board experience in order to serve on the boards of SOEs.

"Yeah, in my space, my experience is that you can't serve on a board when you've never served anywhere else. You know you must indicate some willingness to serve, be it on an NPO board or any board. So, minimum I would say five years, you must have served in a few years board minimum of five years. If more is a bonus and you must indicate your strategic effectiveness or the impact, you made in that board and how things change" P5.

"So, they may just look at, you know, experience and they may look at your number of years of yeah that you've been serving as a board of director. So yeah, so I think that's the main one in terms of the criteria then they would also look at" P10.

Other participants noted that prior board involvement is advantageous for prospective board candidates, particularly when they are being assessed for leadership competencies during recruitment. This view is articulated by participant 5 who said:

"That's the value of having an interview to say in your previous board what was the problem? What did you solve when you were in that problem so that we then know that you are a strategic thinker? You're not there to compete with for 10 dozen things like those. So, things have really gone very wrong. Now. People just come from nowhere and they are just deployed there with no interest in making sure that the organisation moves forward" P5.

“In terms of how many years have you been a director? They check if you served on previous boards, the type of boards you served in, they look at all of those kinds of things and the size of the entity” P10.

Nonetheless, participant 4 believes that board members should still be appointed without prior experience, because they can be groomed or trained on the job. The same participant did however caution that appointments of board members with no experience should be kept at a minimum, because having a majority of board members with no board experience could lead to poor performance because of the combination of incompetence coupled with inexperience.

Furthermore, some participants indicated that board exposure should be augmented by diversity. Participant 5 is of the opinion that diversity of age is also good, so you can have younger board members who have just only served for five years but have since then been on boards for 10 to 15 years and have senior members who really understand what it means to serve on a board.

“So, a mix is good “And the diversity brings good perspectives and good experience, but of late, anybody, especially if you come from the ruling party, just ends up dominating the board. There'll be four or five of you who don't come from there and you get sidelined” P5.

5.4.2.3 Executive leadership

Participants cited that executive leadership acquired through experience of participating in boards must also be taken into consideration when appointing boards.

“Because ideally. You want board members who are about to retire, or have retired, and they've done it” P8.

“And so [The Board Chairperson] he could give me his first-hand experience. I mean, he was around when they were conceptualising the entity and the intention behind it and that is so valuable” P11.

In line with the previous responses, participant 6 and 7 underlined the importance of executive leadership by saying that:

“So, if you look at the DBSA board, what makes DBSA board to be stronger, a lot of the board members are retired executives, very senior. So, at the board of the DBSA, you will see at least six of the board members were CEOs of various entities, which mainly were in the in the banking space” P6.

“We have a retired executive from Eskom, who's an engineer who had been there for some time” P7.

Whilst executive leadership is deemed critical for the boards, it was also mentioned that technical experience is also necessary. Participant 7 emphasised this point by stating that:

“I've told you of someone who had retired from Eskom. There was another who also retired from Eskom, albeit at the junior level, but had gone on to become very appropriately knowledgeable and very well skilled. We have people like our chairman who has ran large organizations. He was chief executive of, you know, a large company like Altron. He was chief executive of MTN South Africa. He had vast leadership experience at a very senior level. We had at the time Mpho Makwana, who had extensive experience, who was our initial chair, with extensive experience with Eskom, but also extensive experience as chairman of boards, large boards, so, so the calibre of people that we had, then we you had people like me who had not had experience with electricity” P7.

5.4.2.4 Negotiation and critical thinking

Other participants also stated that negotiation skills is an important skill for board members.

“In a way that shows you have experience, you know what to do and actually when you disagree, it's not the end of the negotiations. It's time for everybody to regroup” P6.

Additionally, critical thinking was highlighted as another critical competency required by board members, as stated by participant 10 below who said:

“Critical skills. Yeah, all that including problem solving, decision making, analytical problem-solving skills.” You know the systems thinking and the long term like sustainability of the business. Someone mentioned about the annual performance plans like performance oversight, very important you know even in our space like research innovation” P10.

5.4.2.5 Business and technical skills

The study also discovered that business acumen is also a critical competency required for board members. Participant 8 remarked that as their term as a board is coming to an end soon, they were able to turn around the SOE because the board also had board members with business skills.

"They [the board] have been able to turn it [the organisation] around and elevate it. Given that we had strong people coming from business and also from government including some from labour, maybe one or two" P8.

Participant 10 also emphasised the need for business skills and stated that:

"And then just general business acumen, you know, just understanding the business, how it functions, you know, how you manage your finance, how you become financially sustainable, the other one is stakeholder management which is key" P10.

The emphasis on business acumen was also expressed by participant 11 who pointed out that the Act which established their SOE stipulates that the board of their SOE should consist of not more than five people who have proven business acumen or applicable knowledge or experience regarding the functions of the board.

Whilst acknowledging the importance of business skills, participant 8 and 10 also emphasised the need for technical skills.

"So, we need people who have done it on their own, who run their businesses or who are academics or season public servants" P8.

"So, most of the time especially for these boards, I think your functional technical skills that you bring to the board whether you are either technical, or you're engineering or legal. So, the skills required depends on the phase of the entity, is it to build the organisation from the ground up or to stabilise it. So, you look at that phase you look at people who have that kind of experience and qualifications, but I think more importantly, especially because you are a board of a governing board member, so they look at your experience and competency as a director" P10.

However, participant 5 also cautioned against overemphasis on academic qualifications at the expense of community involvement.

"The reality of the matter is you must be qualified, at least have tertiary education. You can be a community worker even if you don't have tertiary education, who's served on other boards, who's experienced and bring the wisdom. So, there must be a mix. So, for me, you know, sometimes education is overrated. I have worked with community leaders who don't have the MBAs and the big degrees, but through their experience and through their community work they take their leadership seriously, they are ethical. They bring a lot of value and interface with the communities. So, I wouldn't exclude them. That's why I'm for diversity. I wouldn't exclude them, the most senior they are,

the more ethical, experienced and we look at the track record, I would bring them on board. Because it doesn't help to have a board of intellectuals who are disconnected from the realities on the ground" P5.

5.4.2.6 Directorship training

Despite being raised by two participants, membership with relevant institution of directors was also considered necessary as stated below.

"Other things they look for is for directors who are members or affiliated with like Institute of Directors in South Africa, you either must be a certified director or a charter director. That kind of credentials they also look for, they're looking for the experience and years" P10.

"I would always say that this must be a precursor, and they must have attended X number of hours of development. For instance, you know, even on an annual basis. So, we, for instance, we pay for training for two training interventions per board member per year" P11.

5.4.2.7 Ethics

Notably, there are participants who indicated that it is crucial for board members to be morally upright because they should be trusted to take decisions that are in the organisation's best interests. It was suggested that board members should also have a good social standing because they are entrusted with making key decisions that have an impact on the society at large as mentioned below.

"The other one is ethics. Are you a member of good standing? So, one of the things you have to declare is that you're not fraudulent, you're not corrupt. You have to declare you haven't been imprisoned and all those kinds of things. So, they're obviously looking at law abiding citizens" P11.

"You need to demonstrate the highest level of ethics, because remember, again, it's about it's about risk management, so you need to be accountable. Because if that part is not done, that's why you find that a lot of this SOEs end up collapsing and that's why we find that a lot of boards are dissolved because when board members are compromised, they forget about their core responsibilities" P12.

5.4.3 Critical skills and experience required

To ascertain the critical skills and experience required from board members, participants were asked to identify the critical skills and experience considered when boards are appointed. Complimentary to leadership competencies, the study revealed that board members should possess relevant academic qualifications coupled with relevant experience. As the board is constituted, it should be formed by members who are drawn from various backgrounds, namely finance, law, audit, risk management, labour relations and sector knowledge.

5.4.3.1 Relevant academic qualifications

The overwhelming majority of participants stated that academic qualifications are critical. This was elaborated by participant 5 who stated the following:

“The reality of the matter is you must be qualified, at least have tertiary education. You can be a community worker even if you don't have tertiary education, who's served on other boards, who's experienced and bring the wisdom. So, there must be a mix” P5.

Participant 1 further remarked that a diverse skill set for the board is important. Reiterating the same statement, participant 7 remarked that in their board they have the following professionals.

“We have 3 chartered accountants. I think we have four engineers. I'm the only lawyer on the board. We've got someone from executive coaching and human capital background. We've got a mathematician. I think she's among the engineers. So, these are, these are very, very highly skilled people, very experienced. We've got someone who was with Eskom. But there are others who are stronger in the technical area than others” P7.

Further elaborating on this viewpoint, participant 9 added that the same competencies/skills needed for private sector board members, should be the same competencies required for SOEs board members. Accordingly, participant 7 emphasised that their board had a retired CFO of a large company.

“She was at PPC, so it's a large organisation. So, she had vast experience as a chief financial officer of large corporations. So, but she had not touched electricity before. So, you need to find a balance. You find a balance, so you then put together that kind of team” P7.

Whilst all participants agreed that skills were critical for board members, participant 9 cautioned that you can't just do a thumb suck when it comes to identifying skills required. One participant underlined that while serving in one of the boards, the Executive Authority had

invited a good number of professionals including scientists like actuarial scientist, bankers, other were sort of generalist like him with specialisation in strategy to ensure there is a balance of skills brought into the board.

5.4.3.2 Experiential learning

According to participant 6, experience is crucial, and board members should have completed comparable roles in the past. The participant indicated the following.

“But actually, you need somebody to have sat there, done and gone through it because we deal with real life experiences because when something happens. I must not panic as I know I’m dealing with a crisis, but I will get out it. Without experience You will not be able to deal with crisis. I came to the land bank to ensure that we cure the defaults, and I had to do the negotiations with 60 global lenders” P6.

“But I think to add in terms of what other competencies should be critical, I think the most critical competence is that a lot of the state-owned entities should look at is the board members having had very senior executive directorship experience” P6.

5.4.3.3 Financial skills

The study also found that financial skills are critical for board members. Participant 3 indicated that while engineering skills were critical in the SOE where she served as a board member, financial skills were equally important because they had three Chartered Accountants serving in the board.

“Yes. But you also need the finance skills. But the other skills you also want is a person who has the SOE background. Because those entities are governed by PFMA. So, if you go in there and don’t understand the PFMA, it’s useless, you know” P3.

Expressing similar views that are comparable to participant 3, participant 12 stated that board members must have sound financial skills because they are expected to understand financial statements and to approve budgets of SOEs.

“You know, as board members, so you need to have, you know a very good understanding of policies, and you need to have a very good or a sound financial background if you don’t have a financial understanding. I mean, how are you going to put together a financial statement. Because remember, financial statements is something that you also need to approve as board members” P12

Other participants stated that for SOEs that focuses on financial services, they look for board members from people with the banking type of competencies. *“So, competencies like the banking exposure are very critical”*. Participant 6 stated that exposure on the corporate banking, agricultural banking exposure, the lending exposure, is the main focus especially the banking related competences. So that's why you find that a board of the bank has got more than half of the people as Chartered Accountants. Participant 6 further highlighted that because their SOEs has an insurance component as well, a competency in insurance is also considered for board members.

“So, if you look at the bank insurance, there it's actually actuaries again, insurance actuaries in there. Then the next set of competence the SOEs look for is the agricultural competencies like agricultural economists” P6.

5.4.3.4 Legal background

The research established that legal expertise is a critical skill for boards as confirmed by many participants. For instance, participant 1 highlighted that due to the extensive legal requirements the SOEs must comply with in terms of the Companies Act and the PFMA etcetera, having a legal skill set in the board is also not a bad thing. The importance of legal skills was also shared by participant 5 who stated that:

“In the boards I participated in, they normally wanted people who are skilled in the medical space, in IT, Legal, and Finance. So, if you meet those criteria, you get shortlisted.” Participant 11 further demonstrated that an emphasis on the experience within the legal background by saying that “So, you need somebody with a very strong legal mind and quite advanced” P5.

5.4.3.5 Audit, risk and compliance

Two participants have acknowledged that risk and compliance management is a critical skill needed for boards. Participant 12 stated that:

“I've always said it's risk management; it is providing that guidance” P12.

While audit and risk skills were not mentioned a lot during the research process, participant 1 has corroborated this gap by stating that

“I would say that more often we don't give it enough attention to risk management which is important” P1.

5.4.3.6 Labour relations

Notably, there were participants who mentioned that it is important to have a board member with labour relations skills. Participant 7 stated that in their SOEs they have they had a union member because:

“For large corporations such as those, you need to have a unionist because they bring a perspective that is important to manage those relationship dynamics between labour and management and the board. You would know that you have a 40,000 workforce. You can't, you can't manage that lightly” P7.

However, participant 9 noted that while having a labour union representative in the board is critical, the challenge they occasionally faced in their involvement of a labour union representative is the fact they cannot individual decisions because they sometimes cannot take individual decisions if not mandated by their constituencies. Hence it was important for their board to make it clear that once a person is on the board, they have fiduciary responsibilities, and they must own all ideas of the board or the company by emphasising that:

“So, you can't say because I represent organised labour, I'll come here to represent my constituency” P9.

5.4.3.7 Sector knowledge

Sector knowledge was also identified as a critical skill needed by board members to ensure they are well versed with the issues of the sector their SOE fall into.

“The board have to be keeping up to speed of what's happening in the sector” P10.

Participant 9 related this viewpoint to their energy focused SOE and stated that whilst board members may not be technical experts in the energy sector, however, they must have broader understanding of the sector.

“You would need somebody with an in-depth knowledge of innovation. Somebody with an in-depth knowledge of energy as generically defined not just electricity, you need somebody who would understand international level relations and so forth and so forth, and all of those put together and coordinated by the chair constitutes your board in action” P9.

Deliberating on this viewpoint, participant 12 stated that sector knowledge is important for board members because they also have to approve some of the policies for the SOE.

“I think if we are talking about state owned enterprises, you need to understand the laws of the land. What are the operational rules? What are the standard operating procedures of that particular entity? You know, what are the policies, especially because you know you need to really understand all the policies because you approve the policies, and you actually come up with policies” P12.

5.4.4 Conclusion for question 2

Effective strategic oversight by SOEs boards is enabled by two key factors, that is how boards are appointed and what inherent competencies do they have. Whilst the process to appoint board members is a critical enabling factor for effective board oversight, the research findings suggest that the process of appointing board members in these SOEs is not standard and relies on a variety of methods often compromised by political interests, making it a potential risk instead of an enabler. Even though there are numerous methods used to appoint board members, the Executive Authority has a final say to whom can be appointed and may reject recommendations made by the board for positions like the CEO of an SOE. Equally important, a blend of competencies that board members have are essential for effective board oversight on strategy implementation of SOEs. The findings in this Section also suggest that while the framework for strategic oversight should be enabled by merit-based appointments of skilled and experienced leaders, the reality is most appointments are politically influenced resulting in inconsistencies in how boards are constituted.

5.5 Findings for Research Question 3

Research question 3: What are the barriers or challenges experienced by the board of directors in overseeing the corporate strategy implementation in State Owned Enterprises?

In answering this question, the study asked three sub-questions that focused on presentation of the barriers, their root causes and remedial actions required. Data analysis brought about specific themes under each sub-question.

5.5.1 Factors preventing board of directors to fully provide oversight function in SOEs

The research participants were asked to share their views regarding what prevents board members to fully offer oversight function. The analysis revealed that these barriers include political interference, bureaucracy, regulatory red tape, incompetent directors, multiple misalignments, conflict of interest and directors' excessive workload.

5.5.1.1 Political interference

Overwhelmingly, all participants cited political interference as a key factor preventing boards from fully discharging their oversight function in SOEs.

“And when a politician composes a board, much as they have some appreciation that once you establish a board, you have to give them autonomy to run the business, they always have some thought in their minds that they will control the board and therefore the board will implement the wishes or the political agenda that they have, but at the same time one cannot lose sight of that imperative because if you look at public entities, they exist to discharge a public mandate, and that public mandate is determined by statute and the minister is at the helm of it” P7.

Also contributing to the challenge of political interference, some participants indicated that at times board members’ ability to fully discharge their oversight function is compromised by their proximity to political leadership or the SOE executives.

“You see the closeness of board members with the political leadership, especially when you have political deployees in your board. Those people tend to be very close to the executive team and the CEO. So, because they see each other as colleagues, they fail” P5.

One participant linked this compromised relationship of board members with the executives to the flawed appointment process by stating the following.

“I know to your previous question, it starts off with the appointments and generally if you don’t get the appointment process right, you’re going to get a board that’s either reliant or takes too much direction from a shareholder minister which many will argue it’s not a bad thing, but generally when it’s too much political interference, it could hinder the ability of the vote and that’s why they appointed there” P1.

In light of the above, participants also mentioned that you would also have executive authorities [ministry] that believe they can direct the board.

“They want to decide how the boards must work. But we don’t have that problem with the current minister, but our previous minister was too involved. He saw himself or to behave as an additional board member” P7.

“To separate their board oversight function from that of operations, they tend to be very much interested in operations, and that’s what makes them to be unethical. And because they then drink together, they play golf together, they go to pubs together, they discuss things there” P5.

Participants 5 and 7 also mentioned the following as some of the consequences of these propensities.

“They then want board members to just rubber stamp what has been decided in a pub kind of thing. So that's really a silly thing as you can't be a board member and be close to management. That's one rule that's important and the conduct of board members” P5.

“But our previous minister was too involved. He saw himself or to behave as an additional board member. He crossed the line too often. Exactly which you would know. The role of a shareholder is very limited. So, I'm citing this [political interference] because that is the common inhibitor” P7.

Given that SOEs function somewhat like private sector companies, shareholder interference in SOEs was highlighted as an anomaly as highlighted by participant 5 below.

“So, it then becomes very difficult. So that is why in the private sector there are very clear lines, and we know you know as a shareholder we don't even get to see the shareholder, they only come to AGM to give mandate, because they know getting involved meant they would be encroaching in the affairs of the board and it would go against good governance” P3.

Whilst still reflecting on this challenge, participants were unanimous in indicating that shareholder minister must set strategy with participant 1 stating that:

“The board must be given room to implement and determine high transit affairs” P1.

Some participants noted that the political interference emanated from the perception held by the shareholders who believe that boards must be in place to advance the agenda of the ruling party, and as a result they are unable to distinguish the role of the board and their political interests.

“To government because as soon as you come into government, you are no longer you. You you're not driving the ANC agenda. You're driving SOE agenda. So, I really think that they then failed to separate the two. You know for them their political party duties and their government duties for them, is the same thing. They think they government is an extension of the ANC, exactly, you know. And yet it's two totally different things. That is why they would appoint ANC cadres who don't have the right skills into government, forgetting if you appoint those people at literally house, it's OK. It's fine” P3.

“You find that most of the time their role actually is perceived to be more negative, which it's not healthy. That's why you find a lot of them not really doing what their supposed to do. It's because of that friction between the boards and the executive” P6.

5.5.1.2 Bureaucracy

Participant 7 indicated that when he served in an SOE board, the organisation was undergoing a restructuring. However, their efforts to restructure were normally hindered by bureaucratic processes from the shareholder because *“the space within which public entities operate. It's a very highly regulated environment” P7.*

He stated that the shareholder would generally attend Annual General Meetings (AGMS) and speaks at the AGM and gives the approvals that are required in terms of the Memorandum of Incorporation (MOI) in a public space. Of course, he would also sign the shareholder compact with the board where we would promise him what we are going to achieve in a particular year, and his role and responsibility is to monitor that we meet all the performance targets that we stipulate for ourselves in collaboration with him. But you would find that and it's not unique, you see it a lot with a lot of other executive authorities where they want to, you know, get too close to the board and want to control at times how the board discharges its functions. P7

Participant 7 further demonstrated that in the SOE where he served as a board member, they experienced bureaucratic challenges when they attempted to appoint a CEO for the organisation because they had to manage the recruitment process and to recommend the suitable candidate to the Executive Authority for appointment. He indicated that this process took longer than anticipated because their recommendation was not supported.

“But sometimes the minister rejects your recommendation. For instance, it took us 13 or 15 months to fill the role after our chief executive left, but on our own program we had set about to have a CEO within three to four months and I think within four months, if not five months. Maybe six months we had our candidate, we had run the process, we had our candidate, we recommended and from the first recommendation, three months later the minister rejects it, says I don't like your candidate” P7.

The participant explained that after the initial candidate recommended was not supported, they had to conduct the recruitment process once more and when they sent their recommendations to the shareholder, a new requirement emerged.

“We did more work. We include more people. Send it back to him from him. It goes to cabinet. Cabinet says we want to interview the candidates. They interview the candidate, so in all that process you are losing time” P7.

He stated that whilst the example of bureaucracy given was on the appointment of a CEO, the challenge of bureaucracy also extends to the composition of boards for the SOE subsidiaries.

“But it doesn't end with a CEO. We have lots of subsidiaries that feed onto our business. We can't compose the boards of those subsidiaries. We must go to the shareholder to concur with our recommendations” P7.

5.5.1.3 Regulatory red tape

Participant 7 lamented the fact that regulatory red tapes was quite inhibiting when they needed to complete certain transactions because the PFMA mandates the board to get concurrence from the Minister.

“If you understand the Public Finance Management Act, I think it's Section 54, there is a lot of transactions that you can't do without ministerial concurrence. So that again” P7.

The participant further bemoaned that some of the regulatory frameworks for SOEs also hinder the boards from being efficient.

“So that again. It limits your efficiency. Then you've got what we call the significance and materiality framework, which to stipulate a host of limits of things you can do on your own and things you can't do without ministerial approval so that by its nature is quite inhibiting. Then you have lots of reporting” P7.

In addition to the afore mentioned barriers, mandatory reporting was also cited as another hindrance as stated below.

“There is a lot of reporting, quarterly reports, it's quite intense. So, you find that executives and managers in public owned entities, in state owned entities. Spend a lot of time dealing with the reporting than dealing with the actual work. We felt that it was burdening us heavily, I think we wanted not to report on irregular expenditure in our financials, but to report on it in our, you know, quarterly reports and reports that we send to Parliament” P7.

“Whilst the timelines are ticking on the other end, so that that too is yes. So, the regulatory environment is one of the single biggest now and then you would also have executive authorities that that believe they can direct the board” P7.

5.5.1.4 Incompetence of Directors

Overwhelmingly, most participants indicated that incompetent board members is a key challenge facing boards from fully discharging its oversight function. One participant serving in a board of an SOE as an Executive Director indicated that this challenge emanates from when board members haven't even been exposed to leadership roles, yet they are expected to advise the executives on what can be done.

"A challenge comes in when they don't, when they haven't built organisations, when they haven't led organisations, then they come with these weird and wonderful ideas, you know" P11.

"So, I think the biggest question must be what experience do you have at the executive level and what exposure have you had? So, a lot of people in boards, they do not have exposures, they've never been in boards" P6.

Emphasising on this challenge, participant 11 remarked that:

"We don't have qualified people properly qualified people appointed, and we've seen that on many occasions" P11.

Participant 4 and 11 corroborated this claim by saying the following:

"Because we're not hiring for competence" P4. "So, for me that experience, if it's not there, then it becomes a massive challenge and a barrier to effective oversight, because then it detracts us from our focus, and we fight" P11.

Some participant indicated that political agenda is to be blamed for appointing incompetent board members.

"I think the reason why most of the boards don't have the best board members because the motive that the appointing Minister has, it's not inspired by interest of the organisation, has got some other ulterior motives which for me is the root cause" P6.

Participant 8 and 11 stated that if we have board members who are not adequately qualified, then you're going to have problems because most of them cannot engage with strategic issues effectively.

"When you look at the JSE listed companies and you look the board members in those top 10 JSE listed companies, there's no doubt about the calibre of board members of board members because they operate under pressure. You compensate them if they're able to grow the investments, but they are under pressure if the company is not

growing. Even the CEO must resign if the results are bad. But in the public service, sometimes you find that is not the main objective, you know. The participant remarked there are classical cases like the SAA where a former teacher is appointed to chair a board of an aviation company” P8.

“Some board members, they just come there, clocking the hours, pick up on one or two things like spelling and grammar, and then they walk out and then they expect to get paid. Yeah, that’s what I’ve experienced. People that are very quiet in the board meeting” P11.

5.5.1.5 Multiple misalignments

Participant 5 indicated that there is a normally a misalignment between SOE priorities and policy mandate of the parent department of the entity. Another misalignment was attributed to the board priorities and strategic objectives of the executive. To deliberate on this area of misalignment, participant 7 stated the following:

“Much as we are a public entity, we’ve got listed bond instruments. And listed bond instruments are regulated by the rules of the GSC [Governance, Strategy and Compliance] framework. So very often you’ll find that there’s a disconnect between those rules and our own rules, and sometimes you want to try and streamline things. To make it easy for you to achieve compliance with the JSE rules within the times that are required. But in the end, we are always, always asking for extensions because the other reporting requirements are more stringent and time consuming” P7.

5.5.1.6 Conflict of interest

The research discovered that conflict of interest between the board and executives of the SOE is one of the main barriers preventing boards from fully discharging their oversight function. Participants mentioned that when there is a conflict of interest, some board members even want to get involved in operational matters.

“You know, I think another challenge I think is if the board becomes too operationally involved” P11.

“Where you have a board member who instead of focusing on discharging their oversight responsibility, they now start entertaining business interests within that entity. Or they have a consulting company that now suddenly is interested in the work of. Yeah. Yeah. They want to eat from the pot now. Yeah. So, conflict of interest” P4.

Worth noting, participants stated that this conflict of interest frequently arises when board members want to personally benefit from the work carried out by the SOE. As a result, they fail to hold the executives accountable because they stand to lose the benefits, they are getting from doing business with the SOE.

“People [board members] who suddenly want to eat. Yeah, from there. And suddenly they’re their roles are blurred. You’re supposed to hold a CEO accountable. But the same CEO is doing few favours by giving you work, so it means we have to keep quiet and eat. You know, it’s an African thing to eat with food in your mouth again. So, when you are eating you must eat. Focus on eating” P4.

“In certain instances, you’ll find that board members are doing business with some of the entities. They serve for themselves and obviously if you have business or commercial interests in the company in which you are a board member, then that’s going to create a conflict of interest” P8.

Participant 3 lamented that in some instances, conflict of interest leads to disregard for governance.

“So, you know these are people who don’t respect governance,” said P3. For P3, these board members corroborate with executive management to create parallel processes in order to achieve their goals. They do so “even if those parallel processes undermine governance and they’ve got a history of that,” P3 elaborated.

Remarkably, some of the participants also indicated that these conflict of interest extend beyond the board level. They said that there are instances where even the Executive Authorities conduct business with these SOEs, and they would like to have control of procurement related responsibilities.

“You would have ministers who got involved in the affairs of the entities and that is what the state capture project was. Most of them had vested interest in some of the contracts. You know as the board, the first thing that we did, you know when we went into the entity was to say board will not deal with procurement issues” P3.

“You’ll find a lot of the cases where there’s infighting within the board for whatever reasons, and then you get the Minister now to come and deal with it to either remove board members and or deal with certain board because they appointed the board members. So, what I’ve found in the past, is that you do have chairpersons who create cliques in the boards where you have cliques. So, if you want to get a decision, you go to your clique and at the expense of the other board members, yeah” P10.

Two participants stated these kinds of behaviours by the Executive Authority often create divisions within the board and this creates further problems within the SOE because the board can't be managed.

“So, then that's where you will have a board that's actually very factionalism in the sense that you you've kind of divided the board now. So even if there's someone who raises valid points, the board then based on the chairperson will then make decisions on popularity rather than on the substance of the matter. So, that's the second issue in terms of the chairperson's role and making sure that everyone's inputs is valued as far as possible, you do want consensus on the board but where you do have dissenting votes, they are noted and that you take into account their issues and make sure some more addressed in the decision making or in the process going forward. So that's the second one. The other one I think in terms of board” P10.

“But the point I'm making is that when you've got a board which is so divided such that it's not controllable or manageable, then it's a problem” P12.

5.5.1.7 Directors workload

Participant 8 stated that it is sometimes difficult to strike a balance between various obligations in particular for shareholder representatives who sit in boards of SOEs, because they must balance both their permanent jobs with their roles in boards. As a result, it is difficult to engage fully with all issues at board meetings.

“So, some board meetings, and if it happens, that I also serve in subcommittees, as well, it becomes heavy. But I also chair the trade and industry, policy secretariat. So, at some point that was sitting in 4 boards and there will be subcommittees now for those board members who are independent and are not public servants, other earn through board participation. As shareholders' representative hold full time jobs and cannot be remunerated for board membership as public servants” P8.

5.5.2 The root causes of these challenges

The research findings reveal that amongst the contributory factors for the challenges highlighted above include political parties' interests, board members' careerism, lack of shareholder support, limited strategic think and lack of boundaries between board members and the executive management.

5.5.2.1 Political parties' interests

Some participants suggested that because ministers appoint board members, they expect boards to put political party interests above the interest of the entity.

“And when a politician composes a board, much as they have some appreciation that once you establish a board, you have to give them autonomy to run the business, they always have some thought in their minds that they will control the board and therefore the board will implement the wishes or the political agenda that they have, but at the same time” P7.

“I think it is when a political party puts their interest above the interests of the country, because if these are state owned entities that are providing goods and services, services for South African citizens, that when you and I think it is probably maybe a lack of separation between their political yeah, exactly between the political parties” P3.

Participant 3 provided an example to substantiate this assertion by saying that they were advised as a board not to take action against defaulters since doing so will have dire consequences for the ruling party in future local government elections.

“I don't even think it's them trying to benefit, because for instance we were told not collect from the municipalities or you can't switch off, or you cannot withdraw your services from the municipalities because their interest is to ensure the ruling party gets votes” P3.

5.5.2.2 Board members' careerism

The study also discovered that most boards are not effective because there are people serving in these boards with no interest on the work of the SOEs, but they see these roles as a career and to make a living.

“Who is very smart, and they think they can actually make a career out of being in boards. That is why a lot of the entities actually don't get it right. Finding people that are creating careers, in boards with no experience makes them to think being in a board is operational” P6.

“For boards of public entities to function effectively and to achieve their strategic goals. So, if you could fix that, I think you'll find that they are more effective, but secondly, the

composition of the board. That should not be composed by people who are popular. Or who subscribe to certain political ideologies. Boards must be led by people who have the skills that they require” P7.

Some participants pointed out that this typically happens when comrades are appointed to serve as board members or when board members are not appointed on merit because they believe they must return the favour to those who appointed them.

“Because if we can’t deploy this person to Parliament. Then the next best thing to make him a board member so that he can earn an income at a board level” P8.

“If the chairman for whatever reason, he's a chairman and he see this as a favour and see this almost as a full-time job, they are likely to allow political interference. But if they don't see that like that, I didn't, I saw it as my serious responsibilities as a chairman to ward off interference from politicians and with Eskom there were too many points of entry by politicians” P9.

5.5.2.3 Lack of shareholder support

When board and executives report matters that require political intervention to the minister or shareholder department, they often do not get support. Participant 3 put it this way *“So their modus operandi is you’re on your own to run this institution, but you have to find a way by hook or by crook to make it work”*. This contributes in some CEOs getting frustrated to a point of resignation or getting fired” P3.

5.5.2.4 Limited strategic thinking

It was noted that in many instances there are board members who do not have a clear understanding of the difference between strategic thinking and operational thinking, as well as how the two relate to each other.

“So, I think for me that is the biggest challenge today. Yeah, really. And sometimes it's when you you've got other members of the board who don't understand strategy and operational matters” P12.

“And how they should actually strategically ensure that the operations are done right? I don't believe that the board members in most of the state-owned entities do have that understanding. In fact, I will even add that the majority of the board members in many of the state-owned entities do not even understand the operations of the state-owned

entity itself. Details on what is the main difference between the operations and what is strategic and is the span of their role” P6.

Participant 6 further highlighted that there are fewer boards in SOEs where the board members understand their role in terms of strategic oversight.

“So, actually I think there are few of the state-owned entities where there is the right level of understanding and I will say it's in the very big boards like the boards of the DBSA to certain degree, and the board of Eskom” P6.

In certain instances, it was highlighted that former CEOs serving on boards pose problems. For instance, P6 observed the following:

“Then you get CEOs with lots of experience. That's where you find that a lot of them, they end up being too operationally involved because actually they are out of depth. They actually want to get their hands dirty because they have never had an opportunity to get their hands dirty before in their whole careers, so they see the board as a place for them to get experience, a place for them to perform their function” P6.

5.5.2.5 No boundaries between board and management

Non-professional relationship between the board members and shareholder minister was cited as another root cause of the ineffective boards. Participant 5 highlighted the following:

“You see the closeness of board members with the political leadership, especially when you have political deployees in your board. Those people tend to be very close to the executive team and the CEO. So, because they see each other as colleagues, so they fail to separate their board oversight function from that of operations, they tend to be very much interested in operations, and that's what makes them to be unethical. And because they then drink together, they play golf together, they go to pubs together, they discuss things there” P5.

This propensity contributes to board members losing focus on their oversight function. This could result in them just rubber-stamping decisions without proper assessment.

“So, in such instances they then want board members to just rubber stamp what has been decided in a pub kind of thing. So that's really a silly thing as you can't be a board member and be close to management. That's one rule that's important and the conduct of board members” P5.

“In such cases I mean, the CEO gets away with murder and then you realise that the board members can't even challenge the CEO because the CEO is also protected. And that's the other thing is just sometimes the CEO is also protected by the Minister as well. So, the CEO position is also important, especially for public entities” P10.

5.5.3 Remedial actions to address these challenges

Based on their assessment of the root causes of these challenges, seven remedial actions emerged. These actions entail the enhancement of parliamentary oversight, adherence to the oversight function constructs, maintenance of board independence and retention of boundaries. Furthermore, these actions include implementation of directors' performance management, training and improvement of their recruitment process.

Several remedial actions were proposed on how the challenges identified can be addressed to ensure effective strategic oversight as discussed below.

5.5.3.1 Enhancing parliamentary oversight

Participant 4 recommended that Parliament needs to play its role so far as its oversight of what government departments do especially on those selected to participate in boards.

“They need to scrutinise; they need to scrutinise these invitations for nominations they need to scrutinise the selection processes” P4.

“They need to be thorough in that and then they need to just monitor implementation, hold the executive, I mean the boards and the departments accountable to make sure those who are appointed to boards are actually suitable and then they do that which is expected of them” P4.

It was suggested that while parliament must enhance its oversight function, shareholder departments need to do their part as well.

“So, Parliament has a key role to play so far as SOEs are concerned, but departments equally have a key role so far as systematic weaknesses that can be found within state owned entities are concerned in strengthening governance mechanisms” P4.

5.5.3.2 Adherence to the constructs of oversight function

Participant 7 indicated that to deal with board inefficiencies on strategic oversight, boards need to have an understanding of strategic oversight.

“I think it all begins with understanding the construct I think it all begins with understanding the construct. And even so in the public sector setting” P7.

“Going back to where we started, the statute would set up a public entity, a Transnet. It will stipulate what Transnet must do, and Transnet must facilitate logistics. Manage the ports, manage rail and the minister would then constitute a board” P7.

Participant 7 further stated governance mechanisms in place to manage board performance must be adhered to address the board ineffective oversight function.

“Conclude the shareholders compact with the board. At the time you negotiate with the board, that's when you determine the parameters. What I want you to achieve if they say we want to be, let's take ourselves. From there, the minister must give the board space. You adopt your own strategy as a board. It doesn't belong with the minister. The minister's place is in the shareholders compact and corporate plan that you agree on, once those are agreed. Give the board space. Let the board adopt its own strategy, guided by what the statute says the entity must achieve, guided by their commitments to the shareholder in terms of the corporate plan for the year, which the PFMA requires. And in between, let the board report and how you monitor them is through those reports. Engage with them through those reports, but don't interfere in the exercise by the board of his fiduciary duties” P7.

“[Adherence to] policy is quite important, for instance, if you look at us. We are in a turnaround, both operationally but also at the same time going through a restructuring of the electricity supply industry. You are having a situation where we are creating 3 distinct businesses which are” P7.

5.5.3.3 Board independence

Other participants suggested that it is important for shareholder ministers to allow boards to be independent when they are discharging their functions. Participant 12 pointed to the fact that shareholder ministers need to consider how to form a board that is essentially united yet independent.

“But at the same time, it's very important to emphasise the independence of board members of each and every of individual board members, because we are people, we think different, so you need to appreciate those different views, but at the same time we need to also get that coherence to them” P12.

Reflecting on a similar recommendation, two participants said:

“I mean allow the board to have [and to implement] its own strategy, of course there are difficult areas that arise where you see things are simply going off the rails” P7.

“I mean I think General Mkhwanazi is highlighting this. Let me just use very politically correct wording. He's highlighting the need for a distance between the political leadership and boards” P11.

5.5.3.4 Maintenance of boundaries

Moreover, it was recommended that there must be boundaries to how boards engage with the executives.

“It must be basically flagged, and these board members [neglect their duties due to friendship with executive management] must be called to order, and in reality, they must be reported to the executive authority to say this board member is too close to the executive team to an extent that it creates a problem when we have to make decisions. If we don't agree, he thinks we are against management, but it is the right for the board” P5.

In this regard adherence to the board charter is regarded as another way to maintain boundaries between executive management and board members. Participant 5 said:

“The board charter talks to broad principles, how board members must conduct themselves. There's also a code of conduct for board members and for everybody, so it talks to the overall things on board management. But if you become a board member, you normally go through IoD training and be taken through King IV principles which stipulates board conduct” P5.

To effectively oversee the board's operations, it was also recommended that boundaries be established amongst the board members, beginning with the chairperson.

“So as the chairperson, it's very important that the chairperson, is a leader. To be honest, the chairperson has to be able to look at the diverse set of people around the

board, diverse races, gender. You know, whatever it is and how do you lead this team to make sure you get the best out of the team” P10.

5.5.3.5 Implementing board member performance contracts

Participant 6 remarked that it is important to institute performance contracts for board members to be able to monitor their performance.

“Once you have done it that way, then everything else becomes defined and I think we need to even get to a point where the board members, each one of the board members, must have a performance contract to say. All with all this and so on and so on, at the end of the day, this will allow for board members, not to be above evaluation. Most of the time, I feel that if there's a role that actually people play where they are not held accountable, it's board members” P6.

“And that's your role. And that's why you're there. So, I think what's important there is to make sure that board members, even though they have been appointed by the Minister, that you must go through the process of making sure that there's assessments for the board members, there's feedback” P10.

Participant 6 further remarked that *“I think that to me, if there are things to be fixed, it's one the assessment process to how the performance expectations for board members are set, and three, how the board members are assessed and even the assessment of board members need to include the situation itself, assessing how you as my board members have performed and done your role”*. It was also recommended that these performance assessment of board members must be conducted by the SOE executives who are closely working with them.

“Executives and staff should assess them. And if there are people who can tell you the quality of the board members, is the executives in the institution, the employees in the institution, and those are the people who are not allowed to assess the board members, which I think that process cannot be right. The senior management and the staff members, who are people that do all the preparations and submit documents to board members they are presenting. They get to see how a board member takes his role seriously when a person has read their documents. Whether this person understand the business of the organisation. So, I think those are the people I can tell you who can also rate the performance of board members” P6.

“Assessment by other parties is also crucial. Yeah, I was saying the party that is actually being given the most disservice is the institution where the board members

are serving. I think the institutions in most cases is the only entity that does not have any legitimacy to assess the performance of board members to say you as a board member, you have not done what you're supposed to do for me, and actually you have not performed your role and so on" P6.

Some participants indicated that the same performance management system used board members in the private sector must be adopted for SOE boards that are not performing with consequence management implemented where people are punished for wrongdoing or non-performance.

"Same, when you look at the JSE listed companies and you look the board members in those top 10 JSE listed companies, there's no doubt about the calibre of board members of board members because they operate under pressure. You compensate them if they're able to grow the investments, but they are under pressure if the company is not growing. Even the CEO must resign if the results are bad" P8.

"There must be consequence management because if you don't act on such, then you're condoning it. You're basically saying, oh, it's correct, it's OK, it can be done" P4.

5.5.3.6 Board members training

With the myriad of factors that impede board members from exercising their responsibilities, training has been identified as measure that can address some of these factors. Participant 5 articulates it this way:

"So, you get specific training on what your conduct should be like as a board member, so it doesn't necessarily have to be covered in the board charter, but the training of the IoD and the King's principles. That's really where things like that are covered, and it clearly distinguishes what is your role, how you must manage the organisation, how you must align with business" P5.

Continuous training intervention provided to the board was also recommended to ensure the boards are kept abreast of issues related to their work.

"I would always say that must be a precursor and they must have attended X number of hours of development. For instance, you know, even on an annual basis. So, we, for instance, pay for training for two training interventions per board member per year" P11.

Due to the complexity of these impediments, Participant 5 cautions that:

“But when you come in planted for a specific reason, no amount of training will change you because you are there for a specific agenda.”

5.5.3.7 Improving the recruitment process

To counter some of the challenges related to competencies and related challenges as cited above, the interview with participant 5 revealed that improvement on the recruitment process is required. Participant 5 stated the following:

“I think within the ministry, the ministry can advertise the positions, but they must outsource the shortlisting to an outsider because they themselves in the ministry are conflicted. So, if this can be outsourced to an entity, a reputable recruitment process or agency who can shortlist, make sure the qualifications are right. Check the diversity interview people and then recommend a list that the minister can consider” P5.

But secondly, within this process the composition of the board must also be considered.

“That should not be composed by people who are popular. Or who subscribe to certain political ideologies. Boards must be led by people who have the skills that they require. We’ve talked about the Eskom board, for instance. I’ve told you that we’ve got about 4-5 engineers who have some in” P7.

This process may also include using referrals as participant 5 stated that:

“In the private sector it tends to be similar in that boards are through the referral process. Some board member knows somebody, and then you still go through an independent verification process. So, I might know you because I’ve served with you in another board and they are looking for your specific skill. So, I recommend that you know we’ve got a vacancy”.

Additionally, the nomination process should be strengthened.

“How DBSA appoint board members is through the nominations committee of the Board of DBSA. That’s how they run process thoroughly. They will advertise, they will interview, they will assess, they will fight to say who qualify to be our board member and will then send that full recommendation to the Minister and say these are the people we recommend being in the board” P6.

This be coupled with thorough vetting process. If anybody else, the Minister feels that that person should be in the board, that person is sent to the committee of DBSA to thoroughly assess this person, satisfy themselves that actually this is the right person.

Furthermore, a proper nomination system coupled with a thorough vetting system will ensure that people are appointed in merit not favour. Participant 6 elaborated this way:

“So actually, because people are not put in the boards on merit or they owe people favours, and they cannot actually hold their ground on most things” P6.

5.3.4 Conclusion for question 3

This Section covered the factors that are preventing board members from discharging its oversight function effectively, as well as the root causes of these challenges and how it can be addressed. The findings reveal that the effectiveness of board oversight function is normally hindered by internal and external factors. Political interference, bureaucracy and regulatory red tape have been identified as key barriers preventing boards from fully discharging its oversight function in SOEs. Other contributing factors identified in this chapter include incompetence of some people who serve in these boards, conflict of interest and multiple misalignments, as well as demanding workloads of directors. Amongst the root causes identified for the challenges identified, is political parties interest taking precedence over the entities one often resulting in boards being composed by politicians for their interests. Furthermore, the absence of boundaries between board members and executives was also identified as a root cause, where directors end up losing their focus of providing strategic oversight due to their proximity with the executives. Participants suggested that a multi-pronged approach is needed to address the challenges identified.

5.6 Chapter Conclusion

The chapter presented the findings from empirical data using a thematic approach. The themes were developed through the coding process that involved highlighting key phrases and words from the response which were then grouped together based on their interconnectedness under each sub-question. The sub-questions were used to collect data under the three research questions. Findings from research question one made the study to reveal the research participants' understanding of their strategic oversight function, their views on this role ought to be discharged and their personal experience of how it is executed. Responses from the second question revealed the various approaches that are used to recruit board members, the kind of leadership competences required for board membership and the critical skills and experience board members should possess for this purpose. The

third question helped to unpack the barriers that board members experience in their oversight role, their root causes and the proposed remedial actions need to address them.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The objective of this study was to determine how boards discharge oversight function over strategy implementation on SOEs. Chapter 6 will discuss the research findings outlined in Chapter 5; while aligning it to the background context covered in Chapter 1 as well as the literature review covered in Chapter 2. Furthermore, the findings of this research based on data collected from the twelve (12) participants who participated in this study, will be compared with findings of previous studies focusing on a similar topic. This activity's objective is to ensure that the study findings contributes to the factors required to enable effective strategic oversight by boards whilst addressing challenges facing the boards in SOEs so that boards are able to provide effective strategic oversight function over strategy implementation.

6.2 Discussion of research question 1: Strategic Oversight in Practice

RQ1: How do board of directors' exercise strategic oversight on strategy implementation of SOEs in South Africa?

The aim of this question was to assess participants understanding on the concept of strategic oversight and to determine how it is exercised in the respective boards where they are serving. Section 2.5 above highlights that boards play a pivotal role in shaping the strategy, oversight, and performance of individual SOEs. Agwu (2023) highlight it is always difficult to realise the impacts of the roles of board of directors in organisations, however, whenever if things go wrong in organisations, boards become the focus of attention. Notwithstanding the above-mentioned, Boivie et al. (2021) contends that, in many instances, the definitions of the role and functions of boards oversight, are primarily derived on empirical models or explicit theories that force presumptive behaviours onto boards. Even though Boivie et al. (2021) agree that these viewpoints have provided important insights into what boards perform, they recommend that it is necessary now to take into account their implicit views about their roles and responsibilities. Hence the question of what boards do or should do in relation to strategic oversight over strategy implementation, remains a central focus in governance research (Boivie et al., 2021). Thus, the purpose of question 1 was to ascertain if board members understand the concept of strategic oversight.

6.2.1 Understanding of board strategic oversight function

In order to get the participants views on their understanding of strategic oversight and to contextualise the discussions of how board of directors are providing strategic oversight over strategy implementation of SOEs, participants were asked to share their understanding of strategy oversight. Participants have provided different responses to demonstrate their understanding of strategic oversight. Some respondents indicated that it is dependent on the institution, while others mentioned that oversight function is a holistic function which entails strategy formulation, adherence to governance prescripts, financial and risk management, overseeing appointments of executives, with others stating that is about fulfilling the mandate of boards.

Based on the fact that there are variety of SOEs in South Africa, participants who indicated that it is dependent on the institution, stated that the classification of an SOE will influence how the board provide oversight function in line with the legislative frameworks that govern it. Since the SOEs under consideration for this research are schedule 2 SOEs listed entities in the PFMA, these SOEs must comply with the PFMA, the Companies and the King Code of Corporate Governance. In accordance with Section 52 of the PFMA, SOEs boards must develop measures for assessing the entities performance in line with the entities objectives as agreed to by the board and the shareholder department. The research response stating that strategic oversight is dependent on the institution, demonstrates an understanding of the oversight functions of the SOEs as informed by legislation. Furthermore, this response is also aligned to principle 6 on Corporate Governance in the King Code which recommends that the board of SOEs should oversee corporative governance and must approve and oversee the implementation of an organisation's strategy (IoDSA, 2016; de Visser & Waterhouse, 2020). Summarily, it can be said that this viewpoint augur well with the argument advanced Lu & Zhu (2020, pg. 130) where they state that from "a legal perspective, a board is established to meet regulatory requirements".

In responding to the same question of boards understanding on strategic oversight, some participants indicated that strategic oversight is a holistic function which is not only limited to strategic guidance, but it also encompasses the recruitment of executives and to monitoring prudent expenditure of the budget allocation. This point of view is in some way consistent with the OECD guidelines which highlights that the role of the board should include both the strategic guidance and effective supervision of strategic plan implementation. Noting that participants highlighted that boards must also monitor budgets and expenditure. It can be said that this response is aligned with Section 50 (b) of the PFMA which mandates the board of

directors to “act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the public entity” (Public Finance Management Act, 1999, pg. 47). Although the findings reveal that the recruitment of executives is seen as a core component of boards strategic oversight function in the holistic view of the boards oversight role. However, the literature discussed in Chapter 2 of this report, which covers the OECD guidelines and legislative prescripts such as the PFMA and Companies Act governing Schedule 2 SOEs, but it does not address the recruitment aspect as a function of boards, instead it focuses on strategic guidance and financial management. This may imply that there is a discrepancy between what boards do and legislative prescripts requires them to do.

Noting that other participants stated that oversight function is about mandate fulfilment, to meet performance targets formalised in the Shareholder Compacts. The literature covered in Section 2.2 highlights that governments often establish SOEs to deal with inefficiencies in domestic markets and to promote economic growth through the services they render, and the goods produced in these sectors (Cuervo-Cazurra & Li, 2021). Furthermore, the literature point out to the fact that the relationship between the SOE board of directors and the shareholder department is governed by the Shareholder Compact. Adebayo & Ackers (2022, pg. 182) notes that “the shareholder compact represents a performance agreement between SOEs and the shareholding and it is one of the accountability documents deployed by the shareholding ministry and the owning state to track SOE performance”. They further note that performance agreements are crucial instruments to communicate the government’s expectations for SOE performance to the public and each SOE. In light of the afore said, it can be argued that participants understand the mandate of SOEs and how performance should be measured.

Although, the analysis of responses provided on this area suggests that participants have practical understanding of oversight function which largely aligns with the legislative prescripts outlined in Chapter 2. The findings also demonstrates an implicit view of participants which shows a more hands on approach adopted by boards in practice not aligned with theory. The literature covered in Chapter 2 is more prescriptive and it highlights legislation governing boards which outlines their function which shows the discrepancies that often exist with what theory says in terms of boards role and what is practical done. This disparity support the claim made by Boivie et al. (2021) that the question of how boards exercise strategic oversight over strategy implementation continues to be a primary focus in governance research and that research must consider implicit views about boards roles and responsibilities in relation to strategic oversight over strategy implementation.

6.2.2 Views on how strategic oversight ought to be discharged

Following the responses provided by participants on their understanding of board strategic oversight function, participants were asked to share their views on how strategic oversight ought to be discharged. The purpose of this question was to ascertain if participants thought that there is a disjuncture in how the strategic oversight is exercised and how it ought to be done based on their experiences. Based on the responses provided to this question, participants stated that strategy oversight should focus. Some respondents indicated that strategic oversight should be about monitoring of executive performance since they are not directly involved in strategy implementation. The findings also suggest that this performance monitoring should be done through board committees where the boards are able to thoroughly engage the performance reports presented by the executives.

Whilst Section 5.3.2.1 and 5.3.2.2 captures the empirical views of the participants on how they should actively provide oversight role in SOEs. There are similarities to what respondents have mentioned with the theoretical functions of boards prescribed in literature. For instance, the research findings suggest that strategic oversight should be primarily discharged through the monitoring of executive performance in particular for the CEO and CFO. The analysis of this finding demonstrate that it is consistent with literature cited by Andrews (2022), which indicates that boards of directors oversee the management and oversight of service delivery in SOEs. Furthermore, the OECD guidelines also stipulates that the board's role include effective supervision of strategic plan supervision (OECD Guidelines, 2024). The views shared by the participants seem to be in accordance with relevant literature on role of boards in relation to strategic oversight, given that strategy implementation is an operational function that is typically under the control of management reporting to executives.

The research findings also point out that performance should be monitored on quarterly basis, with the Shareholder Compacts and Annual Performance Plans used. The analysis shows that this viewpoint is in alignment with Treasury Regulations 29.3.1 which mandates Accounting Officers of SOEs to ensure that the Shareholder Compact outline the procedures for quarterly reporting to facilitate effective performance monitoring (National Treasury, 2001). Furthermore, the research findings suggest that strategic oversight must be discharged through formal engagements like sub committees and board meetings. However, literature establishes the Board of Directors and Board Committees as the governing structures responsible for strategic oversight and strategic implementation. Whilst the findings provide granular details on execution methods of strategic oversight undertaken by board of directors, literature covers high level mandate of boards which is about strategic oversight. Implicitly,

though not explicitly stated in literature, it can be assumed that board committees serves as a governance mechanism which boards discharge their oversight function.

Worth noting, the research findings suggest that board of directors may occasionally need to be closely involved in the entity's operations especially during transient phase as demonstrated by one participant who stated that for their board to assist the SOE in implementing the turnaround strategy they tend to "veer more towards more being operationally involved". No literature was found to support this viewpoint in the research. The literature tendency on relying on explicit theories that spell out what boards can do and not, can explain why this aspect is not covered in literature. In many instances, theory recommends that there should be separation of powers between the board strategic role and management operational functions. However, literature does not consider how boards need to act during crisis situations. This is notwithstanding the fact that many SOEs are criticised for their poor performance and low productivity (Khambule, 2025). This ambiguity over the board's role during in times of crisis explain why Nyantsumba & Pooe (2021) notes that despite the implementation of turn around strategies, SOEs in South Africa continue to poorly perform poorly, suggesting there may be problems in how they are governed. This gap suggest that there is a need for further research to determine the role of board of directors in instances where there is a crisis or the entity has to implement a turnaround strategy.

6.2.3 Board of directors' strategic oversight in practice

To gain insight into the practical implementation of strategic oversight, participants were asked to indicate how in their respective SOEs, the board of directors' is exercising strategic oversight on strategy implementation. Section 5.3.3 provides the findings on how strategic oversight interplay with strategy implementation in practice; it addresses how boards perceive the relationship between their oversight and the actual execution of strategies by the executive team. The findings of the research reveals that boards of directors in SOEs execute strategic oversight through focusing on governance, board committees, which are dependable on-board composition, to oversee institutional performance and strategy process, whilst also ensuring appointment of competent executives. The analysis of the research findings in this Section confirms that the practical focus of strategic oversight exercised by board of directors in SOEs is aligned and coherent with the foundational principles of strategic oversight and governance laid out in Chapter 2.

One of the research main findings, highlights that in order for the board to be effective in executing strategic oversight, it is imperative that they establish proper governance mechanisms when the board is constituted. According to the research findings outlined in

Section 5.3.3.1, one participant recommended that to do this, it is crucial for boards to develop a board charter to guide every board member, on what is their conduct and what is within their terms of reference for doing their work as well as the mandate of the board. This viewpoint resonates with the argument made by Adebayo & Ackers (2022) who notes that the board charter in South African SOEs describes the role of boards and its committees. The finding further aligns with literature which show that good corporate governance is deemed a key factor in ensuring that SOEs operates effectively and contribute to the economy's competitiveness (Miążek, 2021). Kreye & Ausloos (2020) further notes that good corporate governance rather than board's skills and competency, usually results in companies' strong financial performance.

It can be said that this research finding establishes the importance of governance by positioning it as a mechanism that enable effective oversight and prevents failures within the SOEs. Literature shows that overseeing corporate strategy is a fundamental role of board of directors and it forms part of the central pillars of corporate governance. Noting this, it is evident that sound governance mechanisms is crucial to enable the board of directors in discharging their fiduciary duties, as they are expected to act with honesty, fidelity, and integrity in the best interests of the SOEs they manage in line with Section 50 (b) of the PFMA (Public Finance Management Act 1999). Furthermore, governance also mandates that board of directors' act as a key structure for providing oversight to the conduct of executive managers. With the increasing failures of SOEs globally and in South Africa, the role of corporate governance which informs how boards must act has become increasingly vital following the corporate scandals and collapses in the spotlight as noted by Beshlawy & Ardroumli (2021).

The research findings further suggest that board committees serve as main governance structures to engage with executives for the purpose of providing strategic oversight. Noting that SOEs listed as Schedule 2 in the PFMA are governed by the King IV Report and the Companies Act. The IoDSA (2018) on King IV Practice Notes emphasises that the Code does not specify which governing board committees should be formed, rather it recommends that the board which is the governing body should determine which board committees are suitable for the entity. The IoDSA (2018) further point out that "the governing body is required to make a judgement decision around the needs and interests of the organisation and not to think of committees as a compliance requirement" p3. While the King Code IV is silent on which committees must be established, the Companies Act of 2008 highlights that in addition to the minimum number of directors that the company must have to satisfy any requirement, whether in terms of the Act or its Memorandum of Incorporation, the board must appoint an audit committee as contemplated in Section 72 (4). Based on the afore-said statements, it appears that these legislative prescripts are not in tandem when it comes to the

requirements of establishing statutory board committees. Despite this discrepancy, the study reveals that participants have acknowledged that the size of the organisation as well as the number of board members have an impact on the number of board committees to be established in an organisation, which is consistent with the King IV recommendations.

Even though the King IV Report does not explicitly state that boards must form, “Principle 8 which deals with the establishment of board committees in King IV Report stipulates that boards of all funds that undergo a statutory audit should consider having an audit committee to ensure proper oversight of the quality of the audit and the independence of the auditor” (IoDSA, 2016, p.99). The recommendation made by the King IV Report on the establishment of audit committee aligns with Section 51 (a) of the PFMA which stipulates that the Accounting Authority [the board of directors] of a public entity must ensure that that public entity has and maintains— (i) effective, efficient and transparent systems of financial and risk management and internal control (Public Finance Management Act, 1999). Furthermore, this finding is in line with Section 66 (2) (b) of the Companies Act. Whilst the audit is deemed an important committee for SOEs, the analysis of the research findings shows that participants have not delved much on it except for mentioning it as one of the committees present in SOEs.

Instead, the research findings show that the social and ethics committee has been cited by many participants. The Companies Act of 2008 mandates that boards of all listed public companies and SOEs with a high public interest score must establish a Social and Ethics subcommittee (Part A & Part B, 2008). According to the King IV Report on Corporate Governance, this requirement ensures that businesses like SOEs operate responsibly and are accountable for their social and ethical impact. Literature shows that the intent of the Social and Ethics committee is to make sure that ethical and social matters are promptly brought to the board’s attention, so that they are given priority instead of being ignored. Surprisingly, SOEs such as Eskom and PRASA in South Africa, have dominated media platforms in the past for the widespread corruption and reckless financial mismanagement. These negative media reports beg the question of why, despite the existence of the Social and Ethics Committee, many SOEs are facing an increasing number of corruption scandals yet there is no committee to deal with ethical issues as they arise.

The research findings emphasise that as the primary role of the executives is to implement strategy, the CEO and the CFO have to present performance reports in board meetings to ensure the board can exercise its oversight function on the entity performance and ensure accountability. The findings also reveal that boards articulated that their role is to ensure coherence and alignment, which implies that they only assess how implementation of strategies are done, but they are not performing it. This finding is aligned to literature on

Corporate Governance in particular the King Code IV Report which establishes a key distinction between the functions of the board and the executives. The Code mentions that the board directs and oversees implementation, while the executive implements the strategy (IoDSA, 2016). The research findings focuses more on the need for the strategy alignment and coherence, hence the need for regular engagements so that the board is fully aware what needs to be done throughout implementation. This finding is aligned with specifically the OECD guidelines and the PFMA, which places strategy formulation, approval and effective supervision as the central function for the SOE board of directors.

Noting that research finding discussed above suggest that the board's role is to ensure that the strategy implementation aligns with the shareholder's expectations as expressed in the Shareholder Compact. Literature indicates that the Shareholder Compact is a binding performance agreement used to ensure strategic alignment between the state (principal) and the board (the agent). This is in accordance with Section 29.1 of the Treasury Regulations, the accounting authority for a public entity listed in Schedule 2 must submit on yearly basis a corporate plan to the relevant Treasury and Executive Authority. Additionally, the accounting authority of an SOE must also conclude with the Executive Authority a shareholders' compact. Treasury Regulation 29.2.2 directs that: "The shareholder's compact must document the mandated key procedures for quarterly reporting to the Executive Authority in order to facilitate effective performance monitoring, evaluation and corrective action" (National Treasury, 2001, pg. 72).

The research findings highlights an interplay between oversight and implementation, suggesting a back-and-forth relationship that is necessary for successful strategy execution. However, the Agency Theory as covered in Chapter 2 depicts the board relationship with the Executive Authority as one of control and monitoring, which imply the board control the executive suggesting a hierarchical, less collaborative model than the interplay described by the participants. Considering that the board is obligated to report the SOE performance to the relevant Executive Authority, the board's regular engagements with the executives to monitor performance as revealed in the research findings is warranted. The empirical findings for this research confirms that strategy implementation is a key area which if left unattended by the board can be a source of failure in SOEs, justifying the need for a regular interplay between the board and the executives to avert failures.

Whilst the shareholder's compact serves as an agreement between the Board of Directors of an SOE and the relevant Executive Authority outlining performance targets and expected performance, it does not replace the strategic, corporate and business plans. Instead, literature explain that the compact outline the relationship between the signatories and

specifies actions to be taken by both parties in order to support the entity effective management of performance. Notably, the research findings also showed that, in addition to adopting the Shareholder Compact as a performance agreement, the introduction of a shareholder compact was also aimed at defining boundaries from the board and the shareholder department. It can be said that creating boundaries between the board and shareholder departments is crucial for board independence which is also a critical element of good governance primarily rooted in the agency theory (Fama & Jensen, 1983). Board independence is associated with the capacity of the board to oversee and regulate management's operations in line with stakeholder's interest (Gnan et al., 2011).

Although the aforementioned analysis has shown that boards are primarily active in the monitoring of strategy implementation, the findings also show that boards are involved in strategy formulation and reviews. The findings shows that some participants explained that it is quite critical for the board to understand how the strategies and plans are designed. The board's involvement in strategy formulation and review is rooted in legislative and governance mandates covered in Chapter 2 of this report making it their core responsibility. Section 49 (2) (a) of the PFMA places the duty of an Accounting Authority on the board, this implies that the position of a board member carries the responsibility of the entity's financial affairs and the SOE achievement of its objectives, outlined in the SOE strategy.

The Companies Act also requires the board of directors to act in the best interest of the company by directing its affairs, which also entail strategy formulation as the highest form of direction the board can give to the executives. Furthermore, Principle 4 of the King Code on Corporate Governance mandates the board to direct the SOE's strategic plans (IoDSA, 2016). This position is also consistent with the OECD guidelines which confirms that the board's role include providing strategic direction. In line with the aforementioned, a study by Agwu (2023) recommends that amongst other things, boards should actively participate in the formulation of organisational strategies to ensure the organisation's successful implementation of strategies. Some scholars are now agreeing that boards must be actively involved in this space Whilst literature shows opinions to the inclusion of boards in strategy formulation varies. After observing corporate failures and scandals, which points out that the majority of the boards of directors have relatively not been involved in strategy formulation, when inclusion was crucial to regaining the public trust of certain organisation (Agwu, 2023).

Within the SOE environment, it is imperative that strategies are aligned with their socio-economic priorities and the policies of government. It can be argued that the board's involvement in strategy formulation ensures that there is coherence between the approved strategies while achieving mandate fulfilment as outlined in Section 5.3.1.3, thereby linking

the SOEs day to day activities to its foundational purpose. It stands to reason that the board cannot effectively provide oversight function to strategy implementation, if it was not intimately involved in strategy formulation. Board's involvement in this activity will ensure that the board has full understanding of the strategy objectives necessary to help them to later monitor the executive's performance against clear, board approved targets. However, this needs to be closely managed to avoid a situation where the board veer more towards being operationally involved as mentioned in Section 5.3.3.7, blurring the boundaries between strategic oversight and executive management.

Worth noting, the research findings also reveal that boards are also involved in the appointment of executives within the SOEs because this is a core function of their oversight function. Literature indicates that the role of executives in particular the CEO and CFO is the single critical factor in the success or failure of an SOE, making the board's duty of overseeing appointments vital to the success of SOEs. Principle 10 in the King IV Code of Corporate Governance establishes the board's role in nominating, evaluating and recommending the appointment and removal of executive management especially the CEO (IoDSA, 2016). Furthermore, the Companies Act also empowers the board to provide overall direction and management structure, which includes the appointment of the most senior executives especially the CEO and CFO. But de Visser & Waterhouse (2020) point out that not all Schedule 2 SOEs in South Africa follow the practice of executive appointments done by the Executive Authority, instead the appointments of CEOs is informed by the founding law of the SOE.

For those SOEs where the Executive Authority has to approve the appointment of executives, the research findings have revealed that in certain instances the Executive Authority does not always agree with the board's recommendations regarding who should be appointed and this ends up causing delays in the appointment processes. Noting the cases cited by de Visser & Waterhouse (2020) where a court has ruled in favour of the board to appoint an executive of an SOE, it seem that the law is not consistent when it comes to appointments of executives like the CEO. Interestingly, the OECD guidelines (2024, pg. 62) unequivocally state that "one key function of SOE boards should be the appointment and dismissal of CEOs. Without this authority it is difficult for SOE boards to fully exercise their monitoring function and assume responsibility for SOEs' performance". The guidelines recommend that concurrence or consultation with the shareholder department can be done, however, boards must retain ultimate responsibility for the CEO selection procedure. In accordance with the OECD guidelines, it is imperative that prescripts governing the appointments of executives in SOEs in South Africa are reviewed because for boards to fully provide oversight function on the affairs of the entities they rely on the reports made by executives.

Although not a common practice pronounced in prescripts governing the SOEs in South Africa, the research findings show that there have been instances when the board had to be actively involved in the organisational operational activities due to severe capacity constraints at an executive level coupled with an urgent need to turnaround the organisation. Although one can argue that this is not a standard of how boards should operate, however, the finding highlights an empirical finding that demonstrate the practical significance of boards as the primary engine for effective strategic oversight while ensuring strategy implementation. According to the research by Miglani et al. (2020), the ownership and composition of boards for firms undergoing through turnaround vary, and this has an impact on the turnaround success of a firm. However, most of the literature perused seems to focus on how a company's management team may help an organisation to survive a crisis by encouraging and implementing new decision-making procedures and strategic adjustments (Dallocchio et al., 2022).

Given that the King Code on Corporate Governance gives board committees a leeway to decide on the committees it can establish vital for efficient strategic oversight, having a committee made up of smaller groups of the board to focus on specific complex areas like risk and audits that the board might not fully cover efficiently seems logical. The approach taken by the board during crisis situations justify the establishment of a committee comprising of individuals who are very technically inclined, who would understand what it involves managing a complex technical issue that the board would not be capacitated to handle. This research finding point out that there may be a need for the governance prescripts to be reviewed to consider the addition of technical or strategy committees depending on the nature of the SOEs.

6.2.4 Summary of findings of research question 1

The research conclusively establishes that board of directors' exercise of strategic oversight in SOEs in South Africa is a multifaceted and a dynamic function that extends beyond the legal and theoretical prescripts. The research demonstrate that strategic oversight is a holistic function focused on ensuring mandate fulfilment. The most expression of this activity is shown in the active, continuous monitoring of executive performance, with the CEO and CFO expected to report the SOE performance in board meetings. Furthermore, the research findings demonstrate that effective strategic oversight is contingent upon achieving alignment and coherence of strategic plans with the shareholder compact. This necessitates the strong interplay between the board and executive management, primarily through regular engagements in board meetings and committees. Moreover, the effectiveness of oversight

mechanisms is directly linked to underlying governance foundations. But this requires a competent and strong board to challenge and guide the strategy implementation. Importantly, effective oversight also requires the board to manage the board relationship with the shareholder department, to protect its independence and fiduciary duties from external parties. In essence, the findings validates the theoretical underpinnings of strategy oversight covered in Chapter 2, however, it also introduce practical ways of doing things such as the hands-on approach by boards during transient phases.

6.3 Discussion of research question 2: Competencies and Appointment Process

RQ2: What are the critical factors required to enable the board of directors in providing strategic oversight on strategy implementation?

The aim of research question 2 was to determine if there are any critical factors that enable boards to effectively provide oversight function over strategy implementation of SOEs. Section 2.6 shows that there are different factors that enables effective strategic oversight by boards, however, information on certain factors is limited. Therefore, more research is required to identify additional factors that enable strategic oversight over strategy implementation. Good corporate governance is deemed a key factor in ensuring that SOEs operates effectively and contribute to the economy's competitiveness (Miążek, 2021). The functionality of the governance structures, skills and competencies of board members, the nomination process followed to appoint board members, the independence of the board and board tenure are among the critical factors considered for effective strategic oversight by board of directors in terms of literature.

6.3.1 Process followed in board appointments

The analysis of the research findings in Section 5.4.1 about the process followed in recruiting board members culminated in the emergence of five approaches. From the pattern picked up from the data during the analysis, it is apparent that these approaches are not mutually exclusive. However, they may be used concurrently or exclusively, depending on the circumstances of the institution and the shareholder preference. The findings further confirm the literature's key points regarding the key principles and challenges faced by SOEs on board appointments as outlined in Chapter 2. Furthermore, the analysis of the research findings shows that the nomination process of board members is varied according to the type of the SOE and the applicable laws which include the Companies Act, the PFMA and founding legislation of the SOE as highlighted by de Visser & Waterhouse (2020).

Whilst the PFMA grants the relevant Minister (i.e. Executive Authority) the power to appoint board members (Public Finance Management Act, 1999), however, it does not specify the procedures and criteria for board appointments. The findings show that in practice, most SOEs follow a structured general practice which involves a call for nominations, followed by a shortlisting of nominated candidates by the Nominations and Compensations Committee referred to as NOMCO who ultimately make recommendations to the relevant Executive Authority for appointment. Magnusdottir et al. (2020) notes that prior to the introduction of the Nominations Committees, the nominations of board members were in the control of the shareholders. At times, the board chairperson or the CEO were instrumental in the appointment of new board members. However, the research shows, that even though the Nominations Committee fulfil their role when it comes to appointments, at times the recommended nominations are rejected by the Executive Authority.

Given that the process outlined above seems to be common in many SOEs, the findings shows that in the absence of legislated process on how the nominations process should be handled, “political appointments are common to SOEs, and government usually establishes boards for their own political pursuits” as stated by Thompson & Alleyne (2022, pg. 478). Instead, the prescripts like the Protocol on Corporate Governance in the Public Sector and the King IV Code only emphasises the principles of transparency, merit and representation. Moreover, the research findings points out that some participants confirmed that their own appointments or those of other board members in their respective SOEs followed a political process informed by the discussions of the ruling party at the time. This practice is consistent with the claim highlighted in the literature covered in Chapter 2 which confirms that the appointment process of board members is not standard and it is often compromised by political interests, making it a risk rather than an enabler. Observing this practice, Maimane (2025) laments that having Ministers to select board members fosters cadre deployment and political patronage. He contends that frequently, board functions are seen as a means for political reward rather than as an instrument for effective good governance.

The flawed recruitment process as demonstrated in Section 5.4 shows that this is a primary point for political interference to boards, which invalidates board independence as discussed in Section 2.6.4. Szarzec et al. (2020) notes when this happens, an interest group, which consists of politicians and representatives in the government administration, decides about the appointment and dismissal of board members through the corporate governance of SOEs and ownership policy of the state. Maimane (2025) further argues that in these instances, institutions lose their ability to serve the public interests when boards are perceived as extensions of political power. Hence the research shows that participants are advocating for

an independence on how board members are appointed to minimise the interference by the Executive Authority who normally deploy their representatives to sit in these boards.

Whilst there is a recommendation made by participants to depoliticise the appointment of board members. This recommendation is in contradiction of the PFMA which stipulates that the power to appoint board members rests with the Executive Authority (Public Finance Management Act, 1999). Furthermore, the Companies Act recommends that for SOEs classified as companies, board members must be elected at the Annual General Meeting (AGM). However, when considering these two pieces of legislation, there seems to be a contradiction on the level to which the power to appoint board members rest. Hence, de Visser & Waterhouse (2020) calls for a clarity to be provided to address the issue of supremacy on these various prescripts in the case of conflict.

The research findings also reveal another process used to appoint board members is the nomination process where the Executive Authority or shareholder department reserves one position in the boards which is taken up by government officials who are nominated as shareholder representatives. The study shows that persons nominated through this process are typically assigned to these boards to serve as the Minister's "ears and eyes", allowing them to identify any issues that may require the attention of the Executive Authority as they arise. Although a commonly practiced method, yet it is not legislated. It is also not clear how these representatives report back to the Executive Authority on matters discussed at board meetings, because this process is not legislated. According to Lu & Zhu (2020), while a board is created from a legal perspective to deal with compliance issues, the main board's function is to resolve principal-agent conflicts between management of SOEs and the shareholders as they arise through the company's operations. Perhaps this explains the reason why there are shareholder representatives in boards to guide the board on how to resolve such conflicts.

It is interesting to note that the research demonstrates that the Executive Authority has at times headhunted certain board members. Whilst the responses given was not directly linked to the referral process stated in the findings, however participants who were headhunted stated that their names may either have been recommended by professional bodies because of the skills and experience they have, as they did not have any political ties with the Executive Authority. Even though it is not a common practice discussed in literature, the process appears to be logical, because it eliminates patronage by Executive Authorities, as not only people with ties to political leaders can be selected to serve in boards. Furthermore, the process may also be beneficial in creating an independence from those serving in boards. The OECD Guidelines (2024) mentions that a skilled, independent, and diverse board improves decision-making, mitigates potential conflicts of interest and prevents undue political interference.

The research findings also shows that advertisements are used to advertise vacancies in boards of SOEs, which is consistent with the general practice of recruiting board members. Whilst the intent of the adverts is to invite nominations in a transparent manner from the public for candidates that can be considered for board positions. However, de Visser & Waterhouse (2020) point out that there is no legal requirement to follow a transparent process and/or to solicit public input on the appointment of board members. Hence the research findings also reveal that the process is not authentic because the shareholder still want to influence how the process is conducted to a point where if their preferred candidates are not appearing on the shortlisted candidates to be submitted to relevant structures, they will not support it. In the absence of any legal requirements for transparency, politicians end up influencing the appointment process which could result in conflict of interests and favouritism (Kanyane & Sambo, 2021). Notably, in Chinese SOEs a general meeting of shareholders elects or replaces the directors, who are chosen by the appropriate stakeholders depending on ownership percentage (Lu & Zhu, 2020). Noting the gaps identified above, South African SOEs can also adopt a similar strategy to authenticate the appointment processes.

6.3.2 Requisite leadership competencies for board members appointments

According to Jokinek (2005), competency entail the special skills, expertise and knowledge that allow a director to carry out their designated responsibilities. The analysis of the research findings suggests that some SOEs are explicit on the leadership competencies required, whilst other participants mentioned that there is no common standard that is followed in terms of relevant competencies required for board members. The study further reveals that essential competencies required for boards include governance, exposure in boards, executive leadership, negotiation and critical thinking, business and technical skills, directorship training and ethics. Magnusdottir et al. (2020) states that Nomination Committees are expected to nominate the most qualified individuals for companies' boards of directors, this brings attention to the composition of the committees themselves.

Although not shared by many participants, the analysis of the research results shows that governance is a critical leadership competency required for board members, because being in a board is all about governance. Literature confirms this claim in Section 2.3.3 where it is stated that the board of directors, also referred to as the accounting authority and accountable to Parliament, are seen as the custodian of governance of the SOEs and are responsible for steering the organisation toward achieving its objectives while balancing the interest of stakeholders (IoDSA, 2016). In line with the King IV Report on Corporative Governance, the board of SOEs should oversee corporative governance and must approve and oversee the

implementation of an organisation's strategy (IoDSA, 2016; de Visser & Waterhouse, 2020). The aforesaid clearly demonstrates that governance is a cornerstone of boards as without proper governance, the boards of directors will be unable to steer the organisation in a right direction. This is also highlighted by Miązek (2021) who state that good corporate governance is deemed a key factor in ensuring that SOEs operates effectively and contribute to the economy's competitiveness.

Additionally, the study also reveals that exposure in boards is also a critical factor that board of directors should have. This finding is consistent with research conducted by Gallego-Álvarez & Pucheta-Martínez (2022) which shows that board members who possess knowledge based on prior experience, are more effective because they provide firms with resources experience, reputation, skills, knowledge, legitimacy, to foster commitment and better relationships with other stakeholders and companies. While it is evident that previous experience is an important leadership competency required for boards, de Visser & Waterhouse (2020) point out that there are few examples of SOEs in South Africa who takes this leadership competency into account due to fragmented legislation and narrow approach. To demonstrate this, they contend that the PRASA legislation only considers one substantive criterion of experience and expertise in the management of a commercial business entity. However, the legislation for a similar entity like Eskom is silent on this. Rather, the Eskom's MOI is purposefully guarded on this as it only stipulates that race and gender diversity, skills, independence, "must be considered" (de Visser & Waterhouse, 2020). Declaring that this competency must be taken into account implies that other requirements may take precedence over it as it is not a legally obligatory requirement, Executive Authorities are free to appoint any person they deem fit for the role.

The research findings also shows that executive leadership is a critical leadership competency required for board members. Sidki et al. (2024) note that oversight board members who have a management experience in a leadership role are more advantageous because they are more familiar with the work of the board. They contend that this competency give board members a variety of skills to enhance their effectiveness in their primary responsibility of overseeing the work done by executives. Not only is leadership competency crucial for oversight, Rusli et al. (2020) further notes it is also one of the crucial factors that support the formation of innovation in an organisation. Even though leadership is regarded as a critical competency for board members, the analysis of literature on prescripts governing SOEs is silent on this requirement for board appointments. This is notwithstanding the fact that de Visser & Waterhouse (2020) notes that SOE failures must therefore be attributed, in large part, to failed leadership at the board level. Hence, de Visser & Waterhouse (2020) propose that the appointment of SOE

board members framework should require, in addition to credentials, leadership competencies appropriate for a public entity.

The analysis of the findings also highlights that negotiation and critical thinking are considered as a critical competency required for board members. A study by Xiang & Wang (2024) also highlighted the importance of negotiation skills as a necessary leadership competency, citing that the emphasis on the ability of leaders to negotiate contractual agreements with various stakeholders in a way that is appropriate for various stakeholders. Additionally critical thinking has been identified as another core leadership competency for board members. According to Pasquinelli et al. (2021), critical thinking refers to the ability to evaluate the factual quality of information that is available, and as a result, to calibrate one's confidence in order to act upon such information. However, the governance prescripts for SOEs in South Africa are silent on the requirement of these leadership competencies for board members. This gap can perhaps be explained by the finding reported in a study done by Hlobo et al. (2022) who state that currently there is no framework for South African SOEs to assess and evaluate key competencies required for board members.

Another critical leadership competency required for board of directors to provide effective strategic oversight cited in the research findings is business and technical skills. In line with the PFMA, having a competent board with professional competencies and diverse skills is crucial for effective strategic oversight (National Treasury, 2005). While the PFMA is not explicit on the types of competencies needed for the board, however, Castellanos & George (2020) highlight that a board of directors is expected to oversee the business operations of a corporation. In line with the literature covered in Section 2.6.2, the OECD (2005) suggest that business expertise is regarded crucial for the SOEs and public sector governance. This view is premised on the understanding that the experience of board members may be a way to close the managerial gap that exist in the public sector. It is argued that if board members of SOEs are experts in business, they could contribute some valuable business practical lessons to the organisations.

Moreover, the research findings also demonstrate that directorship training is a core competency for boards of directors. The findings explicitly links the directors training to the King Code principles and the IoD on adherence to governance principles. This finding aligns with literature covered in Section 2.3.3. which states that the Code on Corporate Governance emphasis is more than just about compliance, but it also provides a framework for effective and ethical leadership. The King IV Report on Corporate Governance, particularly recommends that the board of SOEs should oversee corporate governance and must approve and oversee the implementation of an organisation's strategy (IoDSA, 2016; de

Visser; Waterhouse, 2020). Therefore, directorship training as a core leadership competency responds to the core purpose of training which according to the research findings is to provide specific guidance on boards members conduct and to understand their role better. While the research findings suggest that should be a prerequisite for boards appointments, however, literature only advocates for a competent board, but it does not prescribe training as a prerequisite competency for board members.

Worth noting, the study also revealed that ethics is a critical leadership competency. The finding is consistent with the ethical requirements of boards which is stipulated in Section 50 (b) of the PFMA which mandates the board of directors to “act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the public entity” (Public Finance Management Act, 1999, pg. 47). According to de Visser & Waterhouse (2020), some SOEs have deviated significantly from the Constitutional imperatives of public administration of upholding a high standard of professional ethics at a great expense to the economy and taxpayers. Therefore, recommending ethics as a core leadership requirement for boards directly validates the legislative prescripts requirements to ensure that ethical conduct is a foundation for effective strategic oversight.

6.3.3 Critical skills and experience required

The analysis of the research findings which demonstrates that relevant academic qualifications are important, supports the theoretical principles established in the literature regarding critical skills required for board members to provide effective oversight function. The literature in Section 2.6.2 points out that having a well-educated leadership team is crucial in corporate governance, since people who are highly educated can understand complex situations and to make strategic decisions with ease (Sidki et al.; 2024). Consistent with this argument, Kwiatkowski et.al. (2022) demonstrates that since SOEs are crucial for the growth of a country’s economy, it is critical that their leaders, especially board members have the necessary skills to help in the SOE growth. As discussed in the previous section, literature indicates that most board members are lawyers or bankers. The finding further validates the requirement for qualifications directly to the SOE mandate, where participants have indicated that for a financial institution, there are more Chartered Accountants or people with banking qualification, while in the SOEs focusing on energy related work there are more Engineers in the board.

Additionally, the research findings also highlight that prior experience in a similar role is critical for board to provide effective oversight function. The literature covered in Section 2.6.2 highlights that among the essential competences boards must have, is the industry

knowledge, business knowledge, and governance expertise which are all crucial for carrying out board duties (Sidki et al.; 2024). While the literature emphasise the need for qualifications, Bedard & Chi (1993) demonstrate that experience is critical for developing superior competence. Therefore, the finding explicitly reinforces the literature by stating that board members must have a solid background in the industry they are operating and should have walked the path to understand the role on oversight function discharged by boards.

Moreover, the research findings have demonstrated that financial skills are crucial for board members to be able to provide effective oversight function. This finding shows that are a non-negotiable requirement considering that this form part of legal obligation of boards covered in Section 2 which highlights that Section 49 (2) (a) of the PFMA placing the duty of an Accounting Authority on the board, implying that the position of a board member carries the responsibility of the entity's financial affairs and the SOE achievement of its objectives, outlined in the SOE strategy. Noting the above, the finding the requirement for financial skills by board members must be viewed as a legal requirement because board members have to oversee the finances of the SOEs. The literature by Ingley & Van der Walt (2001), states that the board of directors are authorised by OECD corporate governance rules to oversee an organisation's financial returns and management effectiveness. The findings support this by demonstrating that financial literacy are crucial for boards to accurately interpreting the financial implications of strategic decisions, while ensuring resources are allocated to meet the strategic objectives of the SOE.

The analysis of the research findings further demonstrates that legal background is a critical for board members to provide an effective oversight function. This finding and the literature converge on the idea that legal skills are a core and expected competency for board members. Literature shows that most directors are typically lawyers or bankers, who have ties to company (Lu & Zhu, 2020) establishing legal background as a core skill required for boards. The findings further confirm this by stating that in most boards, legal professionals are often sought and shortlisted to serve in boards of SOEs. Literature acknowledge that through the various legislative frameworks governing the SOEs, the boards are responsible for overseeing the management and operations of the company, ensuring compliance with legal and regulatory prescripts. Furthermore, literature indicates that modern views suggest that effective boards are no longer measured in terms of financial success only, the focus is also on effective oversight and ensuring compliance with operational and strategic decisions (Babić et al., 2020). Undoubtedly, legal expertise are essential for boards to help SOEs understand the complex legal contexts they operate in, as seen by the emphasis on the board's compliance role.

Audit, risk and compliance has also been identified in the research findings as a critical skill required for boards to be able to discharge effective oversight function. The literature specifically on the PFMA and the King Code of Corporate Governance establishes a comprehensive framework for compliance and fiscal responsibility. To demonstrate the importance of audit skills in boards, Adebayo & Ackers (2023), notes that effective corporate governance is dependent on audit practices. The Companies Act of 2008 highlights that in addition to the number of directors that the company must have to satisfy any requirement, whether in terms of the Act or its Memorandum of Incorporation, the board must appoint an audit committee as contemplated in Section 72 (4). This imply that the framework requires that boards have skills in audits, risk and compliance. The findings stated by participant 12 affirm that risk management involves having the board to provide strategic guidance, which aligns directly with the role of board of directors' core role of providing strategic oversight and direction. This finding is consistent with Section 51 (a) of the PFMA which stipulates that the Accounting Authority [the board of directors] of a public entity must ensure that that public entity has and maintains— (i) effective, efficient and transparent systems of financial and risk management and internal control (Public Finance Management Act, 1999).

The research findings also shows that labour relations is also critical skill required for board to provide strategic oversight. While literature advocates for diversity in board composition, it is silent on the aspect of labour relations skills as a critical requirement for boards. However, Adebayo & Ackers (2022) argues that board membership and structure have a significant impact on organisational success. Considering that the structure of a board has a direct influence in how the board performs. The research findings shows that having a union member as a part of the board brings a perspective that is important to manage the relationship dynamics that exist between the employees of SOEs and management. Rudolf (2020) supports this viewpoint by arguing that having employee representatives in governance bodies, can have a significant impact on companies while also being an essential element in the liberalisations of labour relations.

The study also reveal that sector knowledge is a critical skill required for board to provide effective strategy oversight. Both the findings and literature agree that relevant sector knowledge is important for board to effectively discharge their oversight function. Literature confirms that industry experience is another factor in the evaluation of skills for board members (Sidki et al., 2024). They argue that individuals with sector knowledge through previously worked in the same industry where they are now serving as board members, are likely to have networks that can contribute to their board engagement useful to the company. However, the research findings clarified that sector knowledge is about understanding the laws of the land,

not necessarily having the technical competencies of the SOE so that they are able to effectively direct and guide the executives on strategic imperatives of the SOE.

6.3.4 Summary of findings for research question 2

The research findings in this section establishes that the effectiveness of boards in providing strategic oversight over strategy implementation in SOEs is directly dependent on various factors which includes a robust, integrity driven recruitment process where board members are chosen on the possession of their skill set and experience. While in theory, the board recruitment process aims to attract competent candidates through nominations, head-hunting and advertisements, in reality this process is often compromised by political interference. The politicisation of board appointments poses a fundamental threat to the competency of the board, which in turn negatively affect the strategic oversight function boards must undertake. Section 6.3.2 demonstrate that effective oversight function by boards of SOEs calls for a range of strategic leadership competencies beyond just their technical knowledge. These competencies include governance, executive leadership, critical thinking and negotiation, and adherence to ethics. Prior exposure in boards is also deemed a critical factor to ensure readiness to provide effective strategic oversight. Section 6.3.3 shows non-negotiable skills which are deemed critical for boards to fulfil the legal mandate of the Accounting Authority, and it includes risk, legal, audit and compliance, while labour relations is also deemed necessary in managing dynamic relationships which exists with employees in organisations like the SOEs. In summary, it can be said that effective oversight by boards hinges on transparent recruitment process where competent people are appointed to serve in boards.

6.4 Discussion of research question 3: Barriers, Root Causes and Remedial Actions

RQ3: What are the barriers or challenges experienced by board of directors in overseeing the corporate strategy implementation in State Owned Enterprises?

Research question 3 is aimed at determining the barriers or challenges that prevents boards from effectively discharging their oversight function over strategy implementation in particular to SOEs (Wong, 2004; Khoza & Adam, 2007). While it is expected that board members provide oversight role over strategy implementation, literature indicates that there are barriers preventing from executing effective strategy oversight (Boivie, 2016). The study will investigate the numerous barriers that appear to be impeding boards from carrying out their oversight role in the context of SOEs.

6.4.1 Factors preventing board of directors to fully provide oversight function in SOEs

The research findings shows that the most common factor preventing boards of directors to fully discharge their oversight function in SOEs is political interference. This finding is consistent with literature which demonstrates that that political interference remains an issue facing board of directors in executing their roles (Thomson & Alleyne, 2023). The findings highlights that from the time board members are appointed until the boards are established, political interference occurs when Executive Authorities seek to sway the board's actions instead of honouring the values outlined in the Shareholder Compacts. The political meddling in recruitment processes is highlighted in Section 2.6.3 where it is demonstrated that political affiliation is prioritised over professional competence during board appointments. This directly set the stage for the lack of independence by boards, as political appointments inherently compromise the fiduciary duties of SOEs. This is notwithstanding the fact that the literature in particular to the King Code on Corporate Governance and the principles of good governance emphasise the necessity for board independence for objective decision making and oversight. Kreye & Ausloos (2020) suggest that the lack of autonomy and board independence is a crucial and persistent obstacle in SOEs when compared to private companies. As a result, political interference on boards may end up leading to inefficiencies and poor performance by the board which negatively contributes to poor performing SOEs and directly contributing to the economy.

The analysis of the findings further reveal that bureaucracy is another factor preventing boards from effectively discharging its oversight functions in SOEs. However, both the findings and literature acknowledge the legitimate monitoring role that the Executive Authority must undertake. The finding by participant 7 who mentions that SOEs operate in a highly regulated environment aligns with the extensive legislative prescripts covered in Section 2.3 that governs the SOEs. Due to the intricate relationships, they have with the environment where they operate, SOEs which are government owned business enterprises require coordination amongst different stakeholders (Marinathu, 2020). Contrary to the assertion made that bureaucracy impedes the boards on effectively discharging their oversight functions, the literature also confirm the shareholder's role in attending Annual General Meetings, giving approval under the Memorandum of Incorporation and signing the Shareholder Compact to monitor performance targets (National Treasury, 2002; de Visser & Waterhouse, 2020; Adebayo & Ackers, 2022). While the research findings show that the bureaucratic control extends to the composition of subsidiary boards, where the board must seek concurrence from the Shareholder for their own recommendations. The literature on legislative prescripts governing SOEs mainly focuses on SOEs broadly and does not cascade down to the

subsidiaries of these SOEs. So, perhaps this can explain the contradictions made on the assertions made on bureaucracy as a factor hindering boards to effectively deliver on its oversight functions.

Regulatory red tape has also been revealed in the research findings as a factor preventing boards in exercising its oversight functions effectively. The literature covered in Section 2.3. has dedicated a significant attention to the various legislative prescripts governing the SOEs like the PFMA, The Companies Act and the King Code on Corporate Governance. As referenced in literature, Section 54 of the PFMA mandates and confirms that the board's operations are legally bound by these frameworks (The Public Finance Management Act, 1999). The extensive reporting that the findings suggest must be made to the relevant authorities, is a direct consequence of the Agency Theory and the PFMA, which mandates transparency and financial accountability to the Shareholder and the public. Regardless of the different views regarding what board should do, Kanakriyah (2021) mentions that the primary responsibility of the board is to make sure they work in the best interest of the shareholders that appointed them. This point of divergence somehow suggests that not all board members fully accepts that being in a board of an SOE is different than when in a board of a private company, because their accountability also extend beyond the shareholder.

Incompetence of board members has sharply been raised as key factor preventing boards in providing effective strategy oversight in the research findings. While literature reveals a strong theoretical need for competent board members, this finding shows damning empirical evidence that contradicts the board requirements of competent individuals. Sidki et al. (2024) points out that having a well-educated leadership team is crucial in corporate governance, since people who are highly educated can understand complex situations and to make strategic decisions with ease. The research findings also echoes this, by demonstrating that incompetent board members impede the board from fully discharging their oversight function. The findings emphasises that board of directors should have experience at an executive leadership level and to have led organisations prior to serving in boards. Sidki et al. (2024), notes that among the essential competences boards must have, is the industry knowledge, business knowledge, and governance expertise which are all crucial for carrying out board duties. Therefore, having incompetent board members with no relevant qualifications, no governance expertise or industry knowledge goes against everything that makes boards successful in their oversight function.

The analysis of the research findings also demonstrates that multiple misalignments in priorities of the SOE priorities and that of board priorities with the goals of the Executive Authorities is a critical factor preventing boards in discharging its oversight functions

effectively. The conflicts outlined in this research findings aligns with the literature on the Agency Theory and the Legislative Frameworks covered in Chapter 2. Literature shows that SOEs are simultaneously governed by the PFMA which focuses on public governance in conjunction with the Companies Act and the King Code which focuses on Corporate Governance. The research finding shows that participant 7 has indicated that at times the reporting timelines prescribed in these various pieces of legislations always clash, and they always have to ask for extensions when it comes to certain reporting. However, de Visser & Waterhouse (2020) points out that in instances where there has been a conflict between the PFMA and the Companies Act in particular to the affairs of the SOEs, the PFMA always prevails. Furthermore, literature points out to the fact that Smith was the first scholar to provide an insight to the agency conflict, where he argued that managers wouldn't be prepared to exercise the same amount of caution when managing the affairs of other organisations other than their own (Ogabo et al., 2021). So, this finding is consistent with literature's discussions on fundamental conflicts that exist in SOEs.

Another factor identified in the research findings as a barrier preventing boards in fully discharging its oversight function is conflict of interest. The analysis of this finding demonstrates that while the literature establishes the principles and legal requirements for dealing with conflicts, the empirical evidence details systematic ways in which these conflicts manifest while crippling the effective oversight functions of SOEs. The King Code of Corporate Governance outlines a critical role of board of directors in ensuring ethical, effective and sustainable corporate governance in South Africa (IoDSA, 2016). However, the findings show a violation of these principles set out in the King Code of Corporate Governance. Given the institutional arrangement that exist in SOEs, the Agency Theory highlights that complex challenges frequently arise and the board, whether intentionally or inadvertently, make decisions that may not be beneficial to shareholders (Kanakriyah, 2021). Considering that literature also confirms that conflict of interest is unavoidable in the principal-agent relationship that exists between boards and shareholders, it is critical that the principal continuously also monitors the agent to avoid any misalignment.

Whilst not common for the majority of the research participants, workload has been cited as another barrier preventing boards from fully discharging its oversight function especially for shareholder representatives. Considering that the representation of government officials is not a legislative requirement, but it happens in practice. It is important that when the shareholder nominates individuals to participate in boards, their workload is reduced so that they can fully participate in board for literature asserts that overseeing corporate strategy is a core role for board members (OECD Guidelines, 2024). The PFMA expects board members to act with fidelity, honesty, integrity and in the best interest of the entity, showing full commitment (Public

Finance Management Act, 1999). The inability of other board members to fully engage with board affairs due to competing priorities shows a practical failure to meet this fiduciary duty outlined in the PFMA.

6.4.2 Root causes of these challenges

The study's findings have brought to light a wide range of underlying issues believed to be causing challenges discussed above preventing boards from effectively conducting their oversight function on SOEs. The empirical finding that political parties interest take precedence over the SOEs goals, is a real-world confirmation of the governance challenges facing SOEs discussed in Chapter 2. The Agency Theory discussed in the literature review section predicts a conflict of interest between the principal and agents, where the agent [the board] acts normally acts in their own interest rather than acting in the interest of the principal (the Executive Authority) (Kanakriyah, 2021). The research findings confirms a specific form of this conflict where the board aligns its loyalty not with the state as the principal, but instead they align themselves with the Executive Authority [the Minister] that appointed them to serve in the boards, thus undermining their functions on boards for political gains.

The literature and findings covered in Section 5.5.1.1 cites political interference as a major barrier to boards fully discharging their oversight functions. Kuzman et al. (2018), notes that the challenge with the system of how SOEs boards are appointed, in contrast to the private sector, makes changes in board members within SOEs, to be driven more by politics than by performance. Hence Thomas & Alleyne (2023) confirms that political interference remains an issue facing board of directors in executing their roles. To confirm this assertion, some participants of the study have stated that “they will control the board and therefore the board will implement their wishes or the political agenda that they have”. For instance, the research findings highlight an instance when a board of one SOE was instructed not to take action against defaulters because the political leaders feared that this action would have dire consequences for them in upcoming local government elections. These statements just confirm this theoretical concept of political meddling and how it manifests itself in practice.

Board member careerism has also been revealed as a root cause preventing boards in effectively discharging their oversight functions. The findings suggest that certain individuals use board positions for a career to make a living. These individuals are normally politically connected and are typically appointed by the Executive Authorities into boards since they cannot serve in Parliament. This finding aligns with several concerns raised in the literature where Thompson & Alleyne (2022, pg. 478) indicates that “political appointments are common to SOEs, and government usually establishes boards for their own political pursuits”. This

observation is supported Szarzec et al. (2022) who indicate that board appointments in SOEs are normally decided upon by a certain interest group, comprising of politicians and authorities in the government administration. While the governance codes mandate that boards must be composed of individuals with appropriate skills, experience knowledge to govern the SOEs effectively. It appears that this requirement is being undermined as the findings point out that incompetent people are appointed to serve in boards of SOEs.

The research findings also establishes that lack of shareholder support is another root cause preventing boards from discharging their oversight function effectively. This finding reveals a critical breakdown in the principal-agent relationship that can be addressed by the theoretical governance frameworks. The OECD (2017) point out that an SOE are constituted as enterprises under national law in which ownership and management are exercised by government. The finding further demonstrate a practical failure by the state to fulfil its ownership role. Dragomir et al. (2021, pg. 6) highlights that Corporate Governance in the context of SOEs, includes “the ownership function of the state, the supervisory role of government, the monitoring role of the board of directors, and the agency implications of contracts between the SOE and government”. Given that the finding highlights that shareholders do not support boards, the shareholder inaction could be interpreted as a fundamental abandonment of the required oversight and support role by the shareholder.

Another root cause identified in the research findings believed to be hindering boards from effective strategic oversight is limited strategic thinking by board members. This finding reveals a fundamental governance failure where the findings indicate that some board members cannot separate between operational and strategic issues. Literature in particular the King Code on Corporate Governance firmly establishes that the core role of the board is strategic oversight and direction, with operational functions delegated to the management of the SOEs (IoDSA, 2016). This finding suggest that this principle is being violated when board members are unable to delegate operational issues and focus on strategic issues requiring the board. The King Code on Corporate Governance further requires that a board composition possesses the requisite skills for strategic leadership (IoDSA, 2016). This finding suggest a failure in how board members are appointed when appointments considers people with no strategic acumen to be appointed in boards. However, de Visser & Waterhouse (2020) notes that guidelines like the Protocol on Corporate Governance in the Public Sector and the King IV Code provide which make recommendations on board appointments, are not legally binding. Noting the above, the finding confirms the consequences of having non-binding prescripts on board appointments.

Research findings on the underlying factors causing inadequate strategy oversight also reveal lack of boundaries between board members and the executives of the SOEs. This finding demonstrates a critical real-world failure on the board independence, highlighting a key governance risk. The finding in Section 5.5.2.5 details non-professional relationships between the boards and executives, undermining oversight functions and leading to rubber stamping of reports presented by executives in board meetings validating the need for independent board members as suggested in literature. The King Code on Corporate Governance mandates that boards maintain a sufficient number of independent, non-executive directors to provide objective oversight and challenge management (IoDSA, 2016). Sasidharan (2020) further demonstrates that board independence increases the value of the SOE and that having independent board members on the board of SOEs helps to safeguard the interest of the minority shareholders. The finding highlights that close, non-professional relationships destroy this required independence of boards, making objective oversight impossible. The Agency Theory predicts conflict of interest from information asymmetry and agent self-interest (Ogabo et al., 2021). The finding confirms a highly form of agency conflict where some board members are only interested in getting close to the management because they stand to benefit at a personal level forgetting the role they must undertake at a board level.

6.4.3 Remedial actions to address these challenges

The analysis of the findings for the study reveal seven remedial actions proposed by the participants in how these challenges identified above can be addressed. The recommendation for Parliament to enhance its oversight function is consistent with the legislative and governance prescripts discussed in the literature review section. The South African Constitution Section 55 (2) gives the National Assembly and Provincial Legislatures the authority to supervise their respective Executives (National Treasury, 2005). Furthermore, the PFMA establishes a system where the Executive Authority is accountable to Parliament for the performance and financial management of SOEs (Public Finance Management Act, 1999). This finding confirms the existing governance structures in line with the applicable legislative prescripts and the Constitution of South Africa. While the problem of political appointments have been highlighted in the study which undermines board competence and independence. The recommendation also targets this known problem by asking Parliament to scrutinise the nominations and selection processes of board members.

The research findings also recommend adherence to constructs outlined in the governance frameworks for SOEs to address challenges cited in this report. This recommendation is well aligned to the ideals of corporate governance which calls for strict adherence to applicable

prescripts. The role of board of directors is clearly stipulated in statutes like the PFMA. Section 49 (1) and (2) of the PFMA stipulates that “every public entity must have an authority which must be accountable for the purposes of this Act. If the public entity has (a) (b) has a board or other controlling body, that board or controlling body is the accounting authority for that entity” (Public Finance Management Act, 1999, pg. 46). So, the recommendation confirms that the boards must adhere to the relevant prescripts to ensure that the strategies of SOEs are guided by what the prescripts says and how can the entity achieve such objectives. Furthermore, the PFMA requires that the boards and shareholder departments sign Shareholder Compacts to establish performance parameters for accountability (Adebayo & Ackers, 2022). The finding calls for the adherence of the Shareholder Compact principles to delineate parameters for boards and the Executive Authority.

The study also recommends board independence and maintenance of boundaries to address the challenges regarding barriers impeding boards in fully discharging their oversight function. This finding is aligned with the most theoretical and legislative prescripts governing the SOEs, which serves a key fundamental principle for corporate governance, directly addressing the key failures existing in the SOE environment. The King Code on Corporate Governance makes board independence a cornerstone for effective oversight function, requiring non-executive directors to provide an objective judgement and act in the best interest of the company as part of the fiduciary responsibilities (IoDSA, 2016). The call for distance between political leadership and boards in the findings of this study confirms that independence is essential for objective governance by boards. The findings also underscores that political interference compromises board independence, making effective oversight impossible. It is crucial that Executive Authorities are accountable to the relevant structure in instances where political meddling can be confirmed, in accordance with guidelines that require them to account to Parliament (National Treasury, 2005).

The implementation of board performance agreements was also recommended as a solution to deal with some of the challenges identified above. The finding demonstrates a practical way to deal with incompetent members not adding value to the strategic oversight functions rendered by board and directly enforce accountability. The findings aligns well with the King Code of Corporate Governance and the PFMA which implicitly require board members to act with diligence and in the best interest of the SOE, implying accountability on performance of the SOE (IoDSA, 2016; Public Finance Management Act, 1999). While the finding recommend a solution, it also highlights gaps in the current system in how boards performance are appraised. The literature establishes the need for strong governance and notes that corporate failures are attributed to lack of oversight and non-functional monitoring systems (Beshlawy & Ardroumli (2021). The poor performance of SOEs is confirmed in Chapter 1, and undoubtedly

this necessitates the review and improvement of current governance mechanisms to deal with such instances with non-performance of board members which leads to non-performing SOEs.

Whilst it is acknowledged that not all board members are on par with board functions, the research findings recommend board members training to improve their performance when serving on boards. This finding confirms a direct alignment to the foundation literature on corporate governance which acknowledges training as a cornerstone of governance. The King Code on Corporate Governance stipulates that “members of the governing body with no or limited governance experience should be provided with mentorship and encouraged to go through training” (IoDSA, 2016, pg. 51). The emphasis on training to clarify board’s role and how to discharge supports the literature on board composition and competence. In line with the PFMA, having a competent board with professional competencies and diverse skills is crucial for effective strategic oversight (National Treasury, 2005). Whilst the literature acknowledges that boards must be competent, the findings recommends continuous training for board members to be on par with the rapid changing environment where they operate. However, the finding also put a caveat that no amount of training can change individuals who are in boards for a specific reason. Therefore, training must not be seen as a panacea to address non-performance by some board members.

The study findings recommend that the recruitment process of board members be improved, pointing out that one of the main obstacles causing problems with the composition and competency of boards is the selection of board members. The findings aligns well with the principles of meritocracy and skill-based appointments emphasised in corporate governance codes. Principle 7 of the King Code mandates that boards are made up of competent and diverse individuals to discharge boards roles and responsibilities objectively and effectively (IoDSA, 2016). The need to improve the recruitment processes of boards aligns well with the need to counter challenges on incompetencies to improve board performance. Literature posits that it is impossible to provide effective oversight function without the necessary skills (Lu & Zhu, 2020; Sidki et al., 2024). The recommendation to follow similar processes like the ones used by the DBSA where the Nominations Committee advertise, interview, assess and recommend potential board members directly supports how this recommendation can be implemented at a practical level supporting best corporate governance.

6.4.4 Summary of findings for research question 3

This section has highlighted a detailed analysis of why boards fail and what can be done to address the challenges that exist preventing boards to fully discharge their oversight function in SOEs. The primary internal and external barriers preventing boards on discharging their

oversight function effectively includes political interference, bureaucracy, regulatory red tape, conflict of interest, and the demanding workloads of directors. These challenges are rooted in political parties' interests often taking precedence over the SOEs mandates, and the clear boundaries between board members and the executives. There was a consensus on the research findings that a multi-pronged approach is needed to address some of the challenges discussed in this section. Amongst the recommendations made is to implement individual performance agreements where board members will account for their role in boards. Another recommendation focuses on improving the recruitment processes through independent shortlisting to depoliticise the appointment process. Enhancing parliamentary oversight, improving board independence and maintaining strict boundaries between the boards and executives is another recommendation to address the challenges cited in this section.

6.5 Conclusion

In order to provide an overview of the research findings, this section has synthesised the empirical findings of the study presented in Chapter 5 in accordance with the literature discussed in Chapter 2. The section has conclusively established that the function of strategic oversight rendered by board of directors in South African SOEs is a multifaceted and a dynamic function that often goes beyond theory and legal prescripts. Effective oversight is dependent on three key factors, the execution of the oversight function itself, the competency and integrity of the boards, and the political and regulatory environment.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

The overall objective of this study is to determine how the boards are discharging their fiduciary responsibilities when providing strategic oversight on strategy implementation of the SOEs. Informed by this objective, the study sub-objectives are as follows:

- a) To determine critical factors that enables the effective provision of board oversight on strategy implementation.
- b) To establish any critical and relevant competencies required by board members to enable them to discharge their function on strategic oversight on strategy implementation.
- c) To identify any barriers that affect boards of SOEs in relation to discharging effective strategic oversight function on strategy implementation.

The persistent negative media coverage highlighting an increase in the number of SOEs that are failing to perform in South Africa when compared with those that are doing well has sparked an interest in this research study. Amongst the reasons attributed to the SOEs failures, is the lack of oversight and non-functional monitoring systems. This is notwithstanding the fact that SOEs play a significant role in national economies, balancing public governance and corporate efficiency (Bakhtiyarovich, 2025). Chitiga-Mabungu et al. (2022) highlight that there is evidence that the South African government has spent substantial amounts on SOEs bailouts in recent years and the struggle of some SOEs, “with some teetering on the brink of collapse” as cited by Nyantsumba & Pooe (2021) serve as evidence for major governance failures in SOEs. Undoubtedly, when SOEs are not performing, the rest of the economy suffers (Chitiga-Mabungu, 2022). This is because governments would need to increase its borrowing, which will discourage private investment, resulting in a reduction in gross domestic product (GDP) and an increase in unemployment, especially amongst the unskilled. Furthermore, the increasing bailouts made to SOEs, coupled with a lack of competition, creates a cycle that perpetuates poor performance and substandard service delivery (Habir, 2021).

Whilst these SOEs have board of directors entrusted to manage the affairs of these entities and to provide a strategic oversight over strategy implementation. Boivie et al. (2016) points out that many of the boards lack the drive and capacity to properly conduct an oversight function. Thus, this research focused on considering directors' views on the role they play on strategic oversight of strategy implementation of SOEs and how it lends itself to the failures or successes of SOEs.

7.2 Principal Conclusion

Beshlawy & Ardroumli (2021) notes that in the wake of recurring corporate scandals and the collapse of corporations, the role of boards of directors is becoming more relevant, evolving and on the spotlight. Within the SOEs environment, failures are attributed to the lack of oversight and non-functional monitoring systems. This is notwithstanding the fact that De Masi et al. (2020) notes that one of the key functions of boards is strategic oversight. In light of the increased failures that are reported within the SOEs environment, the question of how boards exercise strategic oversight over strategy implementation becomes relevant. Hence, the main goals of this study has been to understand how board of directors' exercise strategic oversight over strategy implementations, what factors contributes to effective strategic oversight and what barriers prevents boards from effectively discharging their oversight function. Through the research conducted, the study answers three research questions including:

- a) Unpacking the way boards execute strategic oversight on strategy implementation,
- b) Describing critical factors required to enable the board of directors in providing strategic oversight on strategy implementation, and
- c) Identifying any barriers that affect boards of SOEs in relation to discharging effective strategic oversight function on strategy implementation.

Figure 2 below summarises the findings of the research based on the questions for the study.

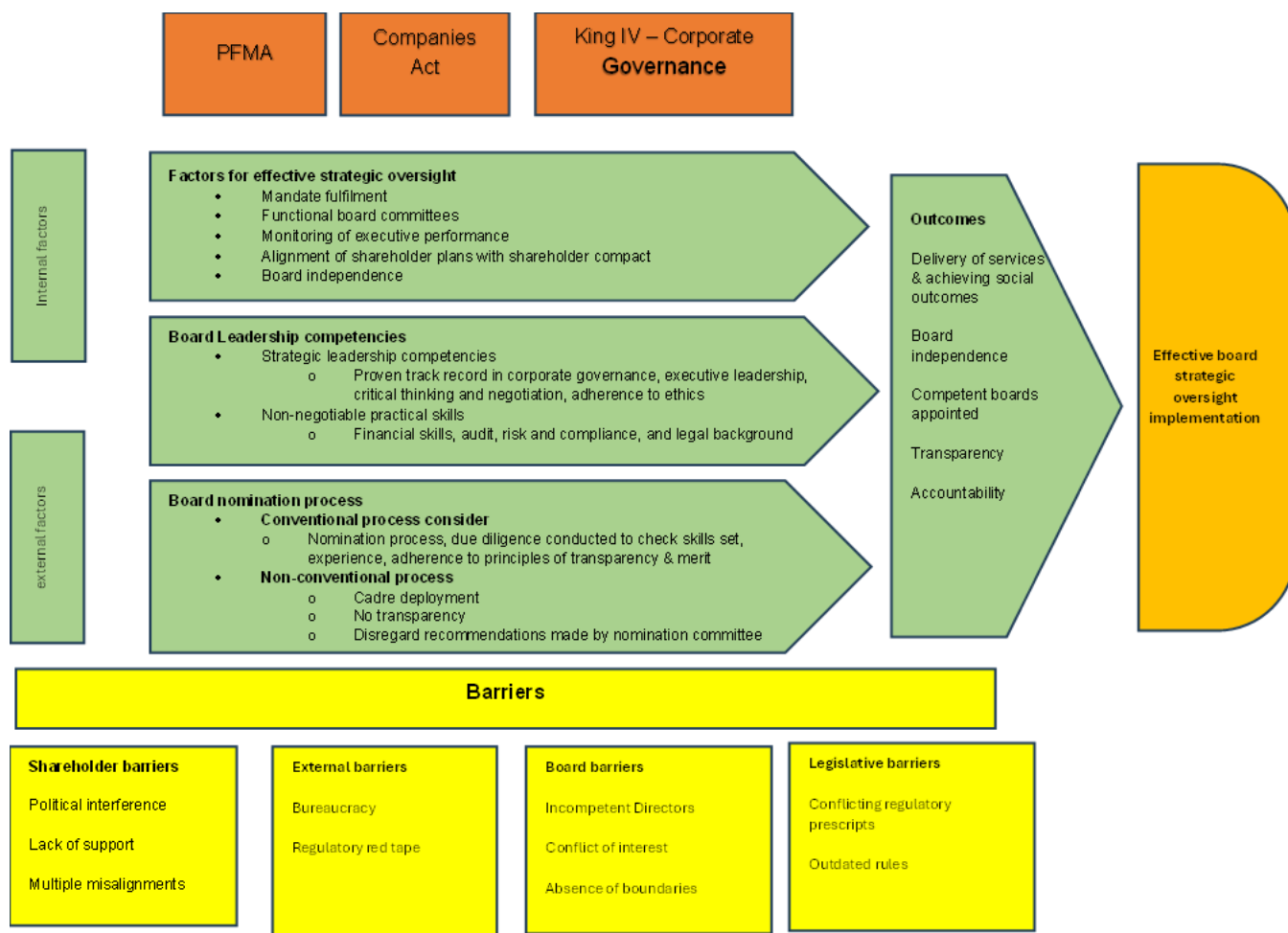


Figure 2: Conceptual framework for effective strategic oversight

7.2.1 How boards of directors execute strategic oversight on strategy implementation

As described in figure 2 above, the SOE boards of directors execute strategic oversight on strategy implementation in a multifaceted and a dynamic function that extends beyond the legal and theoretical prescripts.

The research demonstrate that strategic oversight is a holistic function focused on ensuring mandate fulfilment. Literature indicates that the boards of SOEs have multifaceted mandated of achieving social and economic imperatives as described by Richmond et al. (2019). Within this mandate fulfilment, SOEs have to provide basic services such as infrastructure, energy, transport, finance and extractives (OECD, 2024). Furthermore, they have to address market failures driven while achieving social outcomes in a cost-effective manner (Baum et al., 2024). The board primary responsibility in relation to this mandate is to exercise strategy oversight over strategy implementation. This means they have a fiduciary responsibility to by act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the public entity (Public Finance Management Act, 1999). Furthermore, the PFMA requires the board to serve as the Accounting Authority of SOEs, which carries the responsibility for the entity's financial affairs. Moreover, the boards have to ensure alignment of the SOE strategies with the priorities and the policies of government (Public Finance Management Act, 1999; National Treasury, 2002; Adebayo & Ackers, 2022).

This activity is undertaken through continuous monitoring of executive performance, particularly for the CEO and CFO who are expected to report the SOE performance in board meetings. In order to evaluate performance against predetermined targets and allocated budgets, performance tools such as Shareholder Compacts and Annual Performance Plans (APPs) are considered. Monitoring is performed on quarterly basis, to ensure compliance with the requirement for quarterly reporting outlined in the PFMA (National Treasury, 2001). Moreover, board committees and subcommittees are used to facilitate this monitoring activity. Board committees serve as a structure where the boards oversight function is mainly carried out, allowing directors to thoroughly interrogate performance reports presented by the executives. The boards hold the executives accountable for specific performance areas. The CFO is held accountable for expenditure performance in line with allocated budgets and spending in a prudent manner. While the CEO is being held accountable for the overall performance of the entity in line with the performance of the entity in line with the set targets and implementation of the strategies. Moreover, the board also actively review the audit outcomes to check if the entity is achieving its set key performance indicators outlined in APPs.

Furthermore, the research findings demonstrate that effective strategic oversight is contingent upon achieving alignment and coherence of strategic plans with the shareholder compact (Meyfroodt & Desmidt, 2024). This necessitates the strong interplay between the board and executive management, primarily through regular engagements in board meetings and committees. Moreover, the effectiveness of oversight mechanisms is directly linked to underlying governance foundations. But this requires a competent and strong board to challenge and guide the strategy implementation. Importantly, effective oversight also requires the board to manage the board relationship with the shareholder department, to protect its independence and fiduciary duties from external parties.

The findings also introduces practical ways of doing things such as the hands-on approach by boards during transient phases. However, no literature was found to support this viewpoint in the research. The literature tendency on relying on explicit theories that spell out what boards can do and not, may be the reason why this aspect is not covered in literature. In many instances, theory recommends that there should be separation of powers between the board strategic role and management operational functions. However, literature does not consider how boards need to act during crisis situations, yet Nyantsumba & Pooe (2021) notes that despite the implementation of turn around strategies, SOEs in South Africa continue to poorly perform indicating a gap in how boards should act should crisis situations. This gap suggest that there is a need for further research to determine the role of board of directors in instances where there is a crisis or the entity must implement a turnaround strategy.

Overall, the research findings demonstrate that boards possess a good understanding of how strategic oversight ought to be carried out by focusing on mandate fulfilment, governance, and monitoring of executive performance. However, despite using a qualitative research strategy and semi-structured interviews with a limited sample of current and former board members, the study highlights a significant gap between the intended role of the board and its practical effectiveness as evidenced by SOEs poor performance. Nyantsumba & Pooe (2021) states that despite the implementation of turn around strategies, SOEs in South Africa continue to poorly perform poorly, suggesting there may be problems in how they are governed. The literature points out that corporate failures in particular to the SOEs are attributed to lack of oversight and non-functional monitoring systems (Beshlawy & Ardroumli, 2021). Furthermore, the persistent bailouts and struggles of the SOEs as reported by Chitiga-Mabungu et al. (2022) serve as major evidence for governance failures.

7.2.2 Requisite competencies and appointment process followed for boards

The findings of the study confirms that effective board performance is dependent on the board members who possess both strategic leadership competencies and non-negotiable practical skills. Furthermore, the research findings highlights that the leadership competencies required for board appointments extend beyond technical competencies and it includes a proven track record in corporate governance, executive leadership, critical thinking and negotiation, and adherence to ethics. This is in line with the literature where Thompson & Alleyne (2023) indicates that the board members' diverse qualifications and skills add value to the organisation. Consistent with the legislative prescripts governing the SOEs and the literature, the findings also shows the critical non-negotiable skills which are necessary for the board to fulfil its mandate as the Accounting Authority. These non-negotiable skills include financial skills, audit, risk and compliance, and legal background (Public Finance Management Act, 1999; Ingley & Van der Walt, 2001; Gnan et al., 2011; Lu & Zhu, 2020; Sidki et al., 2024).

Concerning the appointment process followed to appoint board members, literature highlights that Executive Authorities or Shareholders are mandated by the prescripts to follow a robust, integrity recruitment process that prioritises the skills set, experience, and adherence to principles of transparency and merit (IoDSA, 2016, National Treasury, 2005). However, the research findings demonstrate that the appointment process followed by SOEs is not standard as highlighted by de Visser & Waterhouse (2020). Instead, most board appointments are often compromised by political interference, and this finding is consistent with the literature discussed in Chapter 2 where Thompson & Alleyne (2022, pg. 478) indicates that "political appointments are common to SOEs, and government usually establishes boards for their own political pursuits". This observation is supported Szarzec et al. (2022) who indicate that board appointments in SOEs are normally decided upon by a certain interest group, comprising of politicians and authorities in the government administration.

Whilst the PFMA grants the Executive Authority the power to appoint board members, but it does not specify the procedure and criteria which should be followed (de Visser & Waterhouse, 2020). Additionally, in line with the literature reviewed for this study, the findings show that the Executive Authority has the final say on who should be appointed in boards and frequently rejects recommendations from the Nominations and Compensations Committee if they are dissatisfied with the recommendations made, which results in political interference on the appointment process. Literature confirms that the politicisation of board appointments is a fundamental threat to the competency of the board (Sidki et al., 2024). Thus, the research point out that one of the main challenges affecting board's ability to provide an effective oversight

function on SOEs is the inadequate human capital that results from the flawed recruitment process. Worth noting, the research also demonstrates that the issue of incompetence is not only isolated to the board, as literature confirms that the Executive Authority themselves empowered to appoint board members lack the requisite to discharge their mandate (Sidki et al.; 2024) thereby weakening the entire oversight function in SOEs.

7.2.3 Barriers, root causes for effective strategic oversight and remedial actions

The principal conclusion for this research highlight that boards are unable to effectively provide strategic oversight on SOEs due to several barriers as summarised in figure 2 above. These barriers are both internal and external. However, a major barrier and root cause for ineffective strategic oversight identified in both theory and through the research is political interference where political parties interest often taken precedence over the SOE ones (Kaunda & Pelsler, 2022). The research findings demonstrates that political interference compromises board independence making effective oversight impossible. This finding is also consistent with the claim made by Thomas & Alleyne (2023) who confirms that political interference remains an issue facing board of directors in executing their roles. The study's empirical findings show that political interference can occasionally take many forms, such as the Executive Authority acting "as an additional board member", stepping over governance lines and issuing instructions to board members on operational matters like influencing procurement processes.

The established governance theory outlined in the Agency Theory and King IV Code of Corporate Governance positions the board as an independent structure accountable to the shareholder (IoDSA, 2016; Kanakriyah, 2021). However, the empirical findings of this research demonstrates that the Executive Authority interferes with the affairs of the board, by bypassing governance rules to pursue party political objectives. These actions can be misconstrued as a violation of the fundamental requirement of board independence, changing boards from a fiduciary body to be an instrument of political structure. Fama & Jensen (1983) points out that board independence is a critical element of good governance primarily rooted in the agency theory. While the agency theory acknowledges the potential conflict between the principals (i.e. shareholders) and the agents (i.e. board of directors), it does acknowledge that the board oversight role is the most critical function in an organisation, so it is important that the boards are independent in carrying out this function.

By design and the nature of intricate relationships they have, SOEs operate in a bureaucratic and highly regulated environment (Marinathu, 2020; de Visser & Waterhouse, 2020). The research findings show that while prescripts like the PFMA aim to provide sound financial management and transparency, they tend to create a regulatory red tape which prevents

boards from fully discharging their oversight functions as boards are overburdened by the reporting requirements and need for Ministerial concurrence on transactions taken by the board as required by Section 54 of the PFMA (National Treasury, 2005). The research demonstrates that this extensive reporting and bureaucratic controls limits the boards effectiveness and ability to take decisions affecting SOEs. This finding is consistent with the finding made by Mohuba (2023) which states that the governance structure currently in place for SOEs is disjointed and ineffective.

Moreover, the research shows that at a board level, barriers such as incompetence of directors, conflict of interest, multiple misalignments and the absence of board boundaries between board members and executives also prevents boards from fully discharging their oversight function effectively. The empirical findings of the study show that the incompetence of board members manifest itself when board members are unable to engage with strategic matters, often reducing their input in board meetings to grammatical corrections in reports presented. Sidki et al. (2024) points out that having a well-educated leadership board is crucial in corporate governance, since people who are highly educated can understand complex situations and to make strategic decisions with ease. In light of the above, it is evident that the incompetence of board members is a direct violation of principle 7 in the King IV Code which state that boards must possess the necessary skills and knowledge to govern effectively (IoDSA, 2016).

The study also point out that conflict of interest and absence of boundaries compromise the boards fiduciary duties. The PFMA mandates the board to act with fidelity and in the best interest of the public entity (Public Finance Management Act, 1999). However, the research findings demonstrate that self interest behaviour often termed “careerism” motivates board members to prioritise political loyalty to the Executive Authority or management to secure future appointments or favours undermining this objectivity. Hence, Principle 7 of the King IV codes recommend that, “the board needs to ensure that non-executive directors are rotated on a regular basis to maintain objectivity, which is one of the non-executive directors’ primary contributions. At the same time, care must be taken to protect the required institutional knowledge” (IoDSA, 2016, pg. 04). Thus, it is important that director’s term of office and whether or not they are eligible to be reappointed at the end of their tenure must be explicitly stated in the memorandum of incorporation to minimise this challenge (IoDSA, n.d.). Furthermore, it is important that the recruitment process for the appointment of board members in SOEs. As Maimane (2025) puts it, to prevent people with political ties from serving in boards of SOEs, applicable laws must be reinforced.

7.3 Theoretical contribution

Given that there is limited research conducted on the role of board of directors in providing strategic oversight over strategy implementation of SOEs, the research makes a contribution to theory on this topic. Through the empirical findings of the research, there are new insights that have emerged, for instance, the hands-on approach taken by boards during the transient phases when SOEs are undergoing through turn around phases. Previous research have focuses on what boards can do and not do, however, there is no literature that suggest how boards need to act during the transient phases. Additionally, the classification of barriers that are not restricted to a single theme helps in identifying different the many barriers that exist in the SOE environment. The literature perused for the research only categorised the barriers into only three thematic areas. Overall, the researcher believes that the research has provided some new insights into the subject of how boards are executing strategic oversight over strategic implementation of SOEs and to understand why most SOEs are failing to perform as expected.

7.4 Business implications

The research has implications for various stakeholders in the SOE environment starting from the legislators, the Executive Authority, and the boards who need to ensure there is effective strategy oversight over strategy implementation of SOEs.

7.4.1 Legislators

Like any other South African companies, SOEs in South Africa are governed by the same company laws governing the corporation of companies in South Africa. Due to the intricate relationships, they have with the environment where they operate, SOEs which are government owned business enterprises require coordination amongst different stakeholders (Marinathu, 2020). The research shows that the governance structure currently in place for SOEs are disjointed and ineffective. This is notwithstanding the fact that there are various legislative frameworks in place governing them such as the PFMA, the Companies Act, and guidelines included in documents such as the King IV Report. Within this challenge is the appointment of board members and the absence of consistent policies throughout the SOE landscape, which hinder corporate governance changes in South Africa's SOEs (de Visser & Waterhouse, 2020). For example, the PFMA mentions that power to appoint board members rests with the Executive Authority, while the Companies Act recommends that for SOEs

classified as companies, board members must be elected at the Annual General Meeting (AGM). Noting this conflicting directive on how boards of SOEs in particular Schedule 2 SOEs, clarity must be provided to address the issue of supremacy on these various prescripts in the case of conflict.

7.4.2 Executive Authority

SOEs are controlled and managed by the Executive Authority. The PFMA grants the Executive Authority the power to oversee the SOEs strategies, shareholder's compacts and quarterly reports (National Treasury, 2005, pg. 2). The Executive Authority also acts as a shareholder, and their focus is to guarantee the SOEs financial stability and to safeguard appropriate returns on investments (National Treasury, 2005). Within this legislative requirement, the Executive Authority is empowered by legislative prescripts to appoint and dismiss board members (Mpete & Maier, 2023). Likewise, the Executive Authority must ensure that the board appointed has the qualification to guide the SOE and that the right balance of executive and non-executive directors is appointed. However, the research findings confirms that there is no consistency in how board members in SOEs are appointed, instead political affiliation is prioritised over professional competence during board appointments. This directly set the stage for the lack of independence by boards, as political appointments inherently compromise the fiduciary duties of SOEs. Literature shows that the underperformance of SOEs is not only a threat to the fiscus, but most credit rating agencies have also expressed a concern on these SOEs and indicated that they pose a major threat to an economy struggling like South Africa (Daily Maverick, 2024). Given the severe effects this has on the economy, the study recommends that the Executive Authority must adhere to the legislative prescripts to appoint competent board members to guarantee that SOEs can function efficiently and boards can effectively provide strategic oversight over strategy implementation.

7.4.3 The Boards

Board members in SOEs must understand and realise that serving in a board is a critical function which has legal implications derived from the PFMA, the Companies Act and King Code of Corporate Governance. Section 50 (b) of the PFMA expects the board of directors "act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the public entity" (Public Finance Management Act, 1999, pg. 47). This implies that the board must at all times act in the best interest of the entities where they are serving as board members. The research findings point out that in certain instances, the board

aligns its loyalty not with the state as the principal, but instead they align themselves with the Executive Authority [the Minister] that appointed them to serve in the boards, thus undermining their functions on boards for political gains. Such actions violates key legal and governance prescripts, in particular the fiduciary duties of a board and fidelity to the SOE, instead of acting in the best interest of the entity. Board members must be cognisant that the core function of directors is to provide strategic guidance to the company affairs in an objective manner. Aligning loyalty with the Executive Authority compromises board independence which is one of the pillars of corporate governance.

7.5 Limitations of the study

As discussed in Chapter 4, consistency is crucial in qualitative research because the strategy of the study present several limitations with biases. Below are some of the limitations that were discovered during the research process.

- As the focus of the study was on the SOEs, the findings of the research may not be transferred to other sectors focusing on the same topic.
- Most of the research participants were high profile executives and board members, so it is possible that they have not shared all the issues affecting SOEs, due to the nature of their work.
- Moreover, the sample size of participants in the study is not balanced as there were more non-executive directors as opposed to the executive directors. So, the views shared in the research are leaning more towards the non-executive directors' experiences.
- With the researcher being employed in the public sector, it is possible that the findings presented may lean towards the researcher perception of what should happen rather than what is actually happening in SOEs.

7.6 Suggestions for future research

There is limited literature available on the topic of board's strategic oversight over strategy implementation for SOEs. Based on the findings of this research, several future research areas can be considered as outlined below.

- In order to increase the sample size and observations made, conduct a quantitate study focusing on how boards of directors execute strategic oversight over strategy implementation in SOEs, particularly for Schedule 2 SOEs.

- Based on the new themes that emerged from the research, conduct research to assess the impact derived from the involvement of boards in operational matters during transient phases.
- In a private sector setting, assess the process of board members appointments and determine the criteria used to select board members.

7.7 Conclusion

It is impossible to overlook the role of boards in the success and failures of SOEs given the rapid changing environment where SOEs operate. The OECD Guidelines (2024) clearly stipulates that boards play a pivotal role in shaping the strategy, oversight, and performance of individual SOEs. However, literature demonstrates that there have been instances where corporate governance mechanisms have occasionally failed to stop financial malpractices, because of the lack of monitoring mechanisms by the boards. Twelve semi-structured interviews were conducted with participants representing five sectors such as transport, energy, development finance, agricultural finance and construction to understand how boards of directors in SOEs conduct strategic oversight, what factors are considered when boards are appointed and what barriers prevents them from effectively discharging their oversight function.

The research found there are three key factors which contributes to effective strategic oversight, it is the execution of the oversight function itself, the competency and integrity of the boards, and the political and regulatory environment. Additionally, four categories of barriers were identified including shareholder, external, board and legislative barriers which participants indicated are impeding boards on fully discharging their oversight function. The overall study findings are presented in a conceptual framework covered in figure 2 to demonstrate factors contributing to an effective strategic oversight function by the board. The research contributes to theory by bringing new insights into how boards are conducting strategic oversight functions and by categorising some of the barriers that are preventing boards in discharging their oversight function. It is anticipated that the outcomes of this study will enable all relevant stakeholders to address some of the shortcomings identified in the research so that boards are supported to fully discharge their oversight function in SOEs.

REFERENCES

- Adebayo, A., & Ackers, B. (2022). Insights on corporate governance practices of state-owned enterprises (SOEs). *Journal of Accounting and Investment*, 23(1), 170-195. <https://journal.umy.ac.id/index.php/ai/article/view/13830>
- Abalaka, A., Olaniyi, O. O., & Adebisi, O. O. (2023). Understanding and overcoming the limitations to strategy execution in hotels within the small and medium enterprises sector. Available at SSRN 4614043. <https://dx.doi.org/10.2139/ssrn.4614043>
- Agwu, E. (2023). The role of the boards in strategy development and execution in organizations. *Academy of Strategic Management Journal*, 22(5), 1-11.
- Aladag, O. F., Köseoglu, M. A., King, B., & Mehraliyev, F. (2020). Strategy implementation research in hospitality and tourism: Current status and future potential. *International journal of hospitality management*, 88, 102556. <https://doi.org/10.1016/j.ijhm.2020.102556>
- Andrews, R. (2022). Determinants of local SOE board size and composition: evidence from England. *Journal of Policy Studies*, 37(1), 1-13. <https://doi.org/10.52372/jps37101>
- Asahak, S., Albrecht, S. L., De Sanctis, M., & Barnett, N. S. (2018). Boards of directors: assessing their functioning and validation of a multi-dimensional measure. *Frontiers in Psychology*, 9, 2425.
- Babić, V., Nikolić, J., & Simić, M. (2020). Board structure and bank performance: Evidence from Serbian banking sector. *Facta Universitatis, Series: Economics and Organization*, 057-068.
- Balbuena, S. S. (2014). State-owned enterprises in Southern Africa: A stocktaking of reforms and challenges.
- Banerjee, A., Nordqvist, M., & Hellerstedt, K. (2020). The role of the board chair—A literature review and suggestions for future research. *Corporate Governance: An International Review*, 28(6), 372-405. <https://doi.org/10.1111/corg.12350>
- Baum, A., Hacknay, C., Medas, P., & Sy, M. (2024). Governance and state-owned enterprises: how costly is corruption?. *Economics of Governance*, 25(2), 181-208.
- Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *Accounting review*, 443-465.
- Boivie, S., Bednar, M. K., Aguilera, R. V., & Andrus, J. L. (2016). Are boards designed to fail? The implausibility of effective board monitoring. *Academy of Management Annals*, 10(1), 319-407.

Boivie, S., Withers, M. C., Graffin, S. D., & Corley, K. G. (2021). Corporate directors' implicit theories of the roles and duties of boards. *Strategic Management Journal*, 42(9), 1662-1695. <https://doi.org/10.1002/smj.3320>

Bogie, J. (2025). Research Methodology (power point slides).
<https://qibs.blackboard.com/ultra/courses/82801/cl/outline>

Bradshaw, P., Murray, V., & Wolpin, J. (1992). Do nonprofit boards make a difference? An exploration of the relationships among board structure, process, and effectiveness. *Nonprofit and voluntary sector quarterly*, 21(3), 227-249.
<https://doi.org/10.1177/089976409202100304>

Bryman, A. 2012. Social Research Methods. Oxford: Oxford University Press

Bryman, A., Bell, E., Hirschsohn, P., dos Santos, A., du Toit, J., Masenge, A., van Aardt, I. and Wagner, C. (2011). Research Methodology: Business and Management Contexts. Cape Town: Oxford University Press

Bruton, A., Conway, J. H., & Holgate, S. T. (2000). Reliability: what is it, and how is it measured?. *Physiotherapy*, 86(2), 94-99. [https://doi.org/10.1016/S0031-9406\(05\)61211-4](https://doi.org/10.1016/S0031-9406(05)61211-4)

Byrne, D. (2022). A worked example of Braun and Clarke's approach to reflexive thematic analysis. *Quality & quantity*, 56(3), 1391-1412.

Castellanos, J. D., & George, B. (2020). Boardroom leadership: The board of directors as a source of strategic leadership. *Economics & Business Review*, 6(1).

Castrillón, M. A. G. (2021). The concept of corporate governance. *Revista Científica "Visión de Futuro"*, 25(2), 178-194.
<https://doi.org/10.36995/j.visiondefuturo.2021.25.02R.005.en>

Chitiga M, Henseler M, Mabugu R, Maisonnave H. (2022). The implications of deteriorating state-owned enterprise performance on the South African economy. *Ann Public Coop Econ*, 93, 731–754. <https://doi.org/10.1111/apce.12339>

Claessens, S., & Yurtoglu, B. B. (2012). Corporate governance and development: An update.

Creswell, J.W., & Creswell, J.D. (2023). Research Design. (6th International Edition). Sage.

Cuervo-Cazurra, A., & Li, C. (2021). State ownership and internationalization: The advantage and disadvantage of stateness. *Journal of World Business*, 56(1), 101112.
<https://doi.org/10.1016/j.jwb.2020.101112>

Daily Maverick. (2024). Moody's gives mixed signals on South Africa's economic future despite praise for key institutions. <https://www.dailymaverick.co.za/article/2024-12-04-moodys-gives-mixed-signals-on-south-africas-economic-future-despite-praise-for-key-institutions/#:~:text=Because%20of%20this%20challenge%2C%20Moody's,in%20the%20current%20fiscal%20year.>

Dalocchio, M., Caputo, A., Tron, A., & Colantoni, F. (2022). It's a matter of time! CEO turnover and corporate turnarounds in Italy. *Journal of Management & Organization*, 1-21. <https://doi.org/10.1017/jmo.2022.83>

Daniel, B. K. (2019). Using the TACT framework to learn the principles of rigour in qualitative research. *Electronic Journal of Business Research Methods*, 17(3), pp118-129. <https://doi.org/10.34190/JBRM.17.3.002>

De Masi, S., Słomka-Gołębiowska, A., & Paci, A. (2021). Women on boards and monitoring tasks: an empirical application of Kanter's theory. *Management Decision*, 59(13), 56-72.

de Visser, J., & Waterhouse, S. (2020). *SOE boards and democracy*.

De Vos, A., Strydom, H., Fouche, C. and Delport, C. (2011) *Research at Grass Roots: For Social Sciences and Human Services Professions*. Van Schaik Publishers, Pretoria.

Dragomir, V. D., Dumitru, M., & Feleagă, L. (2021). Political interventions in state-owned enterprises: The corporate governance failures of a European airline. *Journal of Accounting and Public Policy*, 40(5), 106855. <https://doi.org/10.1016/j.jaccpubpol.2021.106855>

Ehrhardt, O., & Nowak, E. (2003). The effect of IPOs on German family-owned firms: Governance changes, ownership structure, and performance. *Journal of Small Business Management*, 41(2), 222-232.

El Diri, M., & Alhadab, M. (2020). The Impact of Earnings Management and Managerial Ability on Management Compensation. *Available at SSRN 3748750*.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The journal of law and Economics*, 26(2), 301-325.

Elliott, R., & Timulak, L. (2005). Descriptive and interpretive approaches to qualitative research. *A handbook of research methods for clinical and health psychology*, 1(7), 147-159.

Federo, R., Ponomareva, Y., Aguilera, R. V., Saz-Carranza, A., & Losada, C. (2020). Bringing owners back on board: A review of the role of ownership type in board governance. *Corporate Governance: An International Review*, 28(6), 348-371. <https://doi.org/10.1111/corg.12346>

Findley, M. G., Kikuta, K., & Denly, M. (2021). External validity. *Annual review of political science*, 24(1), 365-393.

Fotaki, M., Lioukas, S., & Voudouris, I. (2020). Ethos is destiny: Organizational values and compliance in corporate governance. *Journal of Business Ethics*, 166(1), 19-37.

Jebran, K., & Chen, S. (2023). Can we learn lessons from the past? COVID-19 crisis and corporate governance responses. *International Journal of Finance & Economics*, 28(1), 421-429. <https://doi.org/10.1002/ijfe.2428>

Jensen, M., & Meckling, W. (1976). Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3, 305-360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)

Jokinen, T. (2005). Global leadership competencies: A review and discussion. *Journal of European industrial training*, 29(3), 199-216. <https://doi.org/10.1108/03090590510591085>

Gallego-Álvarez, I., & Pucheta-Martínez, M. C. (2022). Sustainable development through the effect of board diversity and CEO duality on corporate risk: Does the state-owned enterprises matter?. *Sustainable Development*, 30(6), 1462-1476. <https://doi.org/10.1002/sd.2321>

Georgescu, Ș. D., & ANASTASIU, I. E. (2022). The interview as a qualitative research instrument. In *Proceedings of the 15th International Management Conference*. Bucharest: Bucharest University of Economic Studies.

Gnan, L., Hinna, A., Monteduro, F., & Scarozza, D. (2011). SOEs ownership and control: independence and competence of boards members. *Corporate Ownership & Control*, 8(1), 720-739.

Habir, M. (2021). *Reforms, Opportunities, and Challenges for State-Owned Enterprises*: Edited by Edimon Ginting and Kaukab Naqvi. Manila: Asian Development Bank, 2020. Pp. 368. Paperback: \$36. <https://doi.org/10.1080/00074918.2021.1956867>

Hasan, N., Rana, R. U., Chowdhury, S., Dola, A. J., & Rony, M. K. K. (2021). Ethical considerations in research. *Journal of Nursing Research, Patient Safety and Practise (JNRPSP)* 2799-1210, 1(01), 1-4.

Hebble A., & Ramaswamy V. (2005). Corporate Governance And Firm Characteristics. *Journal of Business & Economics Research*, 3 (5): <https://doi.org/10.19030/jber.v3i5.2773>

Hlobo, M., Moloi, T., & Marx, B. (2022). Framework for screening and evaluating the competencies and qualities of the board of directors in South Africa's state-owned

companies. *Journal of Risk and Financial Management*, 15(11), 492.
<https://doi.org/10.3390/jrfm15110492>

IoDSA. (2016). King IV report on corporate governance for Southern Africa.
https://www.iodsa.co.za/page/king_iv_report

IoDSA. (2018). King IV Practice Notes Governing Body Committees.
https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/562ED5CF-02E8-4957-97C8-D3F0C66A7245/King_IV_Practice_Note_on_Governing_Body_Committees.pdf

IoDSA. (2020). Board independence: King IV recommends a balanced approach. available at <https://www.iodsa.co.za/news/486122/Board-independence-King-IV-recommends-a-balanced-approach.htm>, accessed on 05 October 2025.

Ingley, C. B., & Van der Walt, N. T. (2001). The strategic board: The changing role of directors in developing and maintaining corporate capability. *Corporate Governance: An International Review*, 9(3), 174-185.

Kanakriyah, R. (2021). The impact of board of directors' characteristics on firm performance: a case study in Jordan. *The Journal of Asian Finance, Economics and Business*, 8(3), 341-350. <https://doi.org/10.13106/jafeb.2021.vol8.no3.0341>

Karatsareas, P. (2022). Semi-structured interviews. *Research methods in language attitudes*, 99-113.

Kaunda, E., & Pelser, T. (2022). A strategic corporate governance framework for state-owned enterprises in the developing economy. *Journal of Governance and Regulation/Volume*, 11(2). <https://doi.org/10.4102/sajbm.v54i1.3827>

Khambule, I. (2025). State Institutions and Development in South Africa: The Case of Two State-Owned Enterprises. *Insight on Africa*, 17(1), 63-79.
<https://doi.org/10.1177/09750878241270349>

Khoza, R., & Adam, M. (2007). The power of governance: enhancing the performance of state-owned enterprises. Springer.

Klarner, P., Yoshikawa, T., & Hitt, M. A. (2021). A capability-based view of boards: A new conceptual framework for board governance. *Academy of Management Perspectives*, 35(1), 123-141. <https://doi.org/10.5465/amp.2017.0030>

Köseoglu, M. A., Altin, M., Chan, E., & Aladag, O. F. (2020). What are the key success factors for strategy formulation and implementation? Perspectives of managers in the hotel industry. *International journal of hospitality management*, 89, 102574.
<https://doi.org/10.1016/j.ijhm.2020.102574>

Kumar, R. (2014). *Research Methodology: A Step-by-Step Guide for Beginners*. Los Angeles, CA: SAGE

- Kumar, S., & Ujire, D. K. (2024). Inductive and deductive approaches to qualitative research. *International Journal of Multidisciplinary Educational Research*, 13(1), 58-63
- Kyere, M., & Ausloos, M. (2021). Corporate governance and firms financial performance in the United Kingdom. *International Journal of Finance & Economics*, 26(2), 1871-1885. <https://doi.org/10.1002/ijfe.1883>
- Kumar, R. (2014). *Research Methodology: A Step-by-Step Guide for Beginners*. Los Angeles, CA: SAGE
- Kumar, S., & Ujire, D. K. (2024). Inductive and deductive approaches to qualitative research. *International Journal of Multidisciplinary Educational Research*, 13(1), 58-63.
- Kwiatkowski, G., Gołębiowska, M., & Mroczek, J. (2023). How much of the world economy is state-owned? Analysis based on the 2005–20 Fortune Global 500 lists. *Annals of Public and Cooperative Economics*, 94(2), 659-677. <https://doi.org/10.1111/apce.12389>
- Leutert, W., & Vortherms, S. A. (2021). Personnel power: Governing state-owned enterprises. *Business and Politics*, 23(3), 419-437.
- Lopez, V., & Whitehead, D. (2013). Sampling data and data collection in qualitative research. *Nursing & midwifery research: Methods and appraisal for evidence-based practice*, 123, 140.
- Lu, Z., & Zhu, J. (2020). Tracing back to the source: Understanding the corporate governance of boards of directors in Chinese SOEs. *China Journal of Accounting Research*, 13(2), 129-145. <https://doi.org/10.1016/j.cjar.2020.04.001>
- Lu, Y., Ntim, C. G., Zhang, Q., & Li, P. (2022). Board of directors' attributes and corporate outcomes: A systematic literature review and future research agenda. *International Review of Financial Analysis*, 84, 102424. <https://doi.org/10.1016/j.irfa.2022.102424>
- Magnusdottir, H., Arnardottir, A. A., & Sigurjonsson, T. O. (2023). Selecting Nomination Committee Members—Stakeholders' Perspective. *Sustainability*, 15(6), 5595. <https://doi.org/10.3390/su15065595>
- Maimane. M. (2025). Much greater oversight and accountability needed in appointing SOE boards. <https://www.dailymaverick.co.za/opinionista/2025-09-18-much-greater-oversight-accountability-needed-in-appointing-soe-boards/>
- Meyfroodt, K., & Desmidt, S. (2024). Does governing board involvement impact strategy implementation effectiveness? The role of information sharing in the politics-administration interface. *Public Management Review*, 26(3), 565-590. <https://doi.org/10.1080/14719037.2022.2103174>
- Merriam, S. B. (2009). *Qualitative research: A guide to design and implementation*. San Francisco, CA: Jossey-Bass.
- Miążek, R. (2021). Corporate governance in state-owned enterprises: a systematic literature review: an international perspective.

Miglani, S., Ahmed, K., & Henry, D. (2020). Corporate governance and turnaround: Evidence from Australia. *Australian Journal of Management*, 45(4), 549-578.

<https://doi.org/10.1177/0312896220902225>

Mohuba, D. K. (2023). Legislative framework governance, State capture and performance of South Africa's state-owned enterprises. *Journal of Public Administration and Development Alternatives (JPADA)*, 8(2), 18-32.

<https://doi.org/10.55190/jpada.2023.242>

Mrabure, K. O., & Abhulimhen-Iyoha, A. (2020). Corporate governance and protection of stakeholders rights and interests. *Beijing I. Rev.*, 11, 292.

Mpete, M., & Maier, C. (2024). Challenges faced by CEOs in executing turnaround strategies in state-owned enterprises in South Africa. *South African Journal of Business Management*, 55(1), 4220. https://hdl.handle.net/10520/ejc-busman_v55_n1_a4220

Mutize, M., & Tefera, E. (2020). The Governance of State-Owned Enterprises in Africa: an analysis of selected cases. *Journal of Economics and Behavioral Studies*, 12(2 (J)), 9-16. <https://doi.org/10.22495/jgrv11i2siart5>

National Treasury. (2001). Treasury Regulations for departments, constitutional institutions and public entities. Issued in terms of the Public Finance Management Act, 1999. https://www.treasury.gov.za/legislation/pfma/regulations/gazette_22219.pdf

National Treasury. (2002). DRAFT Guideline Framework for Corporate Planning and Shareholder's Compact applicable to Schedule 2, 3B & 3D Major Public Entities. <https://www.treasury.gov.za/legislation/pfma/public%20entities/Draft%20Guideline%20Framework%20for%20Corporate%20Planning%20and%20Shareholder's%20Compact.pdf>

National Treasury. (2005). Governance oversight role over state owned entities (SOE's). <http://www.treasury.gov.za/publications/other/soe/governance%20oversight%20Role.pdf>

Neale, J. (2021). Iterative categorisation (IC)(part 2): interpreting qualitative data. *Addiction*, 116(3), 668-676. <https://doi.org/10.1111/add.15259>

Neuman, L.W. (2011). *Social Research Methods: Qualitative and Quantitative Approaches Students* – 6th Edition. Boston: Pearson Education

Noble, C. H. (1999). The eclectic roots of strategy implementation research. *Journal of business research*, 45(2), 119-134. [https://doi.org/10.1016/S0148-2963\(97\)00231-2](https://doi.org/10.1016/S0148-2963(97)00231-2)

Nyatsumba, K. M., & David Poee, R. I. (2023). Failure to implement a turnaround strategy at South African Airways: Reflections from strategic players. *Development Southern Africa*, 40(1), 76-90.

- Ocampo, J. A., & Ortega, V. (2022). The global development banks' architecture. In *Development and public banks* (pp. 34-58). Routledge.
- OECD. (2011). Enhancing the Role of the Boards of Directors of State-Owned Enterprises. OECD Corporate Governance Working Papers No. 2. <https://dx.doi.org/10.1787/5kg9xfg6n4wj-en>
- OECD. (2015). Guidelines on Corporate Governance of State-Owned Enterprises. OECD.
- OECD. (2017). The size and sectoral distribution of SOEs in OECD and partner countries. Paris: OECD.
- OECD. (2018). State-Owned Enterprises and Corruption: What Are the Risks and What Can Be Done?
- OECD. (2024). Ownership and Governance of State-Owned Enterprises 2024, OECD Publishing, Paris, <https://doi.org/10.1787/395c9956-en>.
- OECD. (2024). OECD Guidelines on Corporate Governance of State-Owned Enterprises. OECD Publishing, Paris. <https://doi.org/10.1787/18a24f43-en>
- Ogabo, B., Ogar, G., & Nuipoko, T. (2021). Ownership structure and firm performance: The role of managerial and institutional ownership-evidence from the UK. *American Journal of Industrial and Business Management*, 11(7), 859-886.
- Oliveira, F., Kakabadse, N., & Khan, N. (2022). Board engagement with digital technologies: A resource dependence framework. *Journal of Business Research*, 139, 804-818. <https://doi.org/10.1016/j.jbusres.2021.10.010>
- Pandey, N., Andres, C., & Kumar, S. (2023). Mapping the corporate governance scholarship: Current state and future directions. *Corporate Governance: An International Review*, 31(1), 127-160. <https://doi.org/10.1111/corg.12444>
- Part, A., & Part, B. (2008). Companies Act No. 71 of 2008.
- Pasquinelli, E., Farina, M., Bedel, A., & Casati, R. (2021). Naturalizing critical thinking: consequences for education, blueprint for future research in cognitive science. *Mind, Brain, and Education*, 15(2), 168-176.
- Public Finance Management Act No. 01 of 1999. (1999). <https://www.gov.za/documents/public-finance-management-act>
- PwC, & IoDSA. (n.d.). *State-owned enterprises: Governance responsibility and accountability* Public Sector Working Group: Position Paper 3.
- Rentsch, C., & Finger, M. (2015). Yes, no, maybe: The ambiguous relationships between state-owned enterprises and the state. *Annals of Public and Cooperative Economics*, 86(4), 617-640. <https://doi.org/10.1111/apce.12096>

Richmond, C. J., Benedek, M. D., Cegar, B., Dohlman, M. P., Hassine, M., Jajko, B., ... & Weber, M. S. (2019). *Reassessing the role of state-owned enterprises in central, eastern and southeastern Europe*. International Monetary Fund.

Roulston, K. (2010). Considering quality in qualitative interviewing. *Qualitative research*, 10(2), 199-228.

Rudolf, S. (2020). Attempts to harmonise the European Union legislation in respect of employee representation in corporate governance bodies. *Ekonomia i Prawo. Economics and Law*, 19(3), 533-549.

Rusli, R., Basri, Y. Z., & Arafah, W. (2020). Role of Ceo Leadership Towards the Performance of Indonesian Soes. *International Review of Management and Marketing*, 10(2), 96-106.

Ruslin, R., Mashuri, S., Rasak, M. S. A., Alhabsyi, F., & Syam, H. (2022). Semi-structured Interview: A methodological reflection on the development of a qualitative research instrument in educational studies. *IOSR Journal of Research & Method in Education (IOSR-JRME)*, 12(1), 22-29.

Sargeant, J. M., Brennan, M. L., & O'Connor, A. M. (2022). Levels of evidence, quality assessment, and risk of bias: evaluating the internal validity of primary research. *Frontiers in Veterinary Science*, 9, 960957. <https://doi.org/10.3389/fvets.2022.960957>

Sasidharan, A. (2020). Does board independence enhance firm value of state-owned enterprises? Evidence from India and China. *European Business Review*, 32(5), 785-800. <https://doi.org/10.1108/EBR-09-2019-0224>

Saunders, M., Lewi, P., & Thornhill, A. (2015). *Research Methods for Business Students* (8th ed.). London, England: Pearson Education Limited

Saunders, B., Sim, J., Kingstone, T., Baker, S., Waterfield, J., Bartlam, B., ... & Jinks, C. (2018). Saturation in qualitative research: exploring its conceptualization and operationalization. *Quality & quantity*, 52(4), 1893-1907.

Shapiro, S. P. (2005). Agency theory. *Annu. Rev. Sociol.*, 31(1), 263-284. <https://doi.org/10.1146/annurev.soc.31.041304.122159>

Sidki, M., Boerger, L., & Boll, D. (2024). The effect of board members' education and experience on the financial performance of German state-owned enterprises. *Journal of Management and Governance*, 28(2), 445-482.

Stanwick, P. A., & Stanwick, S. D. (2002). The relationship between corporate governance and financial performance. *Journal of Corporate Citizenship*, 8(4), 35-48.

Sun, X. S., & Bhuiyan, M. B. U. (2020). Board tenure: A review. *Journal of Corporate Accounting & Finance*, 31(4), 178-196. <https://doi.org/10.1002/jcaf.22464>

Szarzec, K., Tottleben, B., & Piątek, D. (2020). How Do Politicians Capture a State? Evidence from State-Owned Enterprises. *East European Politics and Societies*, 36(1), 141-172. <https://doi.org/10.1177/0888325420953485>

South Africa. Department of Public Enterprises. (2002). *Protocol on Corporate Governance in the Public Sector: For Department of Public Enterprises*. Government Printer.

Taherdoost, H. (2016). Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research. *International Journal of Academic Research in Management (IJARM)* , 5(2), 18-27

Taherdoost, H. (2022). How to conduct an effective interview; a guide to interview design in research study authors. *International Journal of Academic Research in Management (IJARM)*, 11(1), 39-51.

Tisane, T. (2022). *The role of state-owned entity boards in exercising ongoing strategic oversight of a strategy implementation* (Master's thesis, University of Pretoria (South Africa)).

Thompson, R. M., & Alleyne, P. (2023). Role of a board of directors and corporate governance in a state-owned enterprise. *Corporate Governance: The International Journal of Business in Society*, 23(3), 478-492. <https://doi.org/10.1108/CG-05-2021-0170>

Zhang, J. Z., & Yu, Y. (2016). Does board independence affect audit fees? Evidence from recent regulatory reforms. *European Accounting Review*, 25(4), 793-814. <https://doi.org/10.1080/09638180.2015.1117007>

Zhang, C. (2023). The size and sectorial distribution of state-owned enterprises: Towards a global view of the landscape. *Available at SSRN 4334043*.

Zhou, Y. (2024). The business leadership of the state-owned enterprises: Impact of the digital transformations. *Business Ethics and Leadership*, 8(3), 253-289. [https://doi.org/10.61093/bel.8\(3\).253-289.2024](https://doi.org/10.61093/bel.8(3).253-289.2024)

Zohrabi, Mohammad. "Mixed method research: Instruments, validity, reliability and reporting findings." *Theory and practice in language studies* 3.2 (2013): 254-262.

Wagner, C., Kawulich, B. & Garner, M. (2012). *Doing Social Research: A Global Context*. New York: McGraw-Hill Higher Education.

Wilson, J. (2010). *Essentials of Business Research: A Guide to Doing Your Research Project*. London: Sage Publication Limited.

World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit. California: World Bank. <http://hdl.handle.net/10986/20390>

Xiang, X., & Wang, H. (2024). Overcoming one-sidedness in cadre personnel management: Developing a competency framework for China's central state-owned enterprise executives. *Heliyon*, 10(10).

Xu, J., Marodon, R., Ru, X., Ren, X., & Wu, X. (2021). What are public development banks and development financing institutions?—qualification criteria, stylized facts and development trends. *China Economic Quarterly International*, 1(4), 271-294.

ANNEXURE A: CONSISTENCY MATRIX

RESEARCH QUESTIONS	LITERATURE REVIEW ATTRIBUTES	DATA COLLECTION TOOL	DATA ANALYSIS
1. How do board of directors' exercise strategic oversight on strategy implementation of SOEs in South Africa?	Section 2.3, 2.4 and 2.5	Interview question 1 (a) – (C)	Content data analysis from interview questions to identify themes emerging from the data with regards to how boards exercise strategic oversight on strategy implementation of SOEs in South Africa.
2. What are the critical factors required to enable the board of directors in providing strategic oversight on strategy implementation?	Section 2.6 – 2.6.5	Interview question 2 (a) – (C)	Content data analysis from interview questions to identify themes emerging from the data highlighting the critical factors required to enable the board of directors in providing strategic oversight on strategy implementation.
3. What are the barriers or challenges experienced by board of directors in overseeing the corporate strategy implementation in State Owned Enterprises?	Section 2.6.6	Interview question 3 (a) – (C)	Content data analysis from interview questions to identify themes emerging from the data collected showing barriers or challenges experienced by board of directors in providing strategic oversight on strategy implementation.

ANNEXURE B: ETHICAL CLEARANCE

GIBS ETHICAL CLEARANCE APPLICATION FORM 2025/26

G. APPROVALS FOR/OF THIS APPLICATION

When the applicant is a student of GIBS, the applicant must please ensure that the supervisor and co-supervisor (where relevant) has signed the form before submission

STUDENT RESEARCHER/APPLICANT:

29. I affirm that all relevant information has been provided in this form and its attachments and that all statements made are correct.

Student Researcher's Name in capital letters:

[REDACTED]

Date:

28 Jun 2025

Supervisor Name in capital letters:

[REDACTED]

Date:

29 Jun 2025

Co-supervisor Name in capital letters:

Date:

28 Jun 2025

Note: GIBS shall do everything in its power to protect the personal information supplied herein, in accordance to its company privacy policies as well the Protection of Personal Information Act, 2013. Access to all of the above provided personal information is restricted, only employees who need the information to perform a specific job are granted access to this information.

Decision:

Approved

REC comments:

ANNEXURE C: INFORMED CONSENT FOR INTERVIEWS



Informed consent for interviews

Note: *This standard informed consent letter to be used in qualitative interviews, must be separate from interview guide, must be signed before the interview commences. The signed form must be stored separately from the data collected*

I am conducting research on the role of boards in strategic oversight of state-owned enterprises in South Africa. Our interview is expected to last 45 minutes and will help us understand *how do board of directors' exercise strategic oversight on strategy implementation of SOEs in South Africa*. **Your participation is voluntary, and you can withdraw at any time without penalty.** By signing this letter, you are indicating that you have given permission for:

- The interview to be recorded;
- The recording to be transcribed by a third-party transcriber, who will be subject to a standard non-disclosure agreement;
- Verbatim quotations from the interview may be used in the report, provided they are not identified with your name or that of your organisation;
- The data to be used as part of a report that will be publicly available once the examination process has been completed; and
- All data to be reported and stored without identifiers.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name

[Redacted]
[Redacted]
[Redacted]

Research Supervisor name

[Redacted]
[Redacted]
[Redacted]

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____