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THE ROLE OF CORPORATE GOVERNANCE ON THE EFFICIENCY OF STATE-OWNED ENTERPRISES AND THE IMPACT ON ENTREPRENEURSHIP

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Master of Business Administration

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ABSTRACT

State Owned Entities are established as a governance recourse by governments to promote economic growth. Corporate governance has been enforced as a measure of catching up corporate practices as well as global laws and regulations. Entrepreneurship has seen growth in recent years and thus needs to be governed by standard rules and regulations for it to be uniform. The aim of this research was to assess the role of corporate governance on the efficiency of state-owned enterprises (SOEs) and the impact on entrepreneurship in South Africa. This study contributes to the importance of instilling the guidelines of corporate governance in SOEs, while linking them to entrepreneurship. The study emanated from a wide viewpoint of envisioning state-owned enterprises as possible catalysts for economic growth as well as vehicles that can spread government's resources and capabilities. The study bore three objectives: (1) to investigate the extent to which transparency and accountability affect the efficiency of state-owned enterprises as experienced by entrepreneurs; (2) to evaluate how values and ethics drive the efficiency of state-owned enterprises as experienced by entrepreneurs; and (3) to assess how management board, supervisory board and committees propel the efficiency of state-owned enterprises as per the entrepreneur's point of view. A theoretical framework of corporate governance was instituted, and a conceptual framework was proposed to explore the key constructs identified. As per the proposed conceptual framework, the efficiency of SOEs was determined by three factors: transparency and accountability; values and ethics; and management board, supervisory board and committees. A total sample of 314 online participants in South Africa, of which 89% were based in Gauteng, was tested. SPSS software was utilised for the data analysis and the results indicated that the relationships between the constructs forming the conceptual framework and the efficiency of SOEs, linked to entrepreneurial activity, were insignificant. The hypotheses were tested using Spearman's correlation values. The study included recommendations on improving the efficiency of SOEs as well as suggestions for future research.

KEY WORDS: Corporate governance, efficiency, state-owned enterprises, impact, entrepreneurship.

DECLARATION

I, Lesedi Mantirisi, declare that this research report is my own work except as is indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Name: Lesedi Mantirisi Signature: LM

Signed at Johannesburg

August 2023
(Resubmitted July 2024)

DEDICATION

This report is dedicated to everyone who has seen me through this MBA journey and encouraged me from the first day I entered the corridors of Wits Business School to the last paper I penned. Your support has been overwhelming, and I would not have gotten this far without you. I truly appreciate all of you.

To the Higher power, my family and all my friends who have stuck with me throughout this journey, I thank you all and the greatest of love to you.

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
CIPC	Companies and Intellectual Property Commission
EFA	Exploratory Factor Analysis
GDP	Gross Domestic Product
OECD	Organisation for Economic Cooperation and Development
PRASA	Passenger Rail Association of South Africa
SOE	State Owned Enterprise
SPSS	Statistical Package for Social Sciences

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CHAPTER 1: INTRODUCTION

This chapter introduces the study by describing the context in which State-Owned Enterprises (SOEs) function. It extrapolates on how SOEs need to be structured according to the objectives of this study. The chapter also outlines the research questions, limitations and significance of the research.

1.1 Research background

SOEs have been widely seen as catalysts for economic growth from as early as the nineteenth century (Toninelli, 2000). The global environment has seen SOEs evolve with the main aim of spreading the government's resources and capabilities in first and third world countries. In contrast to this phenomenon, there have been policy debates around privatising the SOEs to curtail the government's scope and also to improve their performance in the public sector.

The rising demand in privatisation has been linked to the inefficiencies and wastages in SOEs, particularly when they produce or offer low cost services and products at higher margins. The government's economic goals, including reducing unemployment, yields overstaffing in the SOEs. According to Kikeri and Nellis (2002), SOEs are often shielded from competition and are instructed to keep their pricing low. This, in turn, leads to financial losses and bailouts which inflict financial strain on the fiscal budget as well the lending facilities such as the banks. Cragg and Dyck (1999) claim that there is high efficiency in privately owned entities therefore a comparison between private and public entities raises questions on whether efficiency is linked to the ownership structure or a well governed entity that efficiently utilises its resources and capabilities.

There are over 250 public enterprises in South Africa and, according to the Public Finance Management Act No.1 of 1999, the majority are agencies and provincial entities. According to Kanyane and Sausi (2015), the legislative and policy frameworks of the SOEs are fragmented and this causes setbacks that hinder their ability to respond effectively to socio-economic issues as per the government's mandate. In addition, legislative discrepancies, corporate governance issues and political feuds render the SOEs ineffective leading to debt burdens that hinder their growth and development (Kanyane & Sausi, 2015).

The governance of SOEs impacts directly on their efficiency which has a strong link to entrepreneurial activity (Cressy, Cumming & Mallin, 2010). This study was therefore aimed at inter-linking corporate governance, entrepreneurship and the efficiency of state-owned enterprises. Corporate governance plays a pivotal role in how entrepreneurial activity can be assessed. These linkages form the basis of an argument whether the role of corporate governance has an effect on the efficiency of SOEs, ultimately impacting on entrepreneurship.

1.2 Purpose of the study

The purpose of the study was to establish how corporate governance affects the performance of SOEs and how this impacts entrepreneurial activity. SOEs form the basis of a government's economic portfolio and they are used to drive policies and mandates of economic transitions. These SOEs are naturally affected by political interference which leads to inefficient governance and a failure of the policy framework to serve the intended purposes (Kanyane & Sausi, 2015). This limits the government's ability to overcome economic hurdles.

Kohli (2004) notes that SOEs in other developing countries are performing optimally and are highly profitable. This enables these countries to initiate economic plans to enhance their GDP. The study explored the framework that enables governance to impact on the efficiency of SOEs. The White Paper on Eskom (1994), as described by Kenny et al. (2015), states that the state overturned its decision to build extra power stations in a bid to capacitate the grid.

This has resulted in a halt of new infrastructure, power outages and the disruption of economic growth and entrepreneurial activity. The state, as the primary shareholder, has therefore failed its stakeholders and made the transition to a democratic state challenging (Kikeri, 2018). Jones and Hill (2008) emphasise that, if SOEs are to be sustainable and efficient over a long period, proper governance should prevail, and all factors should be taken into account to ensure peak performance.

1.3 Research problem

There is no generic framework that is based on the factors that influence successful SOEs to contribute to the economy. States use different methods independently and are not bound by legislation or a framework to institute effective governance in the SOEs and link this to entrepreneurial activity (Floyd et al., 1984). Transparency and accountability have become significant issues of topic of late when discussing corporate governance literature (UNCTAD, 2011).

The aim of enforcing good governance measures in enterprises is to promote a culture of sustainable performance as measured through the triple-bottom line (Trireksani & Djajadikerta, 2016) and this is often where the governance-sustainability integration point is attained (E-Vahdati, Zulkifli & Zakaria, 2019) This integration is advisable as sustainability and good corporate governance principles are vital for effective stakeholder engagement (Salvioni et al., 2016).

The developments in this field of study are visible, however there is minimal research on corporate governance as most of the literature is based on private establishments and entities (Cucari, 2019). A few outstanding studies in South Africa (Kanyane & Sausi, 2015; Mbele, 2016; Thomas, 2012; Adebayo, 2020) focus on SOEs. There is a dearth of literature on corporate governance and no notable multi-period comparisons (Grossi et al., 2015) therefore this field of study lacks studies on multi-method and multi-variable research.

Entrepreneurship has been seen as a catalyst of economic growth in recent years and government structures are looking at ways to enhance growth through entrepreneurial activity (Cumming et al., 2014). A linkage between entrepreneurial activity and how SOEs are governed can elaborate on the importance of managing enterprises efficiently.

A study of this type could contribute to starting programmes that facilitate benchmarks on corporate governance frameworks. Corporate governance in South Africa affects both private and public entities as they all follow the King Code of Corporate Governance. The only difference is that SOEs follow the corporate approach while they are being managed by the state (Aivazian, Ge & Qiu, 2005).

This study researched the variables of the corporate governance framework that emphasise growth and efficiency which positively impact on entrepreneurial activity.

1.4 Research questions

The research questions were:

1. How do entrepreneurs view the influence of transparency and accountability on the efficiency of SOEs?
2. What is the impact of values and ethics on the efficiency of SOEs?
3. Why should management boards, supervisory boards and committees be viewed as important in effecting the efficiency of SOEs?

1.5 Research Objectives

The research objectives were as follows:

1. To investigate the extent to which transparency and accountability affect the efficiency of SOEs as experienced by entrepreneurs;
2. To evaluate how values and ethics drive the efficiency of SOEs as experienced by entrepreneurs; and
3. To assess how management board, supervisory board and committees propel the efficiency of SOEs as per the entrepreneurs' point of view.

1.6 Research hypotheses

The research hypotheses from these objectives included:

1. There is a positive relationship between transparency and accountability and the efficiency of SOEs.
2. There is a positive relationship between values and ethics and the efficiency of SOEs.
3. There is a positive relationship between management board, supervisory board

and committees, and the efficiency of SOEs

1.7 Significance of the study

Corporate governance affects the economy of the country. There are variables of the theoretical framework that ensure that SOEs thrive because they play a significant role in the growth of the economy of the state (Heo, 2018). They include the structure of SOEs that is a contributing factor to enhance the performance of SOEs and positively impact on entrepreneurial activities (Heo, 2018).

1.8 Delimitations of the study

The study was limited to the South African context, mainly in the Gauteng Province. The study also relied on online participation for data sourcing.

The study excluded SOEs that are not impacting on the economy for the purposes of time and length of the study in terms of collecting data; other factors and sectors of the economy that can promote the sustainability of SOEs; non-entrepreneurs and other role players in the economic sphere; other stakeholders that are impacted by the efficiency of SOEs; data collection in other provinces; and other ways of collecting data.

1.9 Structure of the study

Chapter 1 outlines the problem statement and the research questions and objectives. A literature review is covered in Chapter 2. This includes the variables adopted to assess the efficiency of SOEs and the impact they have on entrepreneurship.

Chapter 3 details the research methodology and design. This includes the mode of data collection, the process undertaken and a data collection flow chart. The findings and results from the data collection and synthesis are outlined in Chapter 4. Chapter 5 provides an in-depth discussion of the results and findings. The conclusion and recommendations are covered in Chapter 6.

CHAPTER 2: LITERATURE REVIEW

This chapter provides an extension of the developments in literature in the field of corporate governance. It specifically unpacks the importance of state-owned enterprises and how their effectiveness and efficiency directly impacts on the growth and sustainability of entrepreneurs. The relationship between the two, SOEs and entrepreneurship, is necessary for entrepreneurship to be sustainable. The chapter outlines the key constructs identified for the purposes of the study, the theoretical foundation as well as the theoretical and conceptual framework. The use of a theoretical framework is to contextualise the literature in question and to examine the research phenomenon (Creswell, 2009).

2.1 Introduction

Research studies are guided by frameworks that provide theories, thereby exploiting gaps in knowledge (Inglis & Maclean, 2005). Several frameworks have been used to gain a deeper knowledge and understanding of how corporate governance can be used to enhance the efficiency of SOEs in a bid to sustain entrepreneurship. The energy sector (Eskom) affects every business and its efficiency can increase access to entrepreneurs who wish to produce power independently (Vorster & Marais, 2014).

Heo (2018) states that, when SOEs underperform due to mismanagement and a lack of governance structures, this impedes growth and competition. The concept of corporate governance entails multiple frameworks that may be used to enhance the efficiency of SOEs.

This study focused on three variables of corporate governance: (1) transparency and accountability which provides clarity to consumers and impacts the efficiency of SOEs, in this case, specifically entrepreneurs; (2) values and ethics; and (3) the management board, supervisory board and committees of SOEs. This study assessed whether these variables can be used to positively impact the efficiency of SOEs from the viewpoint of entrepreneurs.

2.2 Definition of key constructs

2.2.1 State Owned Enterprises

State Owned Enterprises (SOEs) are widely regarded as catalysts for economic growth. The global environment has seen SOEs evolve with the main aim of spreading the government's resources and capabilities in first and third world countries (Bernier & Simard, 2007). In contrast, there have been policy debates about privatising SOEs in order to curtail the government's scope and also to improve the performance of SOEs in the public sector. The rationale for the rising demand of privatisation has been linked to the inefficiencies and wastages in SOEs that produce or offer low cost services and products at higher margins.

According to Kikeri and Nellis (2002), SOEs are often shielded from competition and are instructed to keep their pricing low. This may lead to financial losses and bailouts, thereby inflicting financial strain on the fiscal budget and the lending facilities such as the banks. Cragg and Dyck (1999) claim that privately owned entities are more efficient than SOEs. This difference between private and public entities depends on whether efficiency is linked to the ownership structure or to a well governed entity that efficiently utilises its resources and capabilities.

2.2.2 Entrepreneurship

According to the OECD (2009), entrepreneurship is associated with entrepreneurial activity. Gedeon (2010) states that entrepreneurship's historical background relates to economics and the nature and sources of profit. Therefore, there is a connection between entrepreneurship and economic growth (Carree & Thurik, 2010).

Reynolds et al. (2005) believe that there is limited information regarding the impact of entrepreneurship on the fiscal frame of countries and governments. Entrepreneurship is thus an integral part of the Gross Domestic Product of governments (Cumming, Johan & Zhang, 2014).

A low credit state impacts on the effectiveness and growth of entrepreneurship (Cumming et al., 2014). Therefore, the link between business and the economic standing of governments, whether direct or indirect, as well as the efficiency of SOEs

affects entrepreneurial activity. SOEs, in an efficiently run state, contribute to economic growth. The entrepreneurial process is a stimulant as it facilitates labour and employment through technological changes (Cumming et al., 2014) that stimulate economic growth and alleviate poverty. Corporate governance, if driven correctly, can direct efficiency in SOEs, ultimately boosting sustainable entrepreneurial activity.

2.3 Transparency and accountability as influencers of efficiency

Transparency and accountability fall in the corporate governance framework. Wilkinson (2017) refers to accountability as a tool to counter corruption, particularly in government entities. SOEs have a mandate to access information that must be in line with corporate governance frameworks to achieve the objectives of the private sector corporate governance.

Transparency means “transmitting light” or “something that is apparent and understood”. Transparency can also be defined as “the increased flow of timely and reliable economic, social and political information which is accessible to all stakeholders” (Vishwanath & Kaufmann, 1999). Ball (2009) describes transparency as constituting the access to information from governmental and non-governmental organisations.

Ball (2009) further explains that transparency has three functions: (1) as a public value to curb corruption; (2) as open decision-making by governments; and (3) as a tool for good governance. The first function aligns transparency with accountability, the second is a conflict between openness and privacy, while the third involves policies that are transparent, accountable, efficient and effective.

A measure of transparency allows the public to act on the information provided. It is recognised as a fundamental quality in democratic states to assess efficiency and accountability (Biddulph & Biuković, 2019). The requirements of transparency are utilised in nationalistic organisations as they are riddled with a plethora of interventions and good governance is paramount in these instances.

Transparency enhances good governance in government institutions in democratic states (Biddulph & Biuković, 2019). Transparency is essential to assess the performance and efficiency of SOEs as they are public organisations. This includes

reporting to the public domain.

When public information is released by government, good governance tools curb political interference which results in the withholding of information by government officials as they are accountable to the public (Williams, 2014). The supply of information is neglected in literature and the quality of information released is often not enough for the public to make informed decisions. Williams (2014) discusses the lack of quantifying transparency as an element of corruption in governments as it is done on an ad hoc or once-off basis. This is because of the relationship between the profitability and dividends of shareholders as well as the public sector accountability, which are the ordinary taxpayers (Greiling, Traxler & Stötzer, 2015). If political interference is managed and transparency prevails, this will facilitate good governance and enhance efficiency that will, in turn, benefit society, businesses and other stakeholders (Royo, Yetano & Garcia-Lacalle, 2019).

Pina, Torres and Royo (2010) further explain that if state organisations present comprehensive information in a clear and concise manner and timeously, this illustrates elements of accountability. According to Sands (2004), accountability is still regarded as an abstract concept as SOEs are government-owned but serve commercial interests that may contradict the mandate of the entity. SOEs need to have clearly defined structures and less political interference to make decisions. A transparent and accountable enterprise will lead to increased entrepreneurship.

This study addressed the relationship between transparency and accountability and whether they influence the efficiency of SOEs from the viewpoints and experiences of entrepreneurs.

2.4 Values and ethics as driving forces of SOE efficiency

The paper sought to address the relationship between values and ethics and their effect on the efficiency of SOEs from the viewpoint of entrepreneurs. Values and ethics form part of the corporate governance framework of SOEs in the form of administrative capacity and the competitive structure of internal operations (Kanyane & Sausi, 2015). Kanyane and Sausi (2015) further explain that the constant muddling of government deployees always deviates the values of SOEs by virtue of abusing their powers.

This lack of ethics and values in SOEs can be seen in the allegations of maladministration at the Passenger Rail Association of South Africa (PRASA) by the public protector's investigation in 2014 that revealed improper tender awards, corruption, financial mismanagement and nepotism.

Hammann, Habisch and Pechlaner (2009) explain that values and ethics start from the moral compasses of decision-makers and these lead to the efficiency and effectiveness of these firms. Setting and defining standards refers to applying values (Engelbrecht, Van Aswegen & Theron, 2005) which legitimise entrepreneurial action and increase effectiveness due to a value based culture of making decisions.

Freeman, Wicks and Parmar (2004) argue that organisations with high values tend to be effective. According to Engelbrecht et al. (2005), leadership, ethics and values in business are crucial for their long term success. Transformational leadership is linked to an environment that encompasses ethics and values (Engelbrecht et al., 2005).

Transformational leaders possess integrity, which is one of the core elements of ethical values (Engelbrecht, 2002). Integrity means "wholeness". This includes having principles, righteous conduct and sound moral values (Engelbrecht et al., 2005). Personal values of transformational leaders and integrity instil ethics and ethical behaviour in organisations.

According to Thompson and Strickland (2003), a strong business culture based on sound ethical values and a strong moral compass leads to organisational success. Leaders with strong ethics and values care about how the organisation conducts its business and its reputation.

Ethical leaders produce a culture of high values in their relationships with other organisations and stakeholders (Thompson & Strickland, 2003). This is shown in their policy statements and the transparent and accountable culture of the organisation. Ethics, defined as "the right way to run a business", are part of corporate governance, are aligned to the corporate strategy and affect the choices that management and leaders make in organisations to ensure effectiveness, transparency and openness. The ethical framework is represented by the corporate governance framework (Nainawat & Meena, 2013).

The word “ethics” is drawn from the Greek word “ethos”, which means character or custom (Nainawat & Meena, 2013). Morality and principles as well as standards of human conduct that drive and govern behaviour are affected by ethics. Ethics is the study of moral decisions to ensure effective and transparent performance.

There are advantages linked to running corporations based on values, ethics and transparency. The company is generally loyal to customers and other end users that leads to satisfied customers (Nainawat & Meena, 2013). Ethics is a defence mechanism against problems such as corruption and maladministration. Values, principles, policies and a code of conduct drive the performance and efficiency of the organisation and positively affect the relationships between stakeholders.

2.5 The catalysis of the Management Board, Supervisory Board and Committees in propelling efficiency of SOEs

The relevance of corporate boards is frequently questioned as their impact on the day-to-day running of the business is not easily observed (Adams & Mehran, 2008). When things go wrong, they are drawn into the situations. Current research has put boards at the centre of policy debates regarding corporate governance structures. Directors of a board offer expert advice to the CEO of the business.

The management of SOEs is appointed by government deployees. SOEs may face different sets of challenges depending on how the state controls the organisation as it is a shareholder in the entity (Milhaupt & Pargendler, 2017). Should the state be actively involved in the running of the SOEs, unparalleled abuse can emanate from this uncontrolled interference.

The question of whether politicians should serve on the boards of SOEs has been debated by the literature. This is due to the fact that there might be a conflict of interest and the directors might not be able to make decisions without any political interference which jeopardises the mandate set out for SOEs to be run efficiently and effectively (Milhaupt & Pargendler, 2017).

States like Brazil have banned the appointment of politicians and union leaders to the boards of SOEs and have increased the inclusion of minority shareholders instead. Minority shareholders have structural independence as compared to directors that

government can appoint and dismiss at any time (Milhaupt & Pargendler, 2017). The World Bank and the Organisation for Economic Cooperation and Development (OECD) have set out a number of policies to drive SOE governance (OECD, 2015). The purpose of these policies is to set out a level of uniformity when dealing with the governance of SOEs. The following principles apply:

- The state should act as an informed and active owner
- The state should not intervene in management and should let the board be independent
- The legal and regulatory framework for SOEs should ensure a level playing field for SOEs and private entities
- Non-state shareholders should be treated equally as other investors
- There should be high levels of transparency and accountability

Corporate governance aims at dealing with how the principal shareholder (the government) can prevent the management from maximising self-interest (Heo, 2018). The principal agent theory outlines that, should the shareholder and the agent be different people, their interests and objectives may differ and lead to a breakdown in communication resulting in poor performance. The introduction of rules and governance is to curb such conflicts and miscommunications.

Corporate governance aims at demystifying issues concerning the management of SOEs and enforcing reporting rules and policies as well as monitoring performance (Heo, 2018). This is done by establishing contracts between the owners and the management of the SOEs and forming an independent board of directors. Firm corporate governance measures can improve performance of these SOEs as there are frameworks and processes in place. With expectations understood by the management board, there is a likelihood of improved performance and efficiency. An analytic design by the World Bank has shown that the board composition has an impact on the efficiency of SOEs and that the effect is relative (Heo, 2018).

The board management has a direct impact on the performance of the entity. The analytic design shows that, for the effective running of the organisation, the CEO position should be separate from that of the chairperson. This allows the operational

and overseeing functions to be independent from one another to work more effectively. This structure allows the CEO to be in charge of day-to-day management and the chairman to lead and monitor performance of both the CEO and the firm (Heo, 2018).

Should these positions be held by the same individual, the board may be compromised regarding accountability and overall performance (World Bank, 2014). The size of the board is directly proportional to the SOE's performance (World Bank, 2018). A large board size allows for more inclusivity as well as diversity thereby increasing the social impact and improving relationships between board members. A large board size is capable of acquiring resources to be able to improve the firm's performance (Vo & Nguyen, 2014) but it can lead to communication and reporting breakdowns affecting the process of and delays in decision making (Guest, 2009).

The agency theory advocates for an independent board. Heo (2018) states that non-executive directors not belonging directly to the organisation should be included on the board. This results in unbiased decision making and the oversight becomes effective when they are a majority on the board. The non-executive directors bring neutrality and are independent from the management.

A board or an SOE that comprises a majority of non-executive directors is characteristic of a high-performing entity. An exception to the rule is when their performance is linked to the directors being qualified for the job and they are not politicians or politically affiliated (Menozzi et al., 2011).

Increased transparency is linked to the high performance of SOEs. The use of high standard systems, timely reporting and internal and external control are tools for improved performance. The public has interests in SOEs and is thus entitled to get these timeous and transparent reports. Corporatisation is also positively linked to better SOE performance (Heo, 2018).

The paper sought to assess how management boards, supervisory boards and committees drive the efficiency of SOEs from the viewpoint of entrepreneurs.

2.6 Theoretical literature review related to entrepreneurship

From an economic point of view, the concept of entrepreneurship is used to explain the functioning of the market system as well as various income types, mainly profits, and how they relate to entrepreneurship (Tiryaki, 2005). The theoretical literature on entrepreneurship assists in defining the concepts used in this study.

Entrepreneurial theories connect entrepreneurship and profits (Gedeon, 2010) leading to sustainability in enterprises but are lacking modern theories (Alvarez, 2005). For the last twenty years, entrepreneurial theories have mostly centred on opportunity recognition, but not the individual entrepreneur. There are insights from the economic field and a rediscovery of theories of Schumpeter.

2.6.1 Entrepreneurship, sociological and anthropological theories

The role of the entrepreneur is characterised by the environmental context (Virtanen, 1997). Johnson (1990) refers to the sociological perspective of entrepreneurship and proposes that the environmental context be fully studied before entrepreneurial activities are started.

Anthropological theories, based on social and cultural processes, can be utilised to describe the recognition of opportunity (Virtanen, 1997). The outcomes, as well as the level of entrepreneurial activity, depend on the economic opportunities available and the ability to act upon opportunities (Virtanen,1997).

Reynolds (1991) differentiates the sociological enterprise into four social contexts related to entrepreneurial opportunity. They are:

- Social networks
- Life course stage
- Ethnic identification
- Population ecology stage

Social network theories are based on trust rather than opportunism. The interaction between the social climate and economic exchange can forge long-term relationships.

The life course stage analyses life situations as well as characteristics of individuals who have embarked on the entrepreneurial journey (Reynolds, 1991). The theories that are linked to ethnic identification address the entrepreneurial context from an individual entrepreneurial journey and their sociological background (Virtanen, 1997). The population ecology theory outlines how organisations survive in relation to environmental factors (c.f. Amit et al., 1990). reveals a good analogy to describe the entrepreneurial process fully. Low and Macmillan (1988) describe the social context as a simple metaphor that evolves into a rich theoretical framework capable of amalgamating other theories.

The above theories and social contexts are used to explore the relationship between entrepreneurial activity and SOEs. Large scale economic activity directly impacts entrepreneurs' survival.

2.7 Theoretical foundation

The efficiency of SOEs depends on the variables of the framework used for governance. This study used the corporate governance theoretical framework.

2.7.1 The Corporate Governance Framework

Corporate governance can be defined as "a set of processes and structures for controlling and managing an organization" (Abdullah & Valentine, 2009). Corporations affect economies and, as such, there is a greater need for accountability in organisations (Abdullah & Valentine, 2009). Corporate governance emanates from many factors; among them are factors like the bloating of corporations and complacency (Malherbe & Segal, 2001). As the apartheid government in South Africa was isolated pre-1994, it fell behind in international standards, laws and regulations.

Rajablu (2016) believes that corporate governance seeks to avert corruption and uphold accountability in organisations. Kikeri (2018) emphasises that SOEs fall behind in terms of improving governance frameworks and practices that will turn around the performance and efficiency of SOEs and improve on the state's developmental goals.

The OECD guidelines advise that the improved governance of SOEs requires a sound legal framework (Kikeri, 2018), policy directives and transparency. The concept of

corporate governance has developed in South Africa due to the King Committee on Corporate Governance that was established in 1992 and the first King Report released in 1994 (Armstrong, Segal & Davis, 2005). Armstrong et al. (2005) state that a corporate governance framework can be a guiding principle to build effective and efficient organisations.



Figure 1: The theoretical framework of corporate governance

(Source: https://asmi-corporatereporting.com/2017/annualreport/governance/corporate-governance-principles)

2.7.2 Gaps in the theoretical literature

Good governance leads to improved efficiency and effectiveness of SOEs (Heo, 2018). The governance framework advises how boards' and managements' responsibilities should be carried out however, the level of interference by state officials may prevent the appointed management of SOEs from carrying out their obligations (Kikeri, 2018). The fragmented legislative and policy frameworks in SOEs are also constraints in ensuring that the governance principles are carried out (Kanyane & Sausi, 2015).

2.8 Theoretical and conceptual framework

This study has proposed a corporate governance framework to institute efficiency in SOEs. Government's role is ensuring that this framework is adopted and utilised for the benefit of all stakeholders, particularly entrepreneurs. There are three variables that are extracted from the theoretical framework to ensure the success of SOEs: to determine the relationship between them; the key constructs; and to evaluate whether these relationships effect a positive outcome in terms of the investigation and review of the research objectives.

The conceptual framework is provided below.

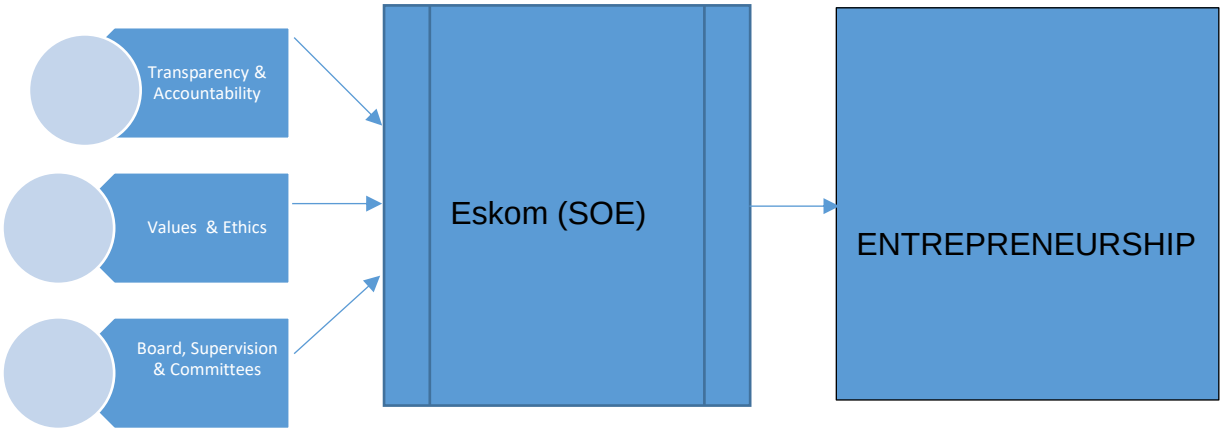

Figure 2: The conceptual framework

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 Research design

The study used a quantitative research approach in order to collect data and to respond to the research questions. Zikmund (2003) states that descriptive research enables segmentation and targeting of markets. The SOE segment was targeted in this research study and the market targeted was SOEs that drive the economy of the country. The SOE chosen was a public company that operates competitively.

The study was aimed at answering the research questions. Zikmund (2003) maintains that a descriptive research seeks to answer the "5 Ws+H" questions: *who, what, why, where, when and how*. The research questions in the study included:

1. How do entrepreneurs view the influence of transparency and accountability on the efficiency of State Owned Enterprises?

2. What is the impact of values and ethics on the efficiency of SOEs?

3. Why should management board, supervisory board and committees be viewed as important in effecting the efficiency of SOEs?

3.2 Descriptive statistics

Descriptive research seeks to attend to perceptions, needs, attitudes and characteristics of different groups of people (Zikmund, 2003) who view the corporatism models used to govern SOEs and how the performance of these SOEs impacts on their livelihoods.

Rudestam and Newton (2015) describe quantitative research as a statistical model that enables the researcher to view relationships and patterns and to interpret them to draw inferences. This research therefore warranted a quantitative study.

A quantitative research leans strongly on the quantification of data in order to create meaning and new knowledge (Williams, 2007). As per Leedy and Ormrod (2001), a quantitative research is based on its own subjective survey and it builds upon existing theories. Creswell (2003) explains that this research methodology embosses an

empirical assumption.

A quantitative research method was adopted in relation to the questions asked in the research that sought explanations related to people and places (Williams, 2007) with the intent to establish, confirm and validate relationships and to also build generalisations that align with the theory (Leedy & Ormrod, 2001, p.102). The process of analysing a quantitative research involves inquiries, such as surveys and data collections, using chosen instruments that yield statistical results.

The processes of this research were chosen to give insight on what needs to be done to enhance efficiency in SOEs. The research studied how corporate governance can be an essential tool in addressing the efficiency of SOEs and how this impacts on entrepreneurship. The study revealed variables that will effect positive outcomes in terms of propelling the SOEs' efficiency, thereby positively impacting on entrepreneurship.

The research formulated a conceptual framework that addresses the needs of entrepreneurs that can also be embedded in the functioning of SOEs. The unit of analysis was the relationship between SOEs and entrepreneurship that is based on the efficiency of the SOEs. The design included an online questionnaire to answer the questions posed in the research. The online questionnaire was accessible through Survey Monkey. This method is useful in gaining access to people without physically meeting them. Wright (2005) states that this platform saves the researcher a significant amount of time and reaches participants in a manner that physical interviews cannot and reduces costs in resources needed to complete the survey. Wright (2005) notes that the disadvantages of online questionnaires are that they are based on primary samples and the demographics of the participants are not accurately defined.

3.3 Research population and sampling method

Lee (2007) explains that sampling is a measure of gathering a portion of a population to be representative of the entire population that the research is based on. Different sampling techniques are described by Hair, Anderson, Tatham and Black (1998) that include, amongst others, convenience sampling and homogenous/group sampling. A

homogenous/group sampling technique was identified as the most appropriate type for this study in order to maintain consistency as well as to eliminate other external processes for the duration of the sampling of data. The CIPC has 8 353 406 registered entrepreneurs on their database (https://www.cipc.co.za). For the purposes of this research, the number was narrowed down as it was based only in the Gauteng Province. An appropriate sample size for this study was regarded as between 300 and 350 respondents and a specific number of 314 respondents was used. As the research was based on two key constructs, the population comprised entrepreneurs within Gauteng. These individuals formed part of the online survey process in gathering data, formulating discussions and answering the research questions in this study.

As the efficiency of SOEs directly impacts them, these entrepreneurs were the focal population to obtain a view of what they deem as effective in increasing and sustaining the efficiency of SOEs.

3.4 Data collection instrument

Glasow (2005) defines a survey as a "means for gathering information about the characteristics, actions or opinions of a large group of people". The research instrument for this study was in the form of an online survey. Zikmund (2003) advocates for these types of surveys as they are objective and ensure privacy as individuals do not feel as though they must answer in a desired way as compared to a face-to-face interview with a researcher.

An online questionnaire process was used to conduct this survey and to collect the data. The questions were structured to address the key constructs arising from the literature. There were also questions about the demographics of the population that was involved in the survey. Glasow (2005, p.1–2) explains the advantages and disadvantages of surveys:

Advantages

- A wide range of respondents can be accessed
- Easy to gather demographic data
- Requires minimal investment and administration

- Easy to construct generalisations

Disadvantages

- It might be difficult for the respondents to assess their own behaviour
- The respondents might not fully capture the circumstances surrounding their behaviour.

Survey questionnaires are aimed at providing the researcher with sufficient data to draw inferences and answer the research questions (Maxwell, 1996). The questions posed on the research study were supplemented by data collection to answer the questions posed. A pre-determined survey can also assist with the reliability and validity of the survey questions.

To reduce the risk of bias in the conclusions, Maxwell (1996) recommends a method of triangulation, which implies collecting data from a diverse range of individuals as well as other sources such as documents. This allows the researcher to gain a deeper understanding of the data collected.

A flow chart depicting the data collection process is shown below:

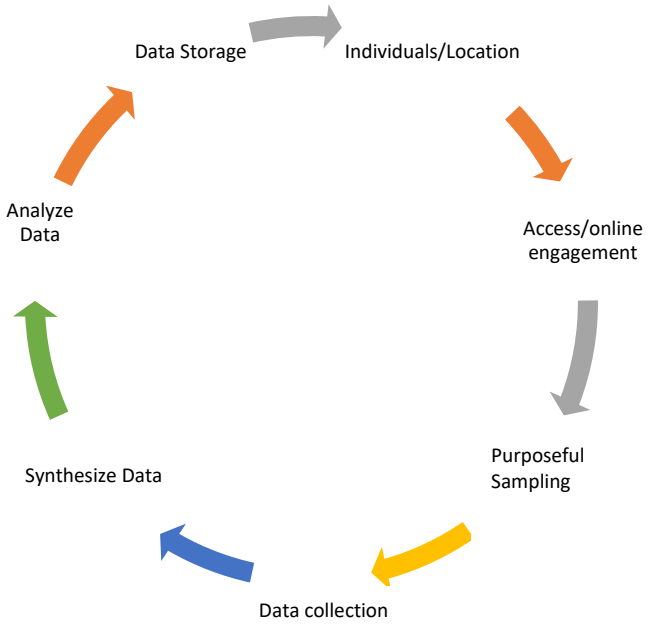

Figure 3: Data collection flow

(*Source: Creswell, 1998*)

The first part of the questionnaire measured the respondents' backgrounds and their demographics while the second part was based on the assessment of the variables that form the research objectives.

3.5 Data analysis and screening

Data analysis involves the synthesising and interpreting of data collected (Zikmund, 2003). This involves gathering and summarising the data from the investigations undertaken (Zikmund, 2003). The use of statistical methods is aimed at forming a credible base from the theory and a theoretical model in order to estimate how the factors established influence the variables (Cooley, 1978).

The purpose of this study was to assess the role of corporate governance on the efficiency of SOEs and the impact it has on entrepreneurship. The primary data were analysed using the Statistical Package for Social Sciences (SPSS). Zikmund (2003) validates the wide acceptability of this research instrument to analyse primary data.

3.6 Validity and reliability testing

Validity and reliability are used as testing methods to synthesise the credibility and trustworthiness of a research study (Golafshani, 2003). Credibility, trustworthiness, neutrality and confirmability contribute to the quality of a research study (Golafshani, 2003). Validity is the degree to which a study is reflective of the concept that is being measured in a research and, according to Field (2005), what is intended to be measured is actually measured. For the purpose of this study, a Pearson correlation test was used as a measurement tool to emphasise validity. Exploratory factor analysis (EFA) was conducted to assess construct validity. The results showed that the Kaiser-Meyer-Olkin Measure of Sampling Adequacy value was 0.836, which was greater than the minimum acceptable value of at least 0.5. This indicates that the sample was adequate for conducting EFA. The Bartlett's Test of Sphericity was significant as shown by a p-value of less than 0.05.

Reliability refers to the extent to which there is consistency of results over time as well as whether a population under study is proven reliable if the results are reproduced under a similar methodology (Joppe, 2000). Huck (2007) mentions that it is important to test for reliability as it provides consistency across the measuring tool. The

Cronbach Alpha coefficient is the most commonly used tool for measuring reliability and, as such, was used for this study.

Hinton, Brownlow, McMurray and Cozens (2004) outlined the cut-off points for reliability, where excellent reliability is at 0.9 and above, high reliability is between 0.7 and 0.9, moderate liability is between 0.5 and 0.7 and low reliability is 0.5 and below. Reliability has to always be coupled with validity for it to be sufficient.

Reliability of the scale was assessed using the Cronbach's Alpha. The results presented in Table 6 indicate that there was good reliability for Values and Ethics (4 items, $\alpha = 0.832$), acceptable reliability for Transparency and Accountability (4 items, $\alpha = 0.771$) but, on the other hand, there was poor reliability for the Board, Supervision and Committees construct (3 items, $\alpha = 0.689$). Although this Cronbach's Alpha was slightly below the requirement of at least 0.47, it is on the margin and is still above 0.5, below which the Cronbach's Alpha becomes unacceptable.

To ensure a dependable and credible report, this research paper ensured validity and reliability, as well as conforming to the originally stated population size in order to yield a fair representation. Inquiry audits were used to check the validity and reliability of the results.

3.7 Limitations of the data collection method

Some respondents may have had limited access to the data collection method, which was the online questionnaire process. The information received might differ as the individuals will have differing opinions on the research questions.

It is however possible to create a more congruent conclusion from the triangulation method and the generalisation might make for a compelling argument that answers the research questions. Wright (2005) argues that challenges surrounding sampling make generalisation difficult.

CHAPTER 4: RESULTS

4.1 Introduction

This chapter outlines the results obtained from the data collected to respond to the research questions posed. As indicated in the previous chapter, data were gathered using an online questionnaire. A detailed description is outlined below.

4.2 Data screening

The data were collected online using Survey Monkey. A total of 314 responses were completed and then downloaded into Excel and later loaded into SPSS where analysis was conducted. Little's MCAR test was conducted to assess if a few cases were missing at random. The result was Chi-Square = 65.851, DF = 23, Sig. = .000, which indicates that the missing cases were not missing at random. This meant that the missing cases could not be input. Inconsistent data with straight liners and speedsters were also eliminated during data cleaning. The final usable analysed sample was thus 204 respondents.

4.3 Sample characteristics/demographics

4.3.1 Gender

The final sample had 49% males and 51% females as presented in Figure 4. The majority of the sampled population was based in Gauteng.

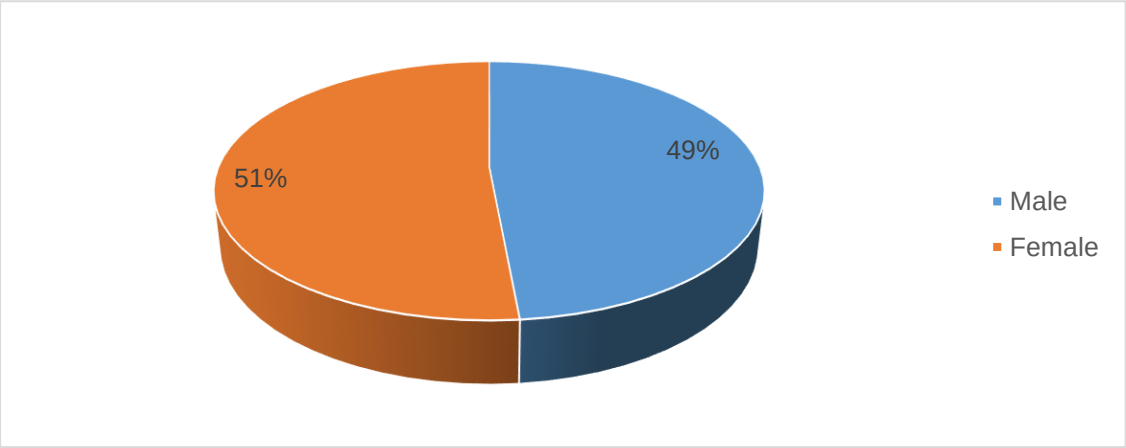

Figure 4: Respondent gender

4.3.2 Age

The highest proportion of respondents were 30–44 years old (41%), while 31% were 18–29 years old and only 7% were 45 years or older. Twenty percent did not indicate their age.

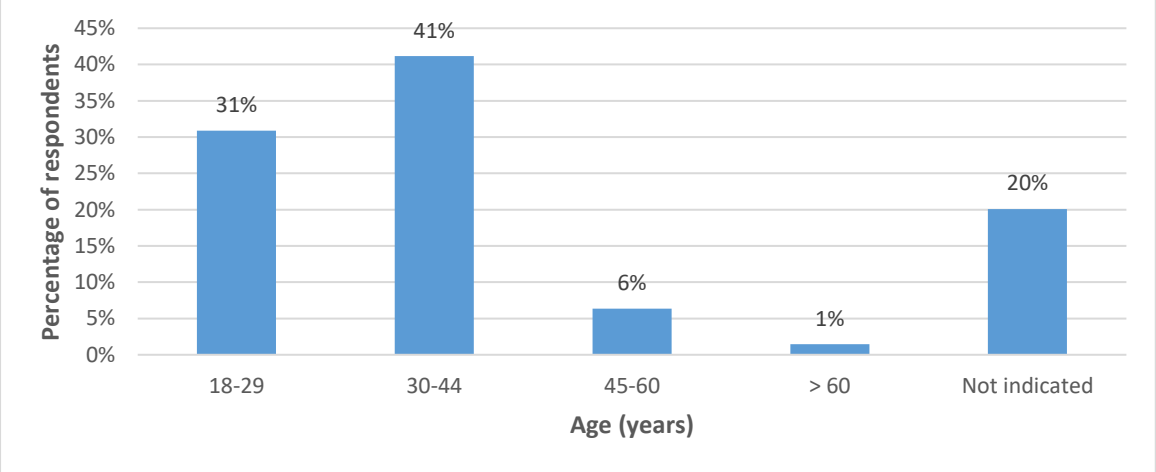

Figure 5: Respondent age

4.3.3 Ethnicity

Most of the respondents were of the black ethnic group (82%) while 10% were white, 4% coloured and another 4% were Indian.

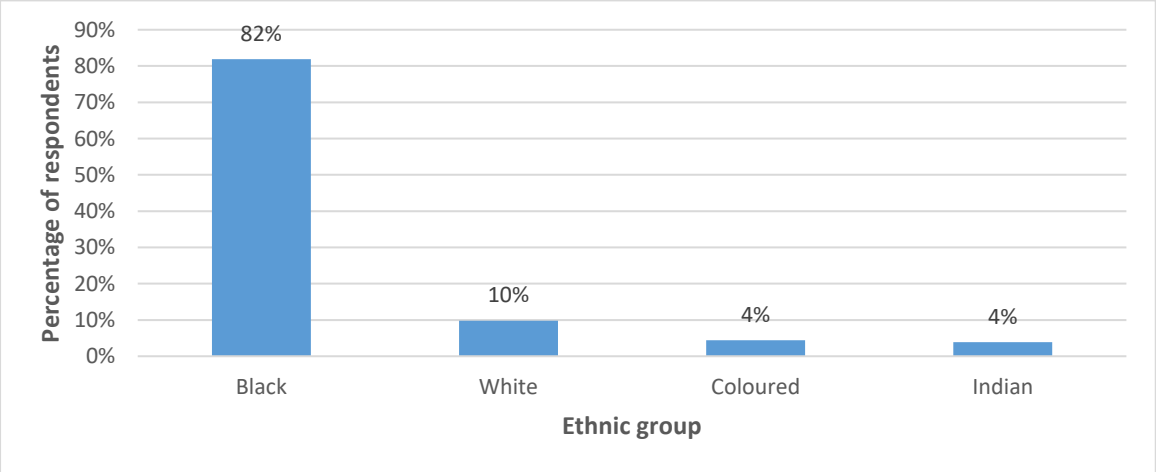

Figure 6: Ethnicity

4.3.4 Level of education

Three in every 10 respondents had Matric as their highest attained level of education, the same proportion had a national diploma while 40% had a degree or higher. The results are illustrated in Figure 7.

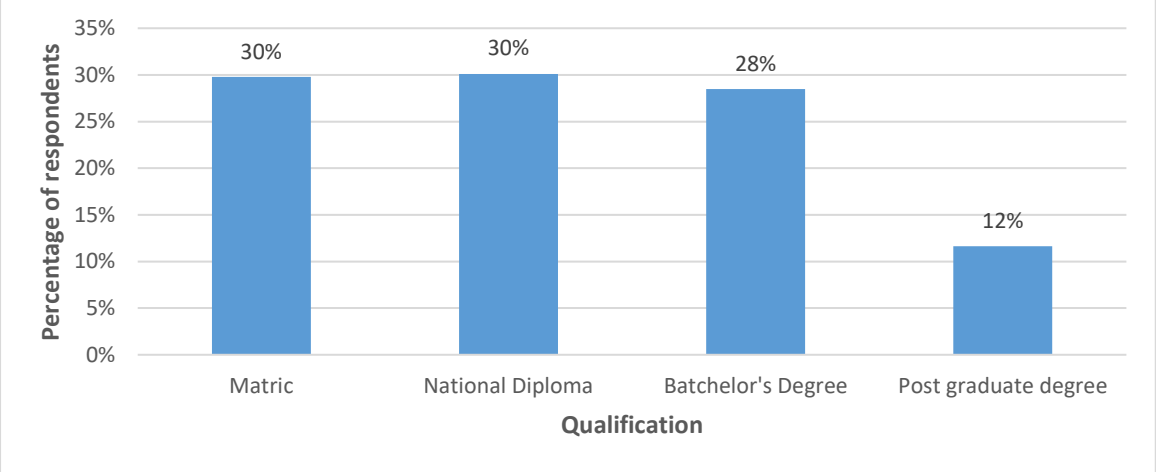

Figure 7: Highest qualification

4.4 Sample characteristics/demographic

The business characteristics of the business represented are shown in Table 1.

Table 1: Business Variables

Variable	Option	Frequency	Percent
Age of entrepreneur	Less than 25	47	23%
	26–35	84	41%
	36–45	53	26%
	45 and above	20	10%
Number of staff employed	1–20	163	80%
	21–50	22	11%
	51 and above	19	9%
Annual Turnover	Less than R500k (Mainly SMMEs)	130	64%
	R500k–1m	49	24%
	R1m and above	25	12%
Are you office based or work remotely?	Remote work	113	55%
	Office Based	44	22%
	Hybrid	47	23%
Location of business	Gauteng	181	89%
	North West	10	5%
	Limpopo	3	1%
	Mpumalanga	3	1%
	Free State	2	1%
	KZN	2	1%
	Eastern Cape	1	0%
	Not indicated	2	1%
The organisation depends on electricity to function effectively	Yes	141	69%
	Somewhat	44	22%
	No	19	9%
Is transparency and accountability elaborated effectively for SOEs to run efficiently?	Yes	155	76%
	No	49	24%
Which component of transparency and accountability should be noted in order to advance the corporate governance mandate?	Clarity	34	17%
	Accuracy	42	21%
	Ease of access to information	92	45%
	Participation	25	12%
	Feedback	11	5%

4.5 Validity

Table 2: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.836
Bartlett's Test of Sphericity	Approx. Chi-Square	840.738
	Df	55
	Sig.	.000

The total variance explained presented in Table 4 shows that three factors were retained. The retained factors explained the 65.688% variation in the original items before grouping.

Table 3: Total variance explained

Factor	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	4.473	40.667	40.667	4.021	36.553	36.553	3.231
2	1.493	13.572	54.239	1.044	9.489	46.043	3.031
3	1.259	11.450	65.688	.809	7.352	53.394	2.611
4	.695	6.315	72.003				
5	.646	5.874	77.878				
6	.508	4.617	82.494				
7	.481	4.377	86.871				
8	.437	3.971	90.842				
9	.395	3.595	94.437				
10	.359	3.266	97.703				
11	.253	2.297	100.000				
Extraction Method: Principal Axis Factoring.							
a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.							

The scree plot shown in Figure 8 confirms that there were indeed three factors extracted as indicated by the line graph flattening out after three constructs.

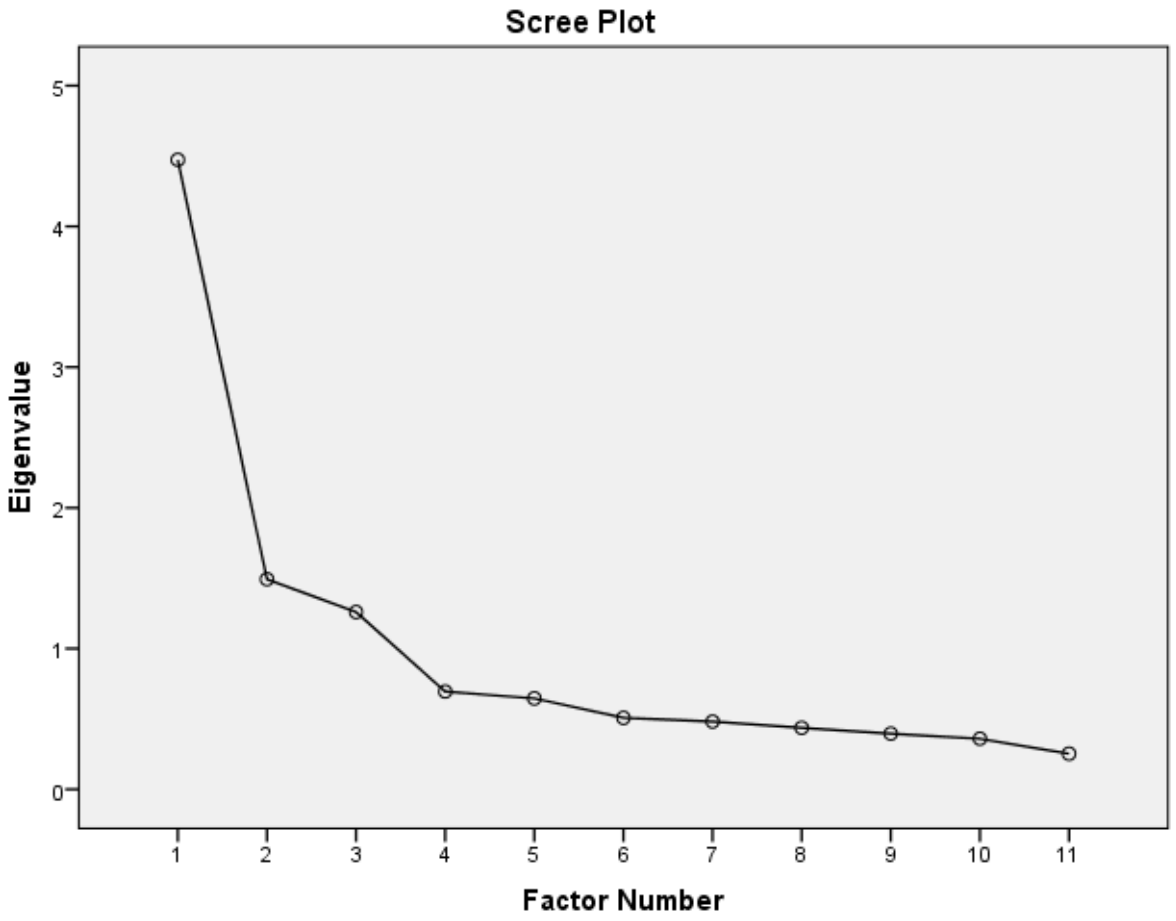

Figure 8: Scree plot

The factor composition for the final constructs is presented in Table 4. Each factor loaded highly on its respective factor. This was after elimination of the following items:

Table 4: Items deleted during EFA

MBSBC2	Politicians should not serve as part of the board composition
MBSBC5	A large board size causes delays and affects efficiency
EFF1	How are the levels of productivity in your organisation during load shedding?
EFF2	How dependent is your organisation on power supply from Eskom?

It can be noted that there were three valid constructs.

Table 5: Pattern matrix with final factor composition

Construct	Items	Factor		
		1	2	3
Values and Ethics (VE)	VE1 The constant meddling from government officials deviates the values of SOEs	.893		
	VE3 If values and ethics are upheld, SOEs would show levels of efficiency and effectiveness	.769		
	VE4 Transformational leadership should be adopted by SOEs in order to instil ethics and ethical behaviour	.633		
	VE2 Maladministration in SOEs is a result of value deformity	.611		
Transparency and Accountability (TA)	TA1 Transparency and accountability are effective tools for good governance		.812	
	TA2 Transparency and Accountability manage political interference from state officials		.674	
	TA4 Increased transparency is linked to high performance of SOEs		.651	
	TA3 Information presented by the board and management is done so in a clear and concise manner		.512	
Board, Supervision and Committees (MBSBC)	MBSBC3 A large board size allows for more inclusivity and diversity, thereby increasing the social impact			.815
	MBSBC1 The state should be actively involved in the day to day running of SOEs			.718
	MBSBC4 A large board size increases the chances of communication mishaps and reporting coordination			.577
	Extraction Method: Principal Axis Factoring. Rotation Method: Promax with Kaiser Normalization.			
	a. Rotation converged in 5 iterations.			

4.6 Reliability

Since the constructs were valid and reliable, a composite scale for each construct was computed by taking the average of the items retained in each construct. The variables were rated from “strongly disagree = 1” to “strongly agree = 5”. A low score for Values and Ethics (VE), for example, means that there are poor Values and Ethics while a high score means that there is agreement that there are Values and Ethics within the organisation.

The dependent variable was made up of two variables:

- EFF1 Levels of productivity in an organisation during load shedding where 1 means no operation and 3 means 100% operation
- EFF2 Dependence of an organisation on power supply from Eskom where 1 means very dependent and 3 means independent of Eskom.

Table 6: Reliability level

Construct	N of Items	Cronbach's Alpha	Reliability Level
Values and Ethics (VE)	4	.832	Good
Transparency and Accountability (TA)	4	.771	Acceptable
Board, Supervision and Committees (MBSBC)	3	.689	Poor
Overall instrument's Cronbach's Alpha	15	0.801	Good

4.7 Correlation

The dependent variables were measured using a 3-point Likert scale and thus there was not much variability. This implied that Spearman's correlation was assessed instead of Pearson's correlation. The correlation matrix indicates that none of the variables Values and Ethics (r = 063, p-value > 0.05), Transparency and Accountability (r = 0.010, p-value > 0.05), and Board, Supervision and Committees (r = 0.031, p-value > 0.05) were significantly correlated to a level of production during load shedding. This is indicated by p-values greater than 0.05.

There was also no significant correlation between each of the Values and Ethics (r = -0.056, p-value > 0.05), Transparency and Accountability (r = -0.119, p-value > 0.05) and Board, Supervision and Committees (r = -0.040, p-value > 0.05) and how dependent the organisations are on power supply from Eskom.

Table 7: Spearman's Correlation and Descriptive statistics

Construct	N	Mean	SD	1.	2.	3.	4.	5.
1. VE	204	5.7	0.7	1.000				
2. TA	204	4.4	0.6	.591**	1.000			
3. MBSBC	204	4.4	0.9	.423**	.479**	1.000		
4. EFF1 How are the levels of productivity in your organisation during load shedding?	204	1.9	0.6	.063	.010	.031	1.000	
5. EFF2 How dependent is your organisation on power supply from Eskom?	204	1.7	0.7	-.056	-.119	-.040	.327**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

4.8 Hypothesis testing

The hypothesis testing was conducted using the Spearman's correlation values presented in Table 7.

Results pertaining to Hypothesis 1: There is a positive relationship between transparency and accountability and the efficiency of SOEs.

The results presented in Table 7 indicate that transparency and accountability (r = 0.010, p-value > 0.05) had no significant relationship with productivity during load shedding. The results also show that transparency and accountability (r = -0.119, p-value > 0.05) had an insignificant relationship with dependence of an organisation on power from Eskom. Based on the two tests, it can be concluded that there is insufficient evidence to suggest that there is a positive relationship between transparency and accountability and the efficiency of SOEs.

Results pertaining to Hypothesis 2: There is a positive relationship between values and ethics and the efficiency of SOEs.

The results presented in Table 7 indicate that values and ethics (r= 0.0.063, p-value > 0.05) had no significant relationship with productivity during load shedding. The results also show that values and ethics (r = -0.056, p-value > 0.05) had an insignificant relationship with the dependence of an organisation on power from Eskom. Based on the two tests, it can be concluded that there is insufficient evidence to suggest that

there is a positive relationship between values and ethics and the efficiency of SOEs.

Results pertaining to Hypothesis 3: There is a positive relationship between management board, supervisory board and committees and the efficiency of SOEs.

The results presented in Table 7 indicate that management board, supervisory board and committees ($r = 0.031$, p-value > 0.05) had no significant relationship with productivity during load shedding. The results also show that management board, supervisory board and committees ($r = -0.040$, p-value > 0.05) had an insignificant relationship with the dependence of an organisation on power from Eskom. Based on the two tests, it can be concluded that there is insufficient evidence to suggest that there is a positive relationship between management board, supervisory board and committees and the efficiency of SOEs.

4.9 Chapter Summary

This chapter presented the results of this study that were done utilising statistical applications. Data screening evaluated whether there were any missing cases and the MCAR test that was conducted showed that there were no missing cases at random as per the Chi-Square results. Any cases that could not be input were eliminated and the final analysis comprised 204 respondents.

The Kaiser-Meyer-Olkin Measure of sampling value (0.836) proved to be adequate to be able to conduct the EFA. The items deleted during the EFA resulted in three valid constructs being identified. The results show that the three constructs identified to formulate the conceptual framework and extracted from the business variables proved to have an insignificant relationship with the dependent variables that were selected as mentioned above (EFF1 and EFF2). The hypotheses are thus rejected as a result of the findings. Further discussion is carried out in the next chapter.

CHAPTER 5: DISCUSSION OF RESULTS

5.1 Introduction

The purpose of the study was to establish the reasons for SOEs not performing to their capacity. A hypothesis model was constructed, empirical tests were conducted, and validations were tested in order to explore the relationships between the variables. This chapter also locates the findings of the study with existing literature as well as an in-depth discussion of the findings.

The main research objectives were: (1) to investigate the extent to which transparency and accountability affect the efficiency of SOEs, as experienced by entrepreneurs; (2) to evaluate how values and ethics drive the efficiency of SOEs; and (3) to assess how the management board, supervisory board and committees propel the efficiency of SOEs from the entrepreneurs' point of view.

The results were consolidated from an evaluation of the online survey. A descriptive analysis was employed to identify a percentage basis that answered the research questions. A total of 314 respondents participated in the survey.

5.2 Transparency and accountability on the efficiency of SOEs

There is a positive relationship between transparency and accountability and the efficiency of SOEs.

The results presented in Table 7 indicate that transparency and accountability ($r = 0.010$, p-value > 0.05) had no significant relationship with productivity during load shedding. The results also show that transparency and accountability ($r = -0.119$, p-value > 0.05) had an insignificant relationship with the dependence of an organisation on power from Eskom. Based on the two tests, it can be concluded that there is insufficient evidence to suggest a positive relationship between transparency and accountability, and the efficiency of SOEs.

The international legal system adopted transparency as a directive of global administrative law in order to effect legitimacy (Biddulph et al., 2019). The requirements of transparency are evident in how institutions and governments function. As much as transparency is pinned as a compass of good governance

policies by most international organisations, most of these organisations do not avail these transparency policies to the public. SOEs in European countries, like Spain and Italy, were created from elements such as market failure as well as socio-political factors (Royo et al., 2019). The SOE basket in Spain then diminished as a result of privatisation. This was as a result of the economic crisis that occurred in the late 1970s, as a bid to open up to international markets as well as to reduce public deficit.

SOEs were reformed since the financial crisis and have reached stability levels since 2010 (Royo et al., 2019). These reforms also included improving transparency and effectiveness of these SOEs. A transparency Act by the government of Spain was required so that SOEs had to disclose information on public domains such as the internet. These included financials and audit reports and all these have been availed and can be accessed.

SOEs in Italy have seen a major breakthrough on the public participation system with visible growth at both central as well as territorial levels (Bertocchi, 2017). The introduction of measures to enhance transparency included defining a transparency management model, increasing public participation and instilling regulations that were responsible for transparency as well as the prevention of corruption.

5.3 Values and ethics on the efficiency of SOEs

There is a positive relationship between values and ethics and the efficiency of SOEs.

The results presented in Table 7 indicate that values and ethics ($r = 0.0.063$, p-value > 0.05) had no significant relationship with productivity during load shedding. The results also show that values and ethics ($r = -0.056$, p-value > 0.05) had an insignificant relationship with the dependence of an organisation on power from Eskom. Based on the two tests, it can be concluded that there is insufficient evidence to suggest that there is a positive relationship between values and ethics and the efficiency of SOEs.

Ethics, leadership and values have emerged as pivotal pillars for business success (Engelbrecht et al., 2005). Unethical behaviour and corruption have become conspicuous in organisations and it has thus become important to gather solutions in order to curb this pandemic. The base of an ethical organisation is enforced by leaders

that drive that organisation's culture, strategy and structure (Dickson et al., 2001).

Transformational leadership will drive moral elevation as well as collective efforts to bring about change in an organisation (Yukl, 2002). Stakeholder relations are pivotal to the governance of SOEs and their operating efficiency and sustainability (Balbuena, 2014). SOEs' guidelines in the SADC region have also adopted ethics as a central lock for good corporate governance and these issues are of societal concern and should therefore be addressed by means of stakeholder consultations.

This intervention is another way to prevent maladministration and corruption in these SOEs. A country like Malawi (SADC economy state), for instance, has SOE guidelines that require that stakeholders have access to an impartial remedy should they believe their rights have been violated (Balbuena, 2014).

The government can create a stakeholder advisory committee should there be a need for an increased number of stakeholders. This ensures that a broader spread of information is achieved and encourages interactions with forum representatives from other stakeholder organisations. Balbuena (2014) further touches on other countries, like Namibia, where the SOE Act of 2006 states that there will be constant consultation with the stakeholders and that their inputs should be taken into consideration before any restructuring takes place in SOEs.

Unethical behaviour can harm corporations and this would exacerbate the already underlying issues faced in SOEs (Rossouw, 2003). The Institute of South Africa's Business Ethics SA Survey 2002 of listed companies showed that, on average, 24% of corporations do not possess a code of ethics even though it is a listing requirement by the JSE. Some other organisations do not meet international Corporate Governance benchmarks or international social responsibility standards.

A need for ethics to be a central point for all organisations is paramount (Pottes et al., 2004). An organisation without an ethical code will discourage organisational change and this will affect public trust. The challenges in the SADC region are mostly those of addressing corruption issues to ensure that these are eradicated. Balbuena (2014) states that no benchmark SOE governance has been developed within the SADC region, although there are corporate governance guidelines for SOEs.

The OECD Southern Africa Network on the governance of State-Owned Enterprises is an initiative that aims to improve the corporate governance in SOEs, with its focus on the SADC economies. The initiative is focused on implementing regional guidelines that will, in turn, align with the national reform attempts.

5.4 Management board, supervisory board and committees on the efficiency of SOEs

There is a positive relationship between management board, supervisory board and committees and the efficiency of SOEs.

The results presented in Table 7 indicate that the management board, supervisory board and committees ($r = 0.031$, p-value > 0.05) had no significant relationship with productivity during load shedding. The results also show that management board, supervisory board and committees ($r = -0.040$, p-value > 0.05) had an insignificant relationship with the dependence of an organisation on power from Eskom. Based on the two tests, it can be concluded that there is insufficient evidence to suggest that there is a positive relationship between the management board, supervisory board and committees and the efficiency of SOEs.

The principles of the OECD are important to ensure that previous cases of corporate failure are curbed (OECD, 2005). In recent times, boards have been silent in their positions or have been made to be part of management when they should actually be monitoring management's performance. It has appeared in most cases that the board rubber stamps the interest of majority shareholders at the expense of the minority. This has led to instability in the boards.

The role of the boards in terms of instilling discipline has been viewed as unclear (Adams & Mehran, 2008) although the phenomenon of being passive is slowly fading away. Boards have become much more active and thus have moved away from being rubber stampers and have taken on a more active and present role.

A statistical provision of evidence by MacAvoy and Millstein (1999) shows that a CalPERS' grading of a firm's procedure on boards correlates positively with accounting-based performance measures. Hudson et al. (2001) also note that the consistency of boards is becoming tougher such that CEO dismissals have shown an

upward trend.

5.5 Conclusion

The chapter elaborated on the key findings of this thesis. From the data analysis, the demographic information showed that the majority of respondents were females. In terms of ethnicity, the majority of respondents were black (82%) and the highest proportion of respondents were between the ages of 30 and 44 years old.

Three in every ten respondents had matric as their highest qualification. The same proportion were national diploma holders and 40 percent were degree holders and higher. The discussion of the hypotheses of this study resulted in these hypotheses having insignificant relationships.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter outlines and reviews the major findings that were illustrated in Chapter 5. The aim of the research was to analyse how corporate governance affects the performance of state-owned enterprises and, in turn, how this impacts entrepreneurs. The research objectives were:

1. To investigate the extent to which transparency and accountability affect the efficiency of SOEs as experienced by entrepreneurs.

2. To evaluate how values and ethics drive the efficiency of SOEs as experienced by entrepreneurs.

3. To assess how management board, supervisory board and committees propel the efficiency of SOEs as per the entrepreneur's point of view.

The chapter is layered as follows: introduction, conclusion, recommendations for SOEs, limitations of the study and recommendations for further research.

6.2 Conclusion

The research study concluded that there is an insignificant relationship between corporate governance on the efficiency of state-owned enterprises and entrepreneurship. This is informed by the hypotheses that were the focal point of this study. The results were based on online reviews that were regarded as credible. The respondents who formed part of this research concluded that the relationship between transparency and accountability and the efficiency of SOEs is insignificant.

The results further indicate that there is insufficient evidence to suggest that there is a positive relationship between values and ethics and the efficiency of SOEs. The lack of values and ethics has an insignificant relationship with productivity during load shedding as well as the dependence of organisations on power from Eskom. This shows that a lack of values and ethics greatly affects entrepreneurship.

The results from the analysis of the study reveal that management board, supervisory board and committees have an insignificant influence on the efficiency of SOEs. Constant meddling and political interference negatively impact on SOEs' performance. The interference of politicians as well as their appearance on boards of SOEs highlights the inefficiencies of Eskom and other SOEs.

The results therefore show that there is an insignificant relationship between the board productivity during load shedding as well the dependence of an organisation on power from Eskom. The theoretical contribution extends the importance of theories to a research study as they provide guidance throughout the journey.

Theories strengthen the relevance of a research study as they create a framework to build understanding and expand knowledge of a chosen field of a particular study (Wagner et al., 2009). The theories used in this study were sufficient to explain the hypotheses associated with the variables identified. The theoretical framework applied was dissected in section 2.6.

6.3 Recommendations for SOEs

The key stakeholders in this research study were the entrepreneurs. The inefficiency of SOEs causes a ripple effect and ultimately impacts on entrepreneurial activities. The following are some of the practical recommendations for improving efficiency in the SOEs:

6.3.1 Imparting corporate governance structures in entities

As a global adoption, with the intervention of organisations such as the OECD, corporate governance structures must be fully implemented in organisations as a rule of law and, once enforced, must be upheld. Entities must abide by the corporate rules and be consistent with the global structures.

6.3.2 Discarding political interference

The employment of political affiliates and the constant meddling of politicians in the running of SOEs are detrimental to their efficiency. SOEs should be separated from politics and be run by experienced executives who can implement systems that will be

beneficial to the enterprise in terms of efficiency.

6.3.3 Exclusion of politicians from management boards

Politicians should not form part of the management boards. Suitable candidates, who understand corporate governance structures, should form part of the management boards of SOEs to prevent self-interest and corrupt activities.

6.4 Limitations of the study

This research study used a quantitative methodology. This approach limits data collection and sampling and focuses on individual perspectives and the triangulation method of analysing data that proved to be consistent and reliable because very few studies exist on this subject in literature. The study was based on an online survey. The information may be limited as far as demographic statistics are concerned by virtue of the sample not varying from the Gauteng majority.

According to Wright (2005), an online survey will limit the researcher from screening the population. The research was limited to the respondents on the online survey who do not necessarily represent the whole population. It is therefore difficult to generalise the findings of the study.

6.5 Suggestions for further research

The effect on entrepreneurial activity from dependency sources should be reviewed as a topic for future research. Research on the governance of SOEs is a very vague and complicated issue as there is no single theory that can explain this. It is therefore important to fuse theories in a bid to seek a better understanding in this regard. There are several factors that affect entrepreneurship, and the economic grid seeks interdependence. This study highlighted the inefficiencies and the lack of interdependence within this economic cluster. Exploring this topic further would create new insights and form new study paths for further research.

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Annexure A: Ethics clearance certificate

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg

Wits Business School Ethics Committee
Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/BA2401506/629
This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below)

This certificate is only valid if accompanied by formal permission from the relevant stakeholder(s).

Project title	Corporate governance, efficiency and entrepreneurship in South African state-owned enterprises
Investigator / Researcher	Mr Lesedi Mantirisi
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed confidentialty.
Issue Date of Certificate	23/12/2021
Expiry date	Date of submission of the project report
Chairperson	Ms Ayanda Magida ☎ +27 11 717 3953 ✉ ayanda.magida@wits.ac.za

Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.



Signature

24/12/2021

Date:

Annexure B: Questionnaire

Section	Questions	Scale
1. Demographics	Please describe your entrepreneurial activity?	Open ended
	Number of staff employed	3 options: 1-20 21-50 51 and above
	Age of entrepreneur	3 Options: Less than 25 26-35 36-45 45 and above
	Gender	2 Options: Male Female
	Ethnicity	Options: Black White Indian Coloured
	Highest qualification	4 Options: Matric National Diploma Bachelor's degree Post graduate degree
	The organisation depends on electricity to function effectively.	Likert
	Are you office based or do you work remotely?	3 Options: Office based Remote work Hybrid (sometimes at home and sometimes at the office)
	Location of business	9 Options: Gauteng Mpumalanga North West KwaZulu-Natal Eastern Cape Western Cape Northern Cape Limpopo Free State
	Annual turnover	3 Options:

		Less than R500K R500K-R1M R1Mil and above
2. Transparency and Accountability as influencers of efficiency	Is transparency and accountability elaborated effectively for SOEs to run efficiently?	Likert
	Which component of transparency and accountability should be taken heed of in order to advance the corporate governance mandate?	5 Options: Clarity Accuracy Ease of access to information Participation Feedback
	For the following statements, please indicate your level of agreement/disagreement by ticking on the relevant option: Transparency and accountability are effective tools for good governance	Likert
	Transparency and accountability manage political interference from state officials	Likert
	Information presented by the board and management is done so in a clear & concise manner	Likert
	Increased transparency is linked to high performance of SOEs	Likert
3. Values and Ethics as driving forces of SOE efficiency	The constant meddling from government officials deviates the values of SOEs	Likert
	Maladministration in SOEs is a result of value deformity	Likert
	If values and ethics are upheld, SOEs would show levels of efficiency and effectiveness	Likert
	Transformational leadership should be adopted by SOEs in order to instil ethics and ethical behaviour	Likert
4. Management board, supervisory board and committees	The state should be actively involved in the day-to-day running of SOEs	Likert
	Politicians should not serve as part of the board composition.	Likert

	A large board size allows for more inclusivity and diversity, thereby increasing the social impact	Likert
	A large board size increases the chances of communication mishaps and reporting coordination	Likert
	A large board size causes delays and affects efficiency	Likert
5. Effect of Eskom on entrepreneurship	How are the levels of productivity in your organisation during load shedding?	3 Options: No operation 50% operation 100% operation
	How dependent is your organisation on power supply from Eskom?	3 Options: Not dependent Somewhat dependent Fully dependent
Other	Please provide any additional information regarding power supply and its effects on your business	Open ended