An institutional and stakeholder perspective of governance, ethics and trust in State Operated Enterprises

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DECLARATION

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

More I Manda (electronically signed)

(More Ickson Manda)

Signed at …Johannesburg…………………………………………………

On the …28th……………………. day of February…………………… 2023

DEDICATION

This MBA is dedicated to my three children Ayanna-Rose Manda, Michaela Manda and Athandwa Kian Manda.

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ABSTRACT

State-Operated Enterprises (SOEs) in South Africa continue to face significant challenges impacting their performance. Governance and other ethical concerns have been identified as factors that have impacted the performance of SOEs. Consequently, trust in SOEs among stakeholders such as the state, business, civil society, and citizens has been eroded. This study explores corporate governance in SOEs using an institutional and stakeholder perspective to examine the relationship between trust, corporate governance, and ethics in institutions. The study is a quantitative study that uses a survey as its primary method of collecting data. Findings were triangulated with evidence from documents and literature. The study was conducted in South Africa, a middle-income developing country and young democracy confronted by many challenges, such as corruption, decreasing public trust and investor and business confidence. This has spotlighted theoretical and practical issues such as corporate governance. The study proposed a framework for strengthening trust and corporate governance to restore legitimacy in institutions, an essential factor in building strong, responsible, and capable institutions that deliver value to shareholders and stakeholders. The study also made practical recommendations for strengthening ethics, governance, and trust.

Keywords: corporate governance, stakeholder theory, institutional theory, SOEs, Trust, ethics, ethical leadership, corporate social responsibility

CHAPTER 1: INTRODUCTION

State-Operated Enterprises (SOEs) play an essential role in supporting the National Development Plan (NDP), a critical component of South Africa's growth strategy, by providing critical social and economic infrastructure for spurring economic growth and eliminating poverty and inequalities (National Planning Commission, 2012). According to the NDP, by 2030, SOEs must be well governed and financially viable to respond to South Africa's social and economic development goals and deliver cost-effective and quality social and economic services (National Planning Commission, 2012). SOEs have, however, experienced significant challenges such as inefficiency, poor governance, corruption, and financial mismanagement in attempting to deliver their mandate. According to the National Planning Commission (2016:IV), "SOEs have faced significant challenges in pursuing developmental goals. In several cases, they had been "captured" by special interests. Outside internationally accepted corporate governance rules, political appointments of boards and senior management have severely impacted procurement practices and company performance.

In South Africa, SOEs have been central in providing critical economic and social infrastructure such as energy, transport, and telecommunications. For example, Eskom, one of the largest SOEs, is responsible for generating and supplying over 95% of South Africa's electricity. Transnet, a custodian of rails, ports, and pipelines in South Africa, is arguably the largest freight logistics chain system for transporting goods in South Africa. South African Airways, the national carrier, is one of the largest airlines in Africa. Most of these SOEs have been entangled in corruption scandals (including state capture), poor governance and poor performance. Transnet, South African Airways, Public Investment Corporation and Denel are some of the large SOEs that have become synonymous with 'state capture'. They have been at the centre of creating the new elite with access to robust business and political networks and resources. Corruption has become deeply entrenched in SOEs and has often involved political actors and culprits in the private sector in leadership positions.

SOEs' governance, management, and financial woes reflect rampant corruption in society, particularly in state institutions. South African citizens have borne the brunt of poor services and the use of taxpayers' money by the State to bail out the poor performing SOEs. This has raised serious concerns about the corporate governance of SOEs in South Africa. Consequently, trust in SOEs and related institutions has diminished drastically.

Understanding some factors using an institutional and stakeholder perspective is critical in developing a framework for strengthening stakeholder relations and supporting the development and implementation of mechanisms for building better-performing, capable and responsible SOEs that deliver value to their stakeholders. This study is one of the few that has “shifted from explicitly normative and ethics-oriented arguments to implicitly normative and performance-oriented managerial studies” as reiterated by Lindgreen and Swaen (2010:1). This shift is what motivated the integration of two theories, that is, Institutional Theory and Stakeholder Theory in examining leadership, governance, ethics, and trust in SOEs. These institutions are characterised by complex normative, regulative, and cultural-cognitive elements.

1.1 Context

The continued failure of South Africa’s State Operated Entities (SOEs) has posed significant risks for the country. In his 2023 Budget speech, Minister of Finance Enoch Godongwane reported that South Africa had used R308 billion to bail out failing SOEs. This led to a reduction of R257 billion in funds which could have been channelled for infrastructure and critical services such as health and education (Parliament of the Republic of South Africa, 2023). Eskom, South Africa’s largest SOE, for example, had been granted R136 billion to service its debt, with an expectation to receive bailouts to the tune of R88 billion over the medium term. The Minister of Finance argued that the continued reliance on government bailouts for distressed SOEs was no longer viable due to the country's ballooning debt which is now estimated at R4.3 trillion, with a projected increase to almost R5.5 trillion over the medium-term. With this reality, it has become apparent that SOEs need to develop strategies to turn around their operations, address their perennial underperformance and rid themselves of corruption, poor governance and poor leadership that has contributed to their financial woes and the loss of legitimacy.

The success of SOEs such as Eskom have become a matter of national security because of their strategic nature. Eskom’s failure to provide electricity to citizens and business saw the President of the Republic of South Africa during the 2023 State of the Nation Address (SONA) declare a state of national State of Disaster pertaining to the impact of Severe Electricity Supply Constraints. The continued energy crisis has impacted citizens and key sectors such as manufacturing, mining, agriculture, construction, services and hospitality and tourism. A multi-stakeholder and multi-pronged approach will be required to address these challenges.

According to the World Bank (2020), improving corporate governance will be central to improving the performance of SOE to realise their mandate of social and economic infrastructure development and inclusive economic growth. Improved corporate governance is thus key to unlocking financing and attracting investors who need assurance that their investments will be protected.

Various initiative has been implemented by government to address challenges that have crippled SOEs. As early as 2013, the Presidential Review Committee of SOEs identified governance as a significant challenge in SOEs. The commission for example, found that the ownership policy, oversight systems, governance, ownership was weak. The leadership was also incapable with unclear roles and responsibilities between the board and executives. Despite recommendation to strengthen governance systems, challenges remain. In 2020, the President in 2020, also appointed members of the Presidential State-Owned Enterprises Council (PSEC) to drive the repositioning and transformation of SOEs to become key instruments of economic and social transformation.

1.2 Problem statement

The poor performance of critical SOEs in South Africa has spotlighted issues such as leadership, governance, and ethics. This has also eroded trust, key to the success of SOEs, which rely on the support of critical stakeholders such as government, citizens, organized labour, and business (including international investors). This has resulted in SOEs losing their legitimacy as institutions that provide critical social and economic infrastructure. There is a gap in literature pertaining to exploring complex phenomena such as corporate governance, ethics and trust in complex institutions such as SOEs due to their complex ownership and management structures. Moreover, the majority of studies are often scattered across disciplines, and few have used a multidisciplinary approach to explore the phenomena under investigation, which is complex to understand using only one disciplinary or theoretical lens. The study also examines the complex phenomena, using two theories (institutional and stakeholder theory).

1.3 Purpose of the study

The purpose of this study is to identify the role stakeholder relations and institutional mechanisms (normative, cultural, cognitive and regulative) plays in strengthening corporate governance, trust and ethics. This is key in improving their legitimacy as critical economic institutions. The study adopts an institutional and stakeholder perspective to examine some of these factors. This is key in developing a framework for strengthening ethics, governance and trusting stakeholder relations in complex institutions such as SOEs. This is required in order to support the institutionalisation of mechanisms for building strong, capable, and responsible institutions that deliver value to their shareholders and stakeholders.

1.3.1 The objectives of the study are:

- To examine the role of corporate governance normative, cultural-cognitive and regulative institutional mechanisms in restoring legitimacy in SOEs
- To examine the impact of stakeholder relations in strengthening trust in SOEs
- To examine the impact of corporate governance normative, cultural-cognitive and regulative institutional mechanisms instrengthening corporate governance in SOEs
- To examine the impact of ethical behaviour as a cultural-cognitive mechanism in improving trust in SOEs

To develop a framework for strengthening governance and trusting stakeholder relations in building strong, capable, and responsible institutions.

1.3.2 Research questions

1. What corporate governance institutional mechanisms should be implemented to restore legitimacy in SOEs?
2. To what extent does stakeholder relations improve trust in SOEs?
3. To what extent does the implementation of corporate governance institutional mechanisms improve the corporate governance of SOEs?
4. To what extent does promoting ethical leadership improve trust in SOEs?

1.3.3 Hypothesis

H1. Strengthening corporate governance will restore the legitimacy of SOEs.

- *Alternative hypothesis (H1a) - Strengthening corporate governance will restore the legitimacy of SOEs*
- *Null Hypothesis (H10) - Strengthening corporate governance will not restore the legitimacy of SOEs*

H2. Strengthening stakeholder relations will restore trust in SOEs.

- *Alternative hypothesis (H2a) – Strengthening stakeholder relations will restore trust in SOEs*
- *Null Hypothesis (H20) - Strengthening stakeholder relations has no significant impact in restoring trust in SOEs*

H3 Implementing corporate governance norms and standards will improve the corporate governance of SOEs.

- *Alternative hypothesis (H3a) – Implementing corporate governance norms and standards will improve the corporate governance of SOEs.*
- *Null Hypothesis (H30) - Implementing corporate governance norms and standards has no significant impact in improving the corporate governance of SOEs*

H4 Promoting ethical behaviour will restore trust in SOEs.

- *Alternative hypothesis (H4a) – Promoting ethical behaviour will restore trust in SOEs.*
- *Null Hypothesis (H40) - Promoting ethical behaviour has no significant impact in restoring trust in SOEs.*

1.1.4 The intended contribution of the study

1.3.1.1 Theoretical contributions

This study integrates two theories (Stakeholder Theory and Institutional Theory) in examining complex phenomena such as governance, ethics, and trust concerning organisational performance and shareholder and stakeholder value creation. Institutional Theory, a multidisciplinary theory with foundations in economics and political science, is critical in examining theoretical issues around social phenomena such as trust, ethics, and leadership in organisations. On the other hand, stakeholder theory, with its foundations in strategic management, helps explore the complex relationship between business, society, and government in examining strategic management issues such as organisational performance and stakeholder value creation. The findings will add to the business management body of knowledge by helping researchers to understand corporate governance and related issues in complex institutions.

1.3.1.2 Practical contributions

Corporate governance is the Achilles heel of SOEs. This study proposed practical solutions for addressing corporate governance challenges in SOEs. Some of the practical issues the study will address include the following:

- Recommending institutional normative and cognitive mechanisms for strengthening governance and ethics in SOEs
- Policy recommendations for strengthening ethics and governance in SOEs. Regulations, including legislation changes, will be required to promote good governance in SOEs. There are gaps in the current legislative framework.
- Strengthening processes for mitigating risks for high-risk processes such as state procurement and appointment of top management to curb ethical behaviour
- Recommendations for restoring public trust in SOEs, particularly those that have lost public and investor confidence due to poor performance. Lack of public trust and low investor confidence contributed to credit rating downgrades for some of the biggest SOEs like Eskom.
- Proposing strategies for strengthening stakeholder relations to improve collaboration in helping address some of the challenges confronting SOEs, particularly those entangled in corporate scandals.
- Recommendations for improving accountability of the State as the major shareholder in SOEs.

- Some of the practical recommendations will include clarifying the role of the State, appointment of leadership (including boards and accounting officers) and curbing political interference in the running of SOEs.
- Recommendations for improving board and executive management accountability as well as best practices for appointing executive directors in SOEs.

This study also generated practical knowledge for developing strategies that address corporate governance and strengthen stakeholder relationships in complex institutions. The study thus developed a theoretical framework that practitioners can use to strengthen leadership, governance and trusting stakeholder relations in SOEs to support the institutionalisation of mechanisms for building strong, capable, and responsible institutions.

1.4 Scope of the study

The following was the scope of the study.

- The study was conducted in South Africa, a developing country in Africa. This is where the researcher is based and time constraints didn't allow to examine other developing countries, particularly in Africa.
- The study focused on State Operated Entities, operating in South Africa as the issues examined were contextually relevant to South African SOEs.
- The study solicited responses from individuals residing in South Africa at the time of the study as the phenomena examined required people with knowledge of the prevailing socio-economic and political context.
- The study surveyed people who held or were studying towards a post-school qualification as the phenomena examined required higher levels of understanding of issues relating to corporate governance, ethics and trust.

1.5 Definition of terms

Corporate governance is defined as the practice of effective and ethical leadership by the governing bodies in the organisation to achieve legitimacy, ethical culture, good performance and effective control as the key governance outcomes. Governance outcomes: ethical culture, good performance, effective control, and legitimacy (Institute of Directors South Africa, 2020).

Ethics is defined as generally accepted formal and informal rules that shape conduct and behaviour to govern society (Jennings, 2014).

Institution - consist of cultural-cognitive, regulative, and normative elements that bring some meaning and stability to social life (Scott, 2014).

Legitimacy - assumptions that the actions of an institution are appropriate, proper, and desirable within some socially constructed systems of beliefs, norms, values, and definitions (Suchman, 1995).

Trust is anchored on the belief that people's behaviour is honest and predictable (Ciziceno & Travaglino, 2019).

1.6 Assumptions of the study

The following assumptions were made:

- That the respondents represented the various groups and sectors that were targeted in this study as respondents were requested to select a sector they were representing.
- That respondents understood the general challenges experience in SOEs as the study targeted postgraduate students with an understanding of the prevailing social, economic and political climate in South Africa
- That respondents held or were studying towards a post-school qualification as the survey was distributed to the University of the Witwatersrand student.

LITERATURE REVIEW

2.1 Introduction

This chapter identifies, evaluates, and synthesises the literature on corporate governance issues such as ethics, legitimacy, and trust that have impacted the performance of State Operate Enterprises (SOEs). Khan (2008:41) defines a *literature review* as “a systematic, explicit, reproducible method for identifying, evaluating and interpreting the existing body of recorded work produced by scholars.” This chapter is divided into three sections. The first section defines and clarifies critical concepts shaping the study, such as corporate governance, ethics, and trust. The second section discusses factors impacting trust and stakeholder relations in SOEs, and it also discusses governance and leadership challenges in SOEs and their impact on their performance. The last section discusses the theoretical framework.

2.11 Aim

Reviewing the literature aims to connect the study and the existing knowledge to highlight how this study will contribute to the existing body of knowledge. The purpose of this chapter is to review the literature on corporate governance, ethics and trust to put the study into context and identify existing gaps. This literature review clarifies and conceptualises the problem of corporate governance in SOEs. Literature on corporate governance is dispersed across several disciplines. Devinney, Schwalbach and Williams (2013) argue that researchers in finance, law, accounting, and economics researchers have focused on regulatory requirements and their relation to corporate governance. For example, sociology and management researchers have concentrated on the relationship between corporate governance and managerial incentives and behaviours. Due to the complex nature of the phenomena under investigation, this study adopts a multidisciplinary approach by integrating theories from disciplines such as economics, strategic management, and political science due to the multidisciplinary nature of the phenomena under investigation.

2.2 Defining and understanding corporate governance

2.2.1 Corporate governance

Corporate governance is a new discipline shaped by theories from several disciplines, including organisational behaviour, accounting, management, and finance (Kooskara, 2008). Concerns around corporate governance have arisen due to organisational failures and the negative economic and social consequences (OECD, 2022, Letza & Sun, 2002; Kumar & Singh, 2013; Kirkpatrick, 2009). According to OECD (2022:1), “good corporate governance helps to build an environment of trust, transparency, and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies”. According to the Institute of Directors (IoDSA), good corporate governance should promote good performance, effective control, ethical culture, and legitimacy (IoDSA, 2016).

Corporate governance is a system of owning, controlling, and managing corporations (Kooskora, 2008). Zaman, Jain, Samara, and Jamali (2022:690) acknowledge the weaknesses in the traditional and narrow view of corporate governance as formal structures and to manage the complex stakeholder relationships between the shareholders or stockholders and the board “to resolve assumed agency conflicts between principals and agents”. They adopt a broader view that proposes consequences of decision-making on shareholders. They define corporate governance as institutional structures that determine the responsibilities and rights among actors and other stakeholders with an interest and stake in the organisation as well as the implementation of supporting processes that impact non-financial and financial institutional level goals and outcomes. This study adopts the King IV definition of corporate governance, which defines corporate governance as the practice of effective and ethical leadership by the governing bodies in the organisation to achieve legitimacy, ethical culture, good performance and effective control as the key governance outcomes (Institute of Directors South Africa, 2016). Kooskara (2008) identifies stakeholder inclusion as a critical component of corporate governance whose goal is not balancing power and advancing self-interest but is important for promoting creativity to enhance economic and social interests rather than trade them against each other.

In South Africa, Thomas (2012) found that SOEs were strong in complying with external governance demands such as annual reporting and external audits, while compliance to self-regulated and internal governance was often weak. Some of the internal governance challenges (regulative, normative and cultural-cognitive) identified in the literature are summarised in table 1

Table 1: Internal governance challenges (self-authored)

Governance theme	Institutional pillar	Literature
Transparency: Lack of transparency and disclosure of important information to the public, which is often as a ploy to cover up poor performance, corruption and self-serving agendas.	Normative	Kamal, 2010; Tsheola, Ledwaba & Nembambula, 2013; van Zyl & Mans-Kemp, 2020
Accountability: The interference of government in the appointment of boards and managers has been castigated for promoting consolidating party loyalty over governance and eliminating accountability. Furthermore, managers in SOEs do not bear the costs of their actions	Normative	Chigudu, 2018; Mlambo, Zubane and Thusi, 2022
Board and executive compensation and remuneration: Executive and board remuneration practices in SOEs are complex and controversial.	Normative	OECD, 2021 Bussin, M. H., & Carlson, C. (2020).
Ownership and control: bureaucratic ownership and control creates inefficiencies. The state is often incapable of efficiently managing SOEs. Political interference and cronyism has further added to the woes of SOEs. Appointments of incapable boards and management (cadre deployment)	Regulative	Thomas, 2012. Tsheola, Ledwaba & Nembambula, 2013; Shava and Chamisa, 2018; Mlambo, Zubane and Thusi, 2022
Compliance: Inability to meet reporting requirements and standards as prescribed in relevant legislative and regulatory requirements. State ownership was also found to reduce the **compliance enforcement** action	Regulative	OECD, 2019; Chigudu, 2018; Al-Janadi, Rahman and Alazzani, 2016).

by weak regulatory authorities and corrupt government officials (Ntim, 2010).Similarly, in Saudi Arabia, firms characterized by high government ownership were often associated with weak compliance of enforcement of corporate regulations. Moreover, shareholders often lack adequate legal and institutional and legal protection.		
Shareholder and Stakeholder management: Governing institutional culture to align with the diverse interests of government, business and society	Cultural-cognitive	Kana (2020)

H1 Strengthening corporate governance will restore the legitimacy of SOEs.

2.3 Corporate governance and institutional legitimacy

Institutional Theory (discussed later) suggests that organisations should incorporate official institutional rules, norms and cultural practices into their core business to attain legitimacy (DiMaggio & Powell, 2000; Scott, 2014). In this study, legitimacy is defined as “assumptions that the actions of an institution are appropriate, proper, and desirable within some socially constructed systems of beliefs, norms, values and definitions” (Suchman, 1995:574). In this study, systems of beliefs, norms and values and regulation are identified as attributes for measuring legitimacy of an institution.

The legitimacy of corporations is compromised by inadequate corporate governance practices that result in firms circumventing rules and regulations, as demonstrated in the infamous cases of the Enron Corporation (Judge, Douglas & Kutan, 2008). As Scott (2014) puts it, regulation expedience as the basis for compliance is thus compromised. Corporations, therefore, lose legitimacy, which is legally sanctioned.

The failure of corporations to create value for all stakeholders, such as the societies they are operating, thus compromises their legitimacy (Judge, Douglas & Kutan, 2008). As reiterated by Scott (2014), the basis for legitimacy in this instance is a social obligation, where legitimacy is morally governed.

In their study, Rizwan and Chughtai (2022) found that fraud and financial misconduct (including untrustworthy financial reporting) compromise the legitimacy of corporations, as this often points to weak corporate governance systems. They argue that changing the governance structure is critical to restoring legitimacy. Some of the changes proposed include the appointment of new directors and executives. According to Wang (2010), restructuring can take place in two dimensions (organisational restructuring and business operation restructuring) and two unique forms (creation or disassociation). The four restructuring strategies illustrated in figure 1 for responding to a legitimacy crisis include:

(i) Disassociation from an illegitimate organisational structure often includes replacing organisational structure, board, and executives as well as processes and procedures.

(ii) Disassociation from illegitimate business operations, which often entails divesting in illegitimate subsidiaries and assets divestment, as well as debt restructuring.

(iii) The creation of monitoring mechanisms involves implementing monitoring systems incorporating shareholders, directors, and other organisational structures.

(iv) The creation of valuable business operations, which often includes stock and asset acquisition.

	Organizational structure	Business structure
Disassociation	Disassociation from illegitimate organizational structure (CEO dismissal)	Disassociation from illegitimate business operations (Asset divestment Subsidiary divestment Debt restructuring)
Creation	Creation of monitors (Board chairman succession Ownership restructuring)	Creation of valuable business operations (Asset acquisition Stock acquisition)

Figure 1: Types of restructuring (Wang, 2010)

H2. Strengthening stakeholder relations will restore trust in SOEs.

2.4 Institutional trust

According to Ciziceno and Travaglino (2019), trust is anchored on the belief that people's behaviour is honest and predictable. At the institutional level, such beliefs are about the institutions' economic and social performance. Institutional trust is defined "as the degree of confidence that people have in the judicial, economic and governmental bodies, as well as citizens' evaluations of the performance of such institutions" (Ciziceno & Travaglino, 2019:1). Institutional trust is defined as the degree of confidence in the economic, judicial and government institutions bodies, as well as the perception of the social and economic performance of such institutions (Ciziceno &Travaglino, 2019). This view is supported by You (2017:458), who argues institutional trust "usually implies confidence not only in the integrity and fairness but also in the competence of institutions". According to Askvik, Jamil and Dhakal (2011:417), "trust primarily depends upon how citizens assess the performance of institutions". High levels of institutional trust foster social cohesion and enables citizens to live in a stable, predictable and controllable environment (Ciziceno &Travaglino, 2019). This study adopts the interdisciplinary model of trust constructs framework by Mcknight and Chervany (2001:1) (see figure 2)

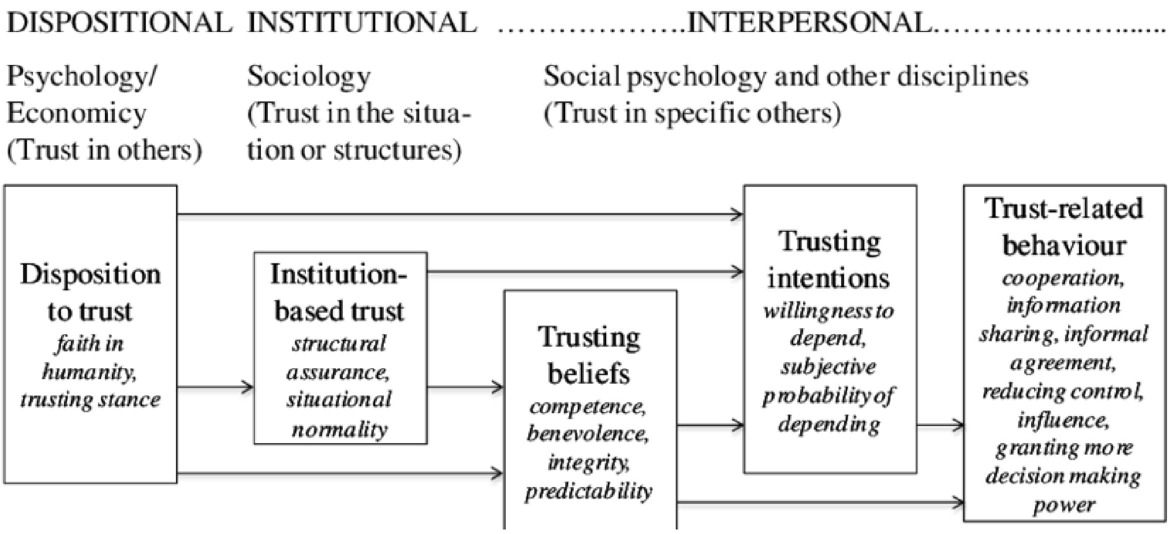

Figure 2: Interdisciplinary model of trust constructs framework (Mcknight & Chervany, 2001:1)

The constructs **are discussed below.**
Disposition of trust - the extent to which is consistently eager to depend on others across a broad spectrum of circumstances.

Institution-based Trust means one believes that there are suitable conditions in an institution to deliver on its mandate.

Trusting Beliefs means one believes (and feels confident in believing) that the other person has one or more traits desirable to one in a situation in which negative consequences are possible.

Trusting Intention means one is willing to depend or feels confidents on the other person will be able to carry out their obligations.

Trust related behaviour focuses on the participation activity and that the trustor depends on the other stakeholders "with a feeling of relative security, even though negative consequences are possible".

This study focuses on institutional trust or trust in institutions or organisations which has two dimensions: personal and organizational. Citizen trust in public institutions is often used as an indicator of successful and governance (Ramesh, 2017). Rothstein and Rostell (2008:11) argued that "biased, unfair, and corrupt administrative system generally goes hand in hand with low levels of social capital, particularly when measured as generalized trust".

2.4.1 Trust and stakeholder relations

According to Oskarsson, Svensson and Öberg (2009:171), "impartial, uncorrupted and equality-enhancing institutions" were pivotal in fostering trusting stakeholder elationships. According to Mishra and Mishra (2013), the majority of studies in trust and leadership focused on interpersonal forms of trust at the expense of institutional based trust key in fostering stakeholder relations. This study closes this gap in literature as it focuses on institutional forms of trust. Institutional-based trust is critical in developing strategies for re-building individuals' and organizations' trust in institutions that have failed and are seeking to meet stakeholders' expectations and strengthen relations (Bachmann & Inkpen, 2011).

Trust, leadership and stakeholder relations

The relationship between leadership, trust and stakeholder relations has also been studied in literature. Leadership plays a pivotal role in fostering trust in their institutions as they interact with stakeholders internally and externally. (Mishra & Mishra, 2013). According to Legood, van der Werff, Lee & Den Hartog (2021:1), "Trust plays a critical role as a key mechanism through which the positive impact of leadership can be elicited". Klaussner (2012:419) conceptualised leadership as a "process of social interaction", a notion reiterated by Titrek (2016), who argued that leadership is not the sole responsibility of one individual but should be collectively and systematically understood as a social process. Trust is, therefore, the glue that strengthens the social process including stakeholder relations. Klaussner (2012:419) also found leadership to be pivotal in promoting trust, fairness and integrity in organisations, which is critical to organisational success (Klaussner, 2012). Mishra and Mishra (2013:61) substantiate this view reiterating that "leaders can institutionalise their interpersonal efforts to build organisational trust by fostering norms and creating organisational practices that generate collective trust".

H3. Implementing corporate governance norms and standards will improve the corporate governance of SOEs.

2.5 King IV report for corporate governance for South Africa

Corporate governance standards such as the King IV are important normative institutional mechanisms for strengthening corporate governance. The objectives of King IV, according to Esser and Delport (2018:1) "are framed as the promotion of good governance as integral to running a business which should deliver benefits that include an ethical culture and the enhancement of performance, reputation and legitimacy". The King IV report for corporate governance has played a vital role in shaping the understanding of corporate governance in the South African context. The report identifies ethical leadership, stakeholder inclusivity, sustainable development, the organisation in society, corporate citizenship and integrated thinking and reporting as the foundation of corporate governance. This was in response to the three corporate world shifts that have impacted corporate governance's evolution. The shifts include:

The shift from financial capitalism to inclusive capitalism – in repositioning capitalism as a catalyst for shared prosperity, inclusive capitalism thus takes account of transformation, employment and all sources of capital such as human capital, social capital, natural capital, and intellectual capital.

The shift from short term capital markets to long term capital markets, sustainable capital markets due to the need to create value in a sustainable manner.

The Shift from Siloed to integrated reporting aligns with inclusive, sustainable market systems (IoDSA, 2016).

These shifts have shaped the transition of corporate governance from a shareholder to a stakeholder perspective, where the firm's purpose is to create value for all its stakeholders. This shift has seen firms moving away from profits as the source of shareholder value to creating stakeholder value through the triple bottom line (people, planet, and profits) (Elkington, 2013; Braccini & Margherita, 2018). SOEs in South Africa have a significant role to play in creating social and economic value for its various stakeholders who include, including the State, the public, businesses, and civil society through the provision of critical economic and social infrastructure for stimulating economic growth and eliminating poverty and inequalities (South Africa, 2012).

Good corporate governance, according to the King IV plays a central role in SOEs and advances the country's and its citizenry's interests by strengthening leadership structures to provide the provisions for governing SOEs to enable them to meet their strategic goals (IoDSA, 2016). King IV identifies 16 principles for strengthening an ethical culture, good performance, effective control, and legitimacy in SOEs. The 16 principles are highlighted in Table 1. The 16 principles are crucial in strengthening trust, ethics, and corporate governance as the three pillars.

The extent of the adoption of the King IV remains unclear in South Africa. According to the Institute of Directors of South Africa (2019:1), Mervyn King, the former chair of the King Committee, was alarmed to discover that “although compliance with King III had become a condition of listing on the JSE, it was apparent that many companies simply saw it as a cost of doing business”. Naidoo (2019:25), further reiterated that many companies were approaching “compliance with the Code in a ‘tick-box’ manner, which reduces compliance to a set of mechanical actions, without addressing the underlying goal”.

Table 2: King IV principles (self - authored)

Principle	Pillar	King IV principles for SOEs
Principle 1	**Ethics**	**The Accounting Authority should lead ethically and effectively.** Ethical values and the protection of shareholder interests according to Agyemang et al. (2019) have a considerable impact the social and economic and economic performance of the firm.
Principle 2	**Ethics**	**The Accounting Authority should govern the ethics of the organisation in a way that supports the establishment of an ethical culture**. According to Tuan (2011), perceived social responsibility and ethical attitudes were also found to be positively correlated with organisational performance outcomes.
Principle 3	**Ethics**	**The Accounting Authority should ensure that the organisation is and is seen to be a responsible corporate citizen.** Corporate citizenship as reiterated by Dion (2017:1) should aim at institutionalising an 'ethic of care'.
Principle 4	**Governance**	**The Accounting Authority should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.** In creating stakeholder value, the board should ensure that the firm acts in responsible manner by creating sustainable business models (Shad, Lai, Fatt, Klemeš & Bokhari, 2019).
Principle 5	**Trust**	**The Accounting Authority should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.** Quality reporting through improved information generation and information sharing was found to improve **trust** (Garrett, Hoitash & Prawitt, 2014)
Principle 6	**Governance**	**The Accounting Authority should serve as the focal point and custodian of corporate governance in the organisation.** Failure by boards to take responsibility for corporate governance has often led to failures in corporate governance due to lack of accountability (Rossouw & Styan, 2021).
Principle 7	**Governance**	**The Accounting Authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.** Orazalin and Baydauletov (2020) in their study on corporate governance strategy and board diversity on environmental and social performance found that board gender diversity promotes sustainable development.
Principle 8	**Governance**	**The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power.** Board independence was found to be as an important variable in explaining good governance practices (Melón-Izco, Ruiz-Cabestre, & Ruiz-Olalla, 2020).
Principle 9	**Governance**	**The Accounting Authority should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, supports continued improvement in its performance and effectiveness.** Board evaluations enable boards to scrutinise and reflect on their current performance by incentivising them to acknowledge their strengths and weaknesses, and also the possible opportunities available to improve their performance (Baldacchino, Camilleri, Schembri, Grima& Thalassinos,2020).
Principle 10	**Governance**	**The Accounting Authority should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.** In providing oversight, the board plays a critical role in appointing a competent CEO whose role should be clearly articulated to avoid conflict between the CEO and chair (Krause, 2017)

Principle 11	**Governance**	**The Accounting Authority should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.** According to Mitnick (2009:330), "the goal ought to be one of mending the broken aspects of corporate trust-building by disclosure of various risks to the corporation to its stakeholders in a context of building shared acceptance of risk".
Principle 12	**Governance**	**The Accounting Authority should govern technology and information in a way that supports the organisation in determining and achieving its strategic objectives.** According to Caluwe and De Haes (2019), Digital transformation of organisations has resulted in the intertwining of organizational strategy with IT strategy with an increasing emphasis on managing risks, a key responsibility of the board, who are accountable for strategy and control.
Principle 13	**Ethics**	**The Accounting Authority should govern in compliance with applicable laws and adopt the necessary rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.** Studies by Nalukenge, Nkundabanyanga and Ntayi, (2018) on also established a significant link between corporate governance and ethics and compliance to international standards such as the International Financial Reporting Standards (IFRS).
Principle 14	**Trust**	**The Accounting Authority should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.** Studies by Flammer, Hong & Minor (2019 concluded that linking executive compensation to the firms performance including corporate social responsibility performance impacted on the firms social, economic and economic performance.
Principle 15	**Trust**	**The Accounting Authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.** Boards rely on management and assurance providers for credible risk information in order to exercise their risk oversight role (Zhou et al., 2018).
Principle 16	**Trust**	**In the execution of its governance role and responsibilities, the Accounting Authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time**. Corporate governance is central in building a governance system for building shareholder and stakeholder confidence and ensuring that all stakeholders are treated fairly and equally (Mahrani & Soewarno, 2018)

2.5.1 OECD Guidelines on Corporate Governance of State-Owned Enterprises

The OECD Guidelines on Corporate Governance of State-Owned Enterprises are recommendations based on internationally accepted standards that governments can adopt to promote efficiency, transparency and accountability in SOE governance. The guidelines also guide the government in exercising state ownership to avoid the challenges of excessive state intervention and passive ownership (OECD, 2021). The Guidelines, according to OECD (2021), aim to achieve the following goals:

(i) Professionalise the state as an owner.

(ii) Make SOEs operate with similar efficiency, transparency, and accountability as good practice private enterprises; and

(iii) Ensure that competition between SOEs and private enterprises, where such occurs, is conducted on a level playing field.

The guidelines are summarised below:

Rationale for state ownership – The guidelines emphasise the need for the state to exercise the ownership of SOEs in the public's interest. The state should carefully evaluate and disclose the objectives that justify state ownership and subject these to a recurrent review.

The State's role as an owner - The emphasis is for the State to be an informed and active owner that ensures that corporate governance is conducted professionally, accountable, and transparently to increase efficiency in SOEs.

State-Owned Enterprises in the marketplace – Calls for establishing a regulatory framework that promotes healthy competition and a level economic playing field.

Equitable treatment of shareholders and other investors - Calls for the State to promote upholding the rights of all stakeholders and shareholders to ensure fair treatment and transparency in accessing information.

Stakeholder relations and responsible business – Calls for recognising responsibilities to promote and strengthen stakeholder engagement and relations.
Disclosure and transparency – Calls for the SOEs to promote high standards of accountability and transparency in compliance, auditing standards, risk management and disclosure.

An analysis of the OECD guidelines brings to the fore that one of the goals is to strengthen SOEs through institutional norms such as standards and regulations that promote good corporate governance practices such as transparency, accountability, and fairness. There is also a strong focus on strengthening stakeholder relations, stakeholder, and shareholder value creation.

H4 Promoting ethical behaviour will restore trust in SOEs.

2.6 Ethics

Ethics, defined as generally accepted formal and informal rules that shape conduct and behaviour to govern society (Jennings, 2014), have caught the attention of management scholars due to increased incidences of unethical conduct in corporations. The Institute of Directors South Africa (2016:12) defined ethics as "ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and the broader society". In the past two decades, the world has been rocked by corporate scandals that have led to significant social and economic consequences. A common factor in those scandals was unethical behaviour by the leadership entrusted by the shareholders and stakeholders to represent their interests. Significant examples that have made headlines include the Enron scandal in 2002 and the VW emissions scandal in 2015. South Africa has not been spared; the Commission of Enquiry on State Capture (2022) identified a list of individuals and corporations involved in unethical business practices. It implicated corporates and directors in SOEs such as SAA, Transnet, and Eskom.

The link between corporate governance and ethical leadership has been discussed in the literature. For example, Guarnieri and Kao (2008) viewed corporate governance as the commitment by corporates and their leadership to behave ethically while contributing to social and economic development. Furthermore, Omofowa, Omofowa, Nwachukwu and Nguyen (2021) argued that the commitment of corporate leadership to serve as drivers in the institutionalisation of ethical values in firms is fundamental to achieving the desired impact. Tuan (2011) found a positive correlation between corporate governance and ethics and argued that organisations that are perceived as having sound corporate governance were also perceived as more ethical. Moreover, perceived social responsibility and ethical attitudes were also found to be positively correlated with organisational performance outcomes. Studies by Nalukenge, Nkundabanyanga and Ntayi (2018) also established a significant link between corporate governance and ethics and compliance with international standards such as the International Financial Reporting Standards (IFRS).

Ethical leadership has been linked to corporate governance due to the similarity in the characteristics and principles (Bătae, 2018). Gamal ElGammal, El-Kassar, and Messarra (2018:287) concluded that one of the fundamental relationships between ethics and corporate governance is that “good CG is based on a number of fundamental ethical values.These include transparency, accountability, responsibility, and probity”. Othman and Rahman (2014), in their study of ethical leadership in relation to corporate governance, introduced morality as a core element in creating good governance practices. Moreover, they further argue that the organisation’s board and the owners have “moral and ethical obligations toward their stakeholders, the presence of CG will further dwell upon these behaviours and increase actions enhancing the decision-making process” (Gamal ElGammal, El-Kassar & Messarra, 2018:287).

Othman and Rahman (2014:366) summarised corporate governance and ethical leadership attributes (summarised in Table 3). Some of the key attributes include accountability (defined Bovens (2006:8), which is defined as the obligation to explain and justify conduct, including performance, decisions and being subject to scrutiny. Transparency relates to stakeholder perceptions to the extent to which an organisation “is free from pretense or deceit, characterized by visibility or accessibility of information about itself, especially concerning business practices” (Lacey, 2023:75). Integrity, as defined by Othman and Rahman (2014), refers to honesty in disclosure of information to various stakeholders, including shareholders and board members. Fairness refers to the need to take into account the concerns of all stakeholders, including minority shareholders, in decision-making (Othman & Rahman, 2014).

Table 3: Corporate governance and ethical leadership (Othman & Rahman, 2014:366)

Ethical leadership attributes	Ethical leadership attributes
Accountability	
• duties and obligation	roles
• independent	separation of duties
• sincerity	example
• work collectively	ethical decision making
Responsive	act immediately to solve dilemmas
Integrity	honesty in disclosure of information to board members, shareholders conforms to principles (personal and standard)
Fairness	work for stakeholders. concern for minority shareholders.
Transparency disclosure	
• openness	willingness to disclose remuneration detail, any conflicts of interest
• trustworthiness	listeners
• due diligent	makes decision
• honesty	discloses information
Responsibility	
• answerable	communicates and interacts with stakeholders
• proprietary (property)	working for others property

Ethical leadership is necessary because ethical behaviour is linked to public trust (Thani & Louw (2021). Ethical values and the protection of shareholder interests also considerably impact the firm's social and economic performance (Agyemang et al., 2019). Ethical leadership "demonstrates the will and ability to strategically position, design, and sustain an organization successfully, to develop employee competence and to direct human and organizational energy in pursuit of performance and achievement that stand the ethical test of effectiveness and efficiency" (van Aswegen & Engelbrecht, 2009: 228). Disoloane (2010) argues that unethical behaviour or conduct reduces confidence and public trust in the impartiality and integrity of leadership. Leadership in the public sector, including SOEs should upload ethical standards as part of their social responsibility towards the citizens they serve (Thani & Louw, 2021).

Moreover, ethical leaders are responsible for discouraging undesirable and unethical behaviour in institutions (Stouten et al., 2013). Ethical leadership in developing countries like South Africa is central to creating an environment that supports democracy and promotes inclusive growth and prosperity. According to Ndlovu, Maramura & Enaifoghe (2020:22), "the leaders who occupy positions in the public and private sectors and many other institutions can influence the system, as a result of their greater authority and power, as they have access to resources".

2.7 Factors impacting trust and ethical behaviour.

2.7.1 Corruption and trust

You (2018) viewed corruption, unfair and untrustworthy behaviour, which is likely to reduce institutional and social trust. Thanetsunthorn (2022:21) argued that corruption impacts social trust. In contrast, corporate governance was influential in promoting trust in society, significantly mitigating the “eroding effect of corruption on social trust”. Ciziceno & Travaglino (2018:1), citing Chang and Chu (2006), argued that “corruption corrodes trust in institutions because it implies that economic, governmental and judicial bodies are unable to manage public goods and apply procedures fairly”. High levels of corruption erode social trust and confidence in institutions as it gives the perception that the institutions represent the interests of the few rather than the general interests of all stakeholders (Kotzian, 2011; Ciziceno & Travaglino, 2018). Thus, when institutions are perceived as corrupt, they lose credibility and are viewed as inefficient (Pellagata & Memoli, 2015; Ciziceno & Travaglino, 2018).

You (2018) convey an interesting dimension arguing that the impact of corruption on trust can vary across individuals and societies. He argues that corruption can catalyse trust, especially personal trust among corruption networks, in the forefront of corrupt transactions. This notion is reiterated by Bhorat, Buthelezi, Chipkin, Duma, Mondi, Peter and Friedenstein (2017) who argued that in establishing a shadow state, networks of middlemen or brokers must be established that can move resources within the network to sustain loyalty (this is critical to ensuring the network's survival.

In a review of literature, You (2018) distinguished between in-group trust and out-group trust, and between generalised interpersonal trust (social trust) and particularised interpersonal trust. Particularised trust is often rife in corrupt networks ad is often central in corrupt practices and can be distinguished from generalised trust (trust afforded to anonymous others), which is often associated with low levels of corruption (Pérez-Chiqués & Meza, 2021). According to You (2021:460), "in a society in which basic public services such as education and health are not available without petty corruption, participating in petty corruption might enhance even generalised trust because corruption is considered a kind of 'lubricant' for social life". This notion is reiterated by Chang (2013:89) whose study of the impact of corruption on trust concluded that "when citizens have confidence that a return will be provided as promised in exchange for a bribe, citizens can even develop a sense of "trust" in the structure of corruption". Ang (2021), for example, argues that not all types of corruption hurt growth, nor do they cause the same kind of harm. I argue that how corruption is perceived in society and the extent to which it benefits society has a significant impact on social trust. Ang (2021) categorises corruption into four categories (i) grand theft, involving looting public coffers, (ii) access money, which involves bribery to access business networks and opportunities, (iii) petty theft, involves theft by civil servants and (iv) speed money which is bribery paid to shorten delays in accessing services. The first two usually involve the elite with access to powerful business and political networks. In contrast, the last two usually involve non-elites such as bureaucrats, civil servants and the general public.

Petty theft, which usually involves non-elites such as regular civil servants and benefits a few and is therefore likely to reduce social trust. Speed money will likely impact social trust depending on how much it benefits society. According to Chang (2013:89), "when the corruption network is well structured and assures individuals and firms the government services they have "purchased," it is possible that citizens might view bribes as transaction fees in daily politics". In this instance, such corruption is likely to foster social trust. Ang (2021) identifies grand theft as the most harmful (likened to toxic drugs) impedes growth by looting public coffers meant for social and economic development. This form of corruption benefits a few elites and is thus likely to erode social trust. Access to money stimulates growth but generates distortions, risks, and inequality as it benefits the elite with access to powerful networks. This is, therefore, likely to erode social trust, especially in a developing country like South Africa, where there are huge inequalities. I argue that corruption involving the elites, particularly grand theft, is the most growth damaging. Itonly benefits a few elites with access to political and business networks and is likely to erode trust. Speed money, although viewed as the lubricant of social life and likely to increase generalised trust and social trust is likely to erode trust in institutions where such corrupt practices are rampant. Figure 3 summarises the different forms of corruption identified by Ang (2021).

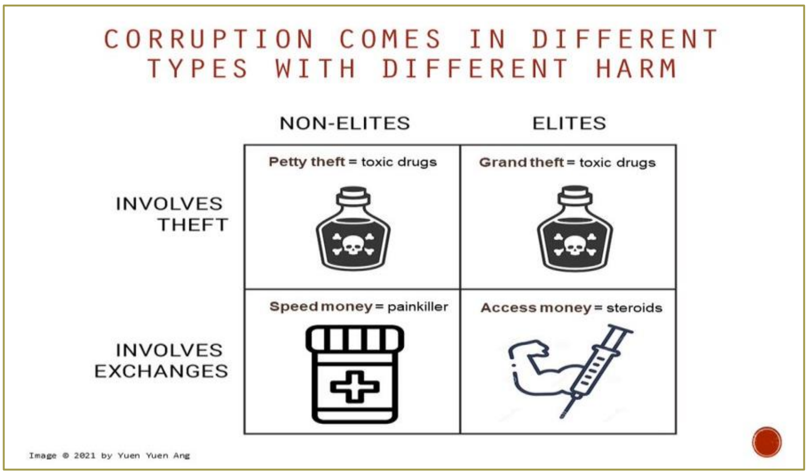

Figure 3: Four forms of corruption Ang (2021)

Ang (2021) likens grand theft and petty theft to toxic drugs because of the harm it causes to society and the economy. Access money is likened to steroids because it stimulates growth, however, with detrimental effects in the long term. Speed money (petty bribery) is likened to painkillers as it shortens delays.

South Africa is still suffering from the effects of the period of state capture that saw the elite, leadership in SOEs, and private individuals use state resources for private gain. The State Capture Commission’s investigations into South African Airways and its associate companies revealed that “when companies are so depleted of those who are responsible and accountable, the conditions for state capture take hold. State capture thrived in these entities because they were eventually being run, not in the interests of the people of South Africa for whom they were established, but in the interests of a select few who wielded power inside and outside of the entities” (South Africa, 2022:8). The establishment of patronage networks through informal structures aimed at produce systems of “power, profit and protection” to enable operations that enable “continued preferential access to resources and power through an exploitative economic system" (Bhorat et.al. 2017:56). Figure 4summarises how the patronage network composed of the elite (responsible for establishing patronage networks that enable the distribution of benefits); the brokers consisting of middlemen facilitating the movement of funds, information and/or goods both domestically and across transnational networks; the controllers who are powerful individuals who secure access and control resources; the dealers responsible for managing financial resources and illicit activities such as money laundering. The patronage networks who have cultivated a culture of corruption in SOEs have led to the mistrust of SOEs, who have often been viewed as the haven for corruption in South Africa.

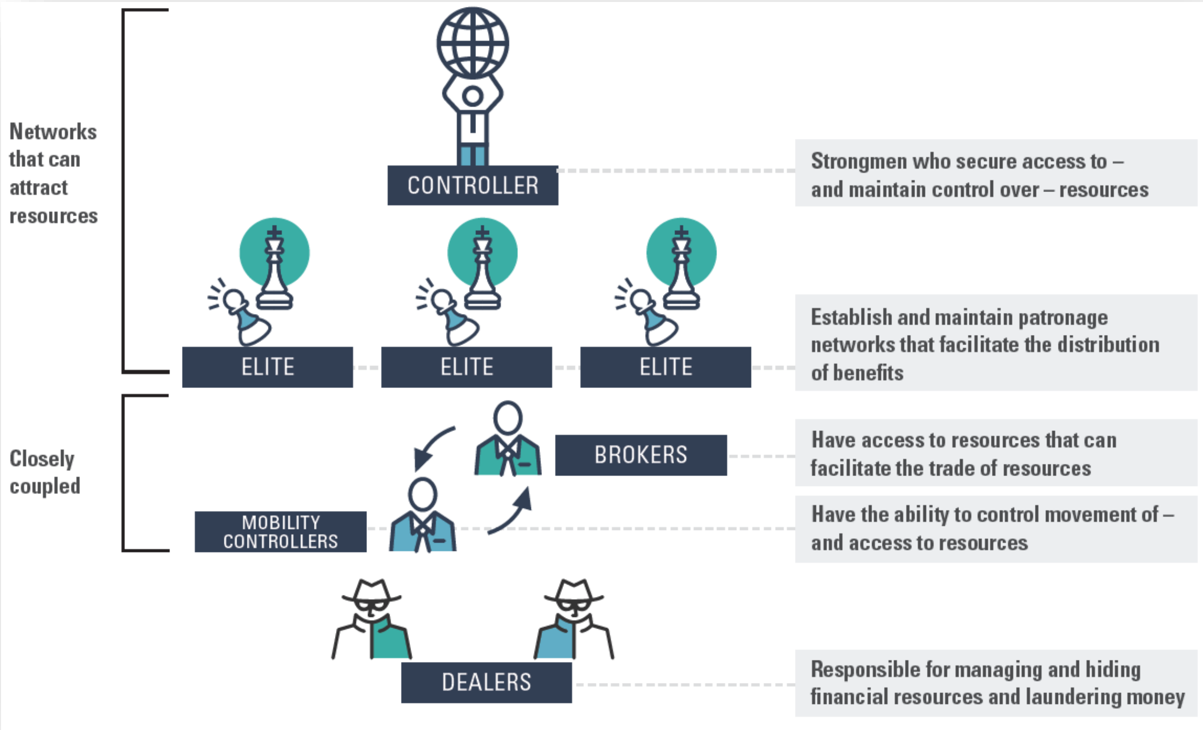

Figure 4: Generalised model of a patronage network that extracts and administers rents (Bhorat et.al, 2017)

2.7.1.1 Lack of transparency and trust

According to Kamal (2010), the lack of transparency (a critical agenda that bureaucrats and politicians should be advocating for) is another significant problem in SOEs. This has been caused by failure to disclose important information to the public and other stakeholders, who are ultimate owners. Despite being valid owners, key stakeholders such as the public often lack social control. This is seemingly to safeguard their self-interests in SOEs. This view is reinforced by Kamal (2010:219), who argues that "the lack of transparency is intentionally done to cover up the politician's and bureaucrats' agendas, such as agenda of the political party from the government in power that are contrary to the company's business agenda". The lack of transparency often leads to lack of trust in the state and its institutions, including SOEs. According to Grimmelikhuijsen, Porumbescu, Hong and Im (2013:3), "increased citizen knowledge of government processes and performance will increase understanding and trust in government.

2.7.2 The agency problem and trust

The agency problem is considered one of the SOEs major problems because politicians and bureaucrats as agents tend not to carry out their work in accordance with the interests of society as real owners. The agents run the company for their self-interest instead of the owners' interest (Kamal, 2010:214). This has arguably led to mistrust among the key role players in SOEs. Four agency problems identified by Kamal (2010) prevalent in SOEs include:

The problem between the society as the ultimate owner of SOEs and the government as the actual owner (ultimate principal-actual principal or ultimate principal-agent relationship problem). Bureaucrats and politicians and bureaucrats as agents tend to run SOEs for their self-interests without considering the interests of society as real owners. This is what has led to mistrust between bureaucrats, politicians and society as the ultimate owners. The agents run the company for their self-interest instead of the owners' interest (Kamal, 2010). Moreover, competing objectives may affect the optimal performance of SOEs, such as their commercial orientation while supporting developmental objectives (OECD, 2021).

The problem between the government and the board (actual principal-board relationship problem). Studies by Vagliasindi (2008: 4) found that in developing countries, the role of appointed board members was often to "protect the interest of their ministries, a task often at odds with bringing efficiency improvements''. Studies in South Africa found that government interfered directly in the running of the SOEs, thus assuming the authority of the appointed boards. Ironically, where the government was expected to exercise control in SOEs legitimately, through the boards, to ensure sound governance, it failed to do so (Thomas, 2012). Government ownership results in government interference in the selection of the board. This has significantly weakened the independency of directors, therefore compromising the effective role played by directors.

The problem between the government and senior management (principal-management relationship problem). Deploying party loyalists in senior management in SOEs has made separating managerial and party roles, arguably central in strengthening corporate governance, a significant challenge in SOEs (Leutert, 2016).

The problem between senior board management (board-management relationship problem). In South Africa, the government, ministers, and political heads are responsible for appointing SOE boards and CEOs. According to Thomas (2012:450), “this institutional requirement inevitably blurs the accountability for performance between the board and the shareholder when the board has little or no real authority over a CEO who is ultimately responsible for the operational management of the organization”. Moreover, boards are not incentivised to transform and are not empowered to monitor and control senior managers’ performance in SOEs (Belikov, 2009; Thomas, 2012).

2.7.3 Political interference and trust

In South African SOEs and other public entities, political connections have often informed the appointment of boards and senior management appointments. Shava and Chamisa (2018:1) argue that “the positive policies designed to improve the country’s economy were accompanied by a cadre deployment policy that advocated for ANC party loyalists to occupy prominent positions in the public sector. This political patronage – implemented via state jobs – led to poor performances in government institutions and the nation as a whole”. According to Mlambo, Zubane and Thusi (2022), the cadre deployment policy has resulted in state entities being managed by inexperienced political office bearers driven by personal interests rather than delivering value to the public. Shava and Chamisa (2018) argue that the cadre deployment policy, which is justifiable for maintaining party interests in public entities, has ruined the human resources capacity in public entities critical to functioning effectively due to political interference in the hiring and firing of public officials. Agyemang et al. (2019) caution cabinets against political interference in corporate governance structures. The appointment of people with the right level of skills underpins the accountability and performance of the board (Thomas, 2012; Minichilli et al., 2007).

The cadre deployment policy has been castigated for consolidating party loyalty over governance, eliminating room for accountability and transparency while enabling politics to influence decisions taken in the public sector, including SOEs (Mlambo, Zubane & Thusi, 2022). This in turn has eroded trust in the political appointment process. Appointments driven by political motives have been found to compromise the competence and independence of boards and SOEs (Thomas, 2012). In South Africa, the cadre deployment policy has had a detrimental influence on the governance and performance of public entities (Mlambo, Zubane & Thusi, 2022).

2.7.4 Weak institutions and trust

Quinn (2008”1), citing earlier work by Jones Luong and Weinthal (2004), argued that “creating strong institutions to increase efficiency, eliminate waste, and increase profits are not always in the short-term interests of governing elites” (Jones Luong & Weinthal, 2004). This perception has led to the mistrust of SOE (Soften) leads to lack of support by other key role players critical in the success of SOEs.

2.8 Theoretical framework

This section discusses the use of theory in understanding corporate governance. This is key in conceptualising the phenomena being examined within the existing body of knowledge and theory. We start by discussing the use of theory in corporate governance and related studies to identify gaps in the theory. Institutional Theory and the Stakeholder Theory underpin this study and are discussed to ascertain their value and application in this study and management research. The section frames this study within the theory to increase rigour in producing new knowledge within the management discipline.

2.8.1 Use of theory in corporate governance studies

Various theories have been used in the study of corporate governance and related phenomena. Agency Theory remains one of the popular theories in the study corporate governance and related phenomena. The theory according to Panda & Leepsa (2017) discusses challenges that emerge in corporations due to the separation of owners and managers and emphasises on addressing this challenge. This theory helps in implementing governance mechanisms for controlling actions of agents' in jointly owned corporations. The theory has however been criticised for its narrow view of the firm as existing to meet the needs of shareholder and leaving out other key stakeholders. This is one of the gaps that this study seeks to address.

Another theory that is commonly used is the Legitimacy Theory which, according to Zaman, Jain, Samari and Jamali (2022:720), "is built on the notion of a social contract, where an organisation deliberately employs various legitimisation tools, such as CSR reports and disclosures to communicate its conformance within a socially constructed system of norms, values, and beliefs to its internal and external stakeholders". The theory addresses legitimacy, an essential construct in this study. It, however, falls short in addressing other important issues, such as the pressures organisations are subjected to in legitimising their existence. This gap is addressed by using Institutional Theory (discussed later)

Another theory that is slowly gaining popularity is the **resource-based view (RBV)** which, according to Harjoto, Andreas, Hoepner and Qian (2022:831), focuses the organisation on creating value for social networks and resources that generate sustainable competitive advantage. This theory has been used to explain how corporate governance can generate sustainable competitive advantage (Freeman, Dmytriyev & Phillips, 2021; Harjoto et al., 2022). Building on the RBV theory, Barney (2018) extended the RBV model of profit appropriation theory by incorporating stakeholder theory. The Stakeholder Resource Based View (SRBV) is pivoted on the understanding that the generation of value requires that stakeholders, other than its shareholders, also benefit from the profits (Barney, 2018). Stakeholders with access and control of valuable hold higher "economic bargaining power". Moreover, the value and relevance of corporate governance is anchored on the stakeholders' interest in the firm's sustainability (Maretno, Harjoto, Andreas, Hoepner and Qian, 2022).

2.9 Institutional Theory and Stakeholder Theory

This study integrates Institutional Theory and Stakeholder Theory. This approach aligns with recommendations from Zaman, Jain, Samari and Jamali (2022), who suggested that future research in corporate governance can benefit from integrating mainstream theoretical perspectives to investigate the phenomena at the macro, micro and meso levels. According to Ayuso, Rodríguez, García-Castro and Ariño (2014), the debate on corporate governance theories has been split between the stakeholder and the shareholder perspective whose paradigms have a conflicting understanding surrounding the goal of the organisation and its critical structures of governance. The traditional and shareholder perspectives view the firm as a legal entity for maximising shareholder value. On the other hand, the stakeholder approach views the firm as responsible for creating value for its wider stakeholders, going beyond the shareholders.

Going beyond the shareholder and stakeholder theoretical debate, Ayuso et.al, (2014: 416), citing earlier work by Wheeler & Davies (2004), observed that the measures of good corporate governance are often consistent with the principles of agency theory, such as the responsibility of boards and their agents. This notion is reinforced by Kooskora (2008:195), who argued that the most general approach within the economic theory is the treatment of corporate governance as a principal-agent problem based on the agency theory.

On the other hand, the competing approach, the stakeholder perspective popularised by Freeman (2001), argues that corporate governance is more than treating only the problems with the direction and control of the firm but also focuses on various stakeholders impacted by the firm (Kooskora, 2008). The stakeholder perspective of corporate governance thus focuses on the stakeholder relationships and the firms' structure that drive and influence strategic direction, strategic objectives, organisational design and performance (Kooskora, 2008). This study introduces the institutional perspective as the third dimension. Institutional Theory and Stakeholder theory are discussed in the next section.

2.9.1 Stakeholder Theory

Stakeholder Theory, a theory with its foundations in strategic management, helps understand the complex relationships between business, society, and government. Freeman (2001) viewed business as a set of value-creating relationships among stakeholder groups with a legitimate interest in the activities and performance outcomes of the business. The success of organisations is pivoted on understanding how complex stakeholder relationships work in the value creation process. The use of Stakeholder Theory in examining the relationship between stakeholder actions and organisational performance has been widely studied in the literature. The firm is conceptualised by Kooskora (2008:195) as a "social and technical system where different stakeholders play a part". The Stakeholder Theory, according to Orazalin (2019), thus postulates that the long-term survival of a firm and its sustainability is dependent on the support of all its stakeholders. The core principle of this theory is that a firm's objectives and goals can be achieved by balancing the conflicting interests and demands of various stakeholder groups, including employees, customers, suppliers, auditors, shareholders and the general public (Freeman, 1984). Donaldson and Preston (1995:67) argue that stakeholder theory, in its instrumental form, "establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals".

2.9.2 The stakeholder approach to corporate governance

According to Ghobadian, Money and Hillenbrand (2015:272), academic research in corporate governance "has often been explicitly embedded in the context of stakeholder relationship research as a means to define and measure its nature, relevance, and impact". Corporate governance is central to building a governance system for building shareholder and stakeholder confidence and ensuring all stakeholders are treated fairly and equally (Mahrani & Soewarno, 2018). The strategic view of corporate governance promotes the idea of generating value through 'doing good' by driving sustainability by considering various stakeholder interests (McWilliams & Siegel, 2001:1).

According to Salvionia and Gennari, (2019), the growing attention on sustainability and corporate social responsibility has driven many firms to strengthen their corporate governance in line with the stakeholder perspective. According to Mahrani and Soewarno (2018), corporate governance ensures that firms operate for the benefit of not only their shareholders but the broader stakeholders by implementing initiatives that respond to the needs of the broader stakeholders. Mason and Simmons (2014) challenged current views on corporate governance by proposing a model and adopting a holistic approach to corporate governance that integrates firm, shareholder, and broader stakeholder concerns. This approach is supported by Kooskora (2008) and O'Malley (2003), who adopted a new paradigm that viewed business as a subset of society and a mechanism for social value creation with a recognition that all 'private value' exists within a social context. The stakeholder systems model proposed by Mason and Simmons (2014) (see figure 5) can be used to identify a particular stakeholder group's expectation of the firm, the organisation's response to these stakeholders' expectations, and the implications for both parties with their expectations being met. This approach demonstrates how effective stakeholder management can enhance organisational effectiveness, efficiency, and reputation (Mason & Simmons, 2014). The proposed model identifies equity and justice as an ethical basis for sound stakeholder management as critical in assessing stakeholder satisfaction with the organisation's corporate governance process, outcomes, and philosophy. The model thus highlights how stakeholder perceptions influence the perceived performance of the firm.

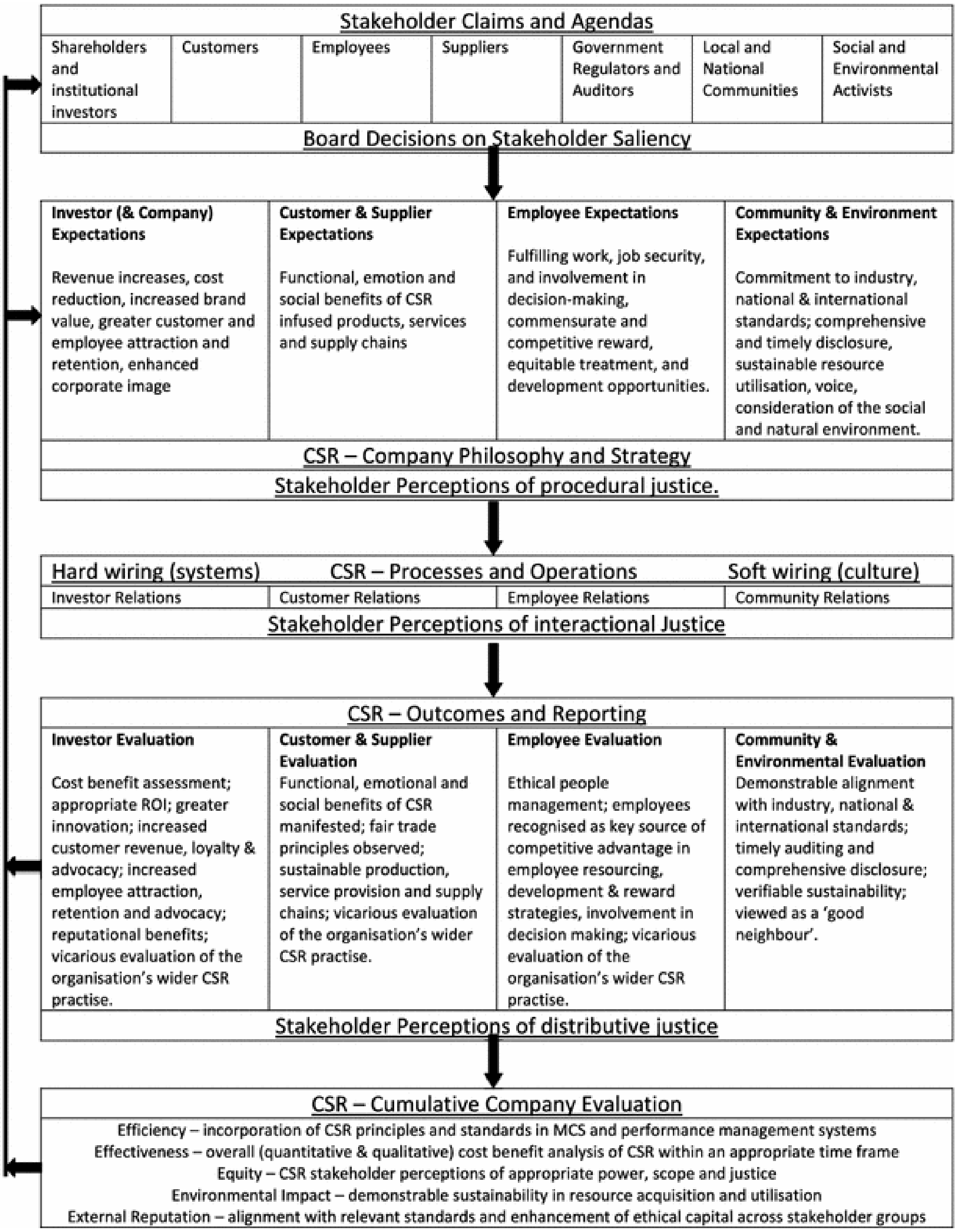

Figure 5: A stakeholder systems model of corporate governance and corporate social responsibility

2.9.1 2.9.3 Institutional Theory

Institutional Theory, a multidisciplinary with roots in economics, political science and sociology, posits that institutions are influenced by the external and internal political, social and economic environment they operate (Scott, 2014). Institutional Theory identifies three levels of analysis, that is:

(i) Societal institutions, which are higher level/ global level institutions such as governments and international institutions such as the United Nations, Standard organisations that can use their ‘global’ influence in shaping actions, behaviour and structures.

(ii) Governance structures may include organisations and corporations that operate in similar industries and are impacted by the actions of societal institutions.

(iii) Actors include individuals and groups that are impacted by the actions of societal institutions and governance structures.

Institutional Theory is key in understanding the complex relationships inherent in institution's political, social, and economic context (Luna-Reyes & Gil-Garcia, 2011). In understanding the phenomena being explored, applying Institutional Theory will help conceptualise the dynamic interplay between actors in institutions and structures in organisations (Nurdin, Stockdale & Scheepers, 2012). Moreover, the use of Institutional Theory in understanding phenomena such as corporate governance, according to Basuony and Mohamed (2019), provides an opportunity for Institutional Theory refine and clarify particular issues such as the control and ownership of the institution. The use of Institutional Theory in studying corporate governance is supported by (Mertzanis, Basuony & Mohamed, 2019:77), who argued that “Institutional Theory, with its insights into the nature of authority and control structures, the institutional theory provides important contributions to scholarship on corporate governance through its unique position”.

Regulation, sociocultural norms, values, and belief systems play a crucial role in firm structure, behaviour, and performance has been widely discussed in the literature (Scott, 2014; Mertzanis, Basuony & Mohamed, 2019). According to Scott (2014), institutions are anchored on three pillars (normative, regulatory, and cultural-cognitive) (see table 4). This study uses the three pillars framework to explore forces that act on institutions, shaping their behaviour.

Table 4: Three pillars of institutions (Scott, 2014:60)

	Regulative	Normative	Cultural-Cognitive
Basis of compliance	Expedience	Social obligation	Taken-for-grantedness shared understanding
Basis of order	Regulative rules	Binding expectations	Constitutive schema
Mechanisms of logic indicators	Coercive	Normative	Mimetic
	Instrumentality	Appropriateness	Orthodox
	Rules	Certification	Common beliefs
	Laws	Accreditation	Shared logics of action
	Sanctions		Isomorphism
Affect	Fear/Guilt/ Innocence	Shame/Honour	Certainty/ Confusion
Basis of legitimacy	Legally sanctioned	Morally governed	Comprehensible Recognisable Culturally supported

(i) The regulative pillar used legal sanctioning as the basis for legitimacy in the institution and stresses that institutions constrain and influence desired behaviour in institutions through rules, rewards, and punishment to influence future behaviour (Jacobson, 2009; Scott, 2014).

(ii) The normative pillar is anchored on the belief that the institution's basis for legitimacy is morally governed. The normative pillar consists of obligatory, prescriptive, and evaluative normative rules (Scott, 2014). Normative theorists, according to Scott (2014) emphasise the stabilising roles of internalised and imposed norms and social beliefs in institutions.

(iii) The cultural-cognitive pillar uses a comprehensible and recognisable culture as the basis for legitimacy. It stresses "the role played by the socially mediated construction of a common framework of meanings" (Scott, 2014: 70).

Institutional Theory is critical in understanding the divergent organisational behaviours and strategies used by institutions and their actors to secure resources and legitimacy key to the survival of any institution (Scott, 2014). This notion is supported by Chen and Wan (2020:487), who note that "existing studies contend that institutional environments can influence the likelihood of firms acting responsibly, and enterprises operating in countries or regions with similar institutional environments show similarities in their social responsibility actions through the force of institutional isomorphism" Institutional Theory also posits that organisations are impacted by broader institutions reflecting the coercive, normative and cultural-cognitive forces (DiMaggio & Powel, 2000). Institutional Theory places corporate governance "within a wider field of economic governance characterised by different modes, including the market, state regulation and beyond" (Brammer, Jackson & Matten 2012: 7).

Institutional Theory has been used to predict the diffusion and institutionalisation of corporate governance practices, norms and standards such as international accounting and reporting standards (Ntim, 2013). Institutional Theory has also been used to understand how social and political institutions, such as governments, use coercive isomorphism through rules, policies and regulations to regulate the behaviour of organisations and society (Scott, 2014; DiMaggio & Powel, 2000). Institutional Theory suggests that the adoption of good corporate governance practices can enhance efficiency by minimising agency conflicts between senior management in SOEs and government (as a powerful shareholder) (Ntim, 2013).

2.10 Summary

This chapter discussed corporate governance, ethics and trust, how they impact performance, and State Operate Enterprises' (SOEs) legitimacy. The chapter identified some corporate governance literature gaps that this study seeks to close. From the review of the literature, it is clear that corporate governance has captured the attention of researchers due to the challenges around ethics, trust and legitimacy that have compromised the social and economic performance of SOEs. The chapter also discusses the application of theory in corporate governance and related disciplines, as well as gaps in the application of theory. The chapter contributes to the corporate governance theory debate by identifying gaps and opportunities in using theory in corporate governance. The chapter also integrates Institutional Theory and Stakeholder theory in investigating the phenomena. The two theories were used to understand issues such as legitimacy, complex stakeholder relationships in the value creation process and institutional dynamics in multi-stakeholder contexts. This chapter contributes to the ongoing theoretical debate in corporate governance and related fields. This study also integrates two theories (Institutional Theory and Stakeholder Theory) which is vital in understanding complex phenomena.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research paradigm, research design, and method used in this study. It also discusses the data gathering techniques, population and sampling techniques, data analysis, and methodological limitations. The research approach, design, and methodology choices discussed were informed by their relevance to exploring the following research questions:

1. What corporate governance institutional mechanisms should be implemented to restore legitimacy in SOEs?
2. To what extent does stakeholder relations improve trust in SOEs?
3. To what extent does the implementation of corporate governance institutional mechanisms improve the corporate governance of SOEs?
4. To what extent does promoting ethical leadership improve trust in SOEs?

3.2 Research paradigm

The research paradigm refers to a “shared set of ontological and epistemological assumptions that unite a community of scholars” (Gupta & Mukhopadhyay, 2014:110). The research paradigm provides beliefs and influences the phenomena that should be studied, how the phenomena should be studied, and how the results are interpreted in any particular discipline. The paradigm thus defines “a researcher’s philosophical orientation… [and] has significant implications for every decision made in the research process, including choice of methodology and methods” (Kivunja & Kuyini, 2017:27).

This study adopts the positivist approach which assumes that there is "a single, objective reality that can be observed and measured without bias using standardized instruments" (Rubin & Rubin, 2012:15). Positivist research thus aims to test theory so as to enhance predictive understanding of phenomena. This study thus follows a positivist approach as it aims to test the hypothesis.

The study also follows a **deductive** approach by starting with theory and testing theory using empirical data collected through research as reiterated by Bhattacharjee (2012) and Gupta (2014). The study uses empirical data to test the theory on stakeholders and institutions to enhance predictive understanding of the phenomena under investigation. Table 5 summarises the positivist approach.

Table 5: Characteristics of positivists research (adopted from Gupta & Mukhopadhyay, 2014:111)

Ontology	Single reality or can be apprehended probabilistically
Epistemology	Knower and known are independent
Axiology	Inquiry is value-free
Inductive/ Deductive	Deductive
Generalization	Time and context-free Generalisation is possible

3.3 Research design

The research design is an overall plan that encompasses the study type, data collection techniques, and data analysis approaches (Bairagi & Munot, 2019). Research design is a mapping strategy. According to Singh (2006:2), “it is essentially a statement of the object of the inquiry and the strategies for collecting the evidence, analysing the evidence, and reporting the findings." This notion is substantiated by Khotari (2009:32), who summarises a research design as containing the following key elements:

(a) A clear statement of the research problem.

(b) Procedures and techniques to be used for gathering information.

(c) The population to be studied; and

(d) Methods to be used in processing and analysing data

This study adopted the **quantitative research design**. The quantitative research design involves the use of quantitative data and statistical analyses in a formal and rigid fashion to achieve a precise and clearer understanding of the phenomenon under investigation (Kothari, 2009; Bhattacharjee, 2012). Some of the characteristics of quantitative research that increase rigor in positivist research are highlighted next.

Table 6: Characteristics of quantitative research (self-authored)

Characteristics	**Supporting literature**
Increases precision and accuracy	Quantitative data adds understanding and more accuracy to social phenomenon being studied (Bhattacharjee, 2012)
Objectivity	Is very objective and is relevant when collecting quantifiable measures of variables and inferences from samples of a population (Queirós, Faria & Almeida, 2017)
Uses a formal approach	Adopts formal instruments and procedures for data collection and structured procedures and formal instruments for data collection(Khotari, 2009; Queirós, Faria & Almeida, 2017)
Is systematic	Allows for the objective and systematic collection of data (Queirós, Faria & Almeida,2017)

3.4 Research method

The survey method was used as a data collection method. The survey method according to Bhattacherjee (2012:73) "uses standardized questionnaires or interviews to collect data about people and their preferences, thoughts, and behaviours in a systematic manner". A survey was for the purposes of collecting data as it was easier to administer than other methods such as interviews and observation given the large sample of the population. Moreover, surveys are often ideal for studies that involve 'people' as the unit of analysis (Bairagi & Munot, 2019, Bhattacherjee, 2012). This is also true in this study where people are the unit of analysis in studying social phenomena such as governance, ethics, trust, stakeholder relations, and their impact on organisational performance.

Furthermore, the survey method was chosen as it made it possible to measure a wide variety of data that is often difficult to observe such as beliefs, attitudes, views, and behaviour. Moreover, the survey method made it possible to collect data remotely, especially in instances where the population under study is too large to observe (Bhattacherjee, 2012).

Surveys are not without their own disadvantages. Some of the disadvantages include low response rates. This is true in the case of the University of the Witwatersrand students who may experience survey fatigue due to the number of surveys that are distributed. To counter this, the researcher distributed the research widely to increase the response rate.

3.5 The instrument

An online survey was used in this study. The survey was anonymous and was distributed and completed online. The survey consisted of 51 questions. Of the 51 questions, four were demographic questions, three were open-ended questions aimed at soliciting recommendations and 42 were a 5-point Likert scale to measure the sentiments of the various stakeholders that participated in the study. The scale The online survey was chosen due to the following reasons:

- There were easy to administer. The design, distribution, access, and completion of the questionnaire were conducted online using the Qualtrics software.
- The online survey was also inexpensive to administer as the researcher had access to tools such as Qualtrics and the University of Witwatersrand email system for distributing the survey.
- The online survey allowed participants anonymity as no personal details that could potentially identify the respondent were captured. This is often difficult to achieve with surveys that are distributed manually where the researcher can always identify the people that answer the survey.

3.6 Population

The population is the entire group of participants the study will focus on and is a subset of the entire universe (Bairagi & Munot, 2019). The target population of the study was the University of the Witwatersrand students. Governance and related issues are complex theoretical and practical concepts, and one may therefore argue that they are better understood by people with some level of post-school education and training.

3.6.1 Sampling

Non-probability sampling (purposive sampling) was used to select participants. Purposive sampling is a non-probability sampling technique that involves "purposive or deliberate selection of particular units of the universe for constituting a sample which represents the universe" (Khotari, 2009:2015). A sample of 250 students at the University of Witwatersrand was targeted as they fit the characteristics of the target population of South African residents with some level of post-school education and training.

The researcher is a student at the University of Witwatersrand and therefore selected the sample based on convenience and easy access to the participants who are also students at the university. Convenience sampling was therefore used due to time and resource constraints in accessing the entire population, as well as ease of access. Convenience sampling is defined as "simply a potential source of research participants that is easily accessible to the researcher" (Marczyk, DeMatteo & Festinger, 2010:23). The sample, however, met the inclusion criteria as the University of Witwatersrand students belong to the target population of South African residents.

3.7 Pilot testing

Pilot testing was conducted in this study to identify gaps in the research instrument. This was a key step in increasing the validity and reliability of the results. The pilot test was conducted a month before the launch of the final survey. The pilot survey was sent to a small sample of 25 which represented 10% of the final sample size. About 15 of the 25 respondents completed the online survey which represented a 60% response rate. Respondents were also requested to identify any gaps and ambiguities with the survey. Pilot testing was a critical step in increasing rigor.

3.8 Data analysis

This study used quantitative data analysis techniques such as inferential statistics which are described by Bhattacherjee (2012) as statistical procedures that are applied in the analysis of data to determine associations among variables. This statistical analysis technique is relevant for this study as this study also aims to draw some insights about the associations of some of the variables. Moreover, according to Bhattacherjee (2012:129), the technique is also “explicitly designed to test hypotheses”, a key process in this study.

Regression analysis was used to analyse data in this study. Regression analysis according to Montgomery, Peck & Vining (2021:iii), is “ one of the mostly widely used techniques for analysing multi-factor data. Its broad and appeal and usefulness result from the conceptually logical process of using an equation to express the relationship between variable of interest (the response) and a set of related predictor variables”.

The analysis of the data was conducted on SPSS, a statistical analysis software package that has the advantage of the ability to analyse large volumes of data often complex to analyse using manual processes. The study also applied the descriptive analysis technique which is described by Bhattacherjee (2012:119) refers to statistically describing and aggregating statistical data, identifying constructs and presenting the relationships between these. The findings of the study are presented and interpreted in the next chapter.

3.9 Validity

Validity according to Marczyk, DeMatteon and Festinger (2010:158) “refers to the conceptual and scientific soundness of a research study”. Validity is key in improving the usefulness and accuracy of the research findings by controlling the accuracy and usefulness of findings by eliminating or controlling many complex and confusing variables so as to increase confidence in research results or findings by eliminating external factors that may impact the accuracy of the findings. Marczyk, DeMatteon, and Festinger (2010:158) identify four unique types of validity, these include:

(i) Internal validity, which eliminates the ability of the research to rule out unlikely alternative explanations to the research results or findings, so as to demonstrate that the independent variable had a direct impact on the dependent variable and, therefore, on the findings or results. Randomisation in the selection of the sample was critical in achieving internal validity.

(ii) External validity has to do with the generalisability of the results or findings of the study. External validity is often compromised by selection bias and sample characteristics which may result in the results not being generalisable to the entire population. In this study selection bias was eliminated by non-probability sampling. Moreover, the sample characteristics were diverse in terms of age, educational level, gender, race, and sector. This increased external validity.

(iii) Construct validity relates to understanding the basis of the causal relationship between theoretical constructs. It thus refers to the similarity between the theoretical underpinnings shaping the study and the results or findings of the study. Multiple linear regression analysis was conducted to test construct validity.

(i) Statistical validity addresses the accuracy of the statistical conclusions drawn from the findings or results. Various models such as the ANOVA test were used to test validity.

3.10 Reliability

Reliability is defined as the ability to produce consistent and repeatable results, and is key in increasing rigor in research by separating variability due to measurement errors from the differences in constructs (Melinger and Hanson, 2020). Reliability is key in building theory in quantitative research through the principle of replication. Replication provides the basis for comparing findings confidently across research studies.

In this study, Cronbach's alpha is used to measure internal reliability. Cronbach's alpha is described by Taber (2018:273) as "a statistic to demonstrate that tests and scales that have been constructed or adopted for research projects are fit for purpose".

3.11 Limitations

The limitation of the research method used is that the sample consisted of participants from one institution of higher learning. The sample is however a true representative of the target population, which is South African residents with a post-school qualification from an institution of higher learning. Moreover, the findings can thus be generalised to the entire population under study.

3.12 Ethical considerations

Ethical considerations are important in studies that involve human participants. According to Yin (2009:5), it is important to conduct research with “high ethical standards”. This study adhered to the University of Witwatersrand's research ethical procedures and guidelines as determined by the Human Research Ethics Committee. The following measures were put in place to ensure that the study adheres to research ethics:

- The study targeted adults that were 18 years and older. Participants were requested to confirm their age before participating.
- The survey did not collect the personal data of participants such as names, identity numbers, home addresses, and work addresses.
- Participation in the study was voluntary and none of the participants were forced to participate either directly or indirectly. Participants were therefore requested to consent to voluntarily participate. It was also explained to participants that their involvement in this study was voluntary and that they were free to withdraw from the study at any time without anything being held against them.

3.13 Summary

This chapter discussed and justified the choice of the research paradigm, research design, data collection, and data analysis. The research design and methodological choices were largely influenced by the problem as highlighted in the four research questions that shaped the study. The study followed a positivist paradigm as its aim is to test theory to enhance predictive understanding of phenomena being investigated.

The study also followed a quantitative research approach to achieve a precise and clearer understanding of the phenomenon under investigation. The survey methodology was therefore used to collect data due to its appropriateness in measuring a wide variety of “unobservable data” such as beliefs, attitudes, and behaviour. Sampling techniques are also discussed. Ways in which validity was increased were also discussed to ensure that the study is scientifically sound. As this study involved human participants, discussions around adhering to strict research ethics principles such as ensuring confidentiality, anonymity, and voluntary participation were also discussed.

CHAPTER 4: ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter discuses and analyses results from primary data collected through the online survey. The data collected was analysed using the SPSS. This chapter builds on chapter three and chapter two which examined evidence from literature and existing theory on the phenomena being investigated. The analysis and interpretation of data in this chapter provides a basis for drawing conclusions and proposing recommendations in the next chapter (chapter 5). This chapter responds to the following **questions** and hypothesis.

1. What corporate governance institutional mechanisms should be implemented to restore legitimacy in SOEs?
2. To what extent does stakeholder relations improve trust in SOEs?
3. To what extent does the implementation of corporate governance institutional mechanisms improve the corporate governance of SOEs?
4. To what extent does promoting ethical leadership improve trust in SOEs?

This chapter also tests the following **hypotheses** that shaped the study.

H1. Strengthening corporate governance will restore the legitimacy of SOEs.
H2. Strengthening stakeholder relations will restore trust in SOEs.
H3. Implementing corporate governance norms and standards will improve the corporate governance of SOEs.
H4 Promoting ethical behaviour will restore trust in SOEs.

4.2 Descriptive statistics

The results are presented using descriptive statistics. The Statistical Package for the Social Sciences (SPSS) was used to analyse the results and statistics such as age, gender, academic qualifications, and sector profile of the respondents and these are summarised in the next sections. Furthermore, scale results are presented to analyse and draw some conclusions to the four research questions that shaped the study for further discussion in the next chapter. Moreover, regression analysis was used to test the hypotheses.

4.2.1 Profile of respondents

A total of number 325 respondents completed that survey. Post the data clean-up, a total of 233 responses were included for analysis. The responses excluded were those where respondents started but never completed the survey, and where the missing data was so significant that meaningful conclusions could not be drawn. The demographic profile of respondents is summarised in the next sub-sections.

4.2.1.1 Educational profile

The majority of respondents 88 (33%) stated that they were holding or pursuing a master's degree as their highest post-school qualification. This was followed closely by individuals with 62(26%) holding or pursuing a bachelor's degree as their highest qualification. About 58 (25%) held or were pursuing an Honours degree. Fourteen respondents 14(6%) held or were pursuing a Ph.D. About 4 (2%) held or were pursuing a post-school certificate. The least represented were those holding a Diploma or equivalent as they constituted less (7) 3%. Figure 6 gives a summary of the educational profile. Respondents that did not meet the selection criteria of individuals holding or pursuing a post-school qualification were excluded.

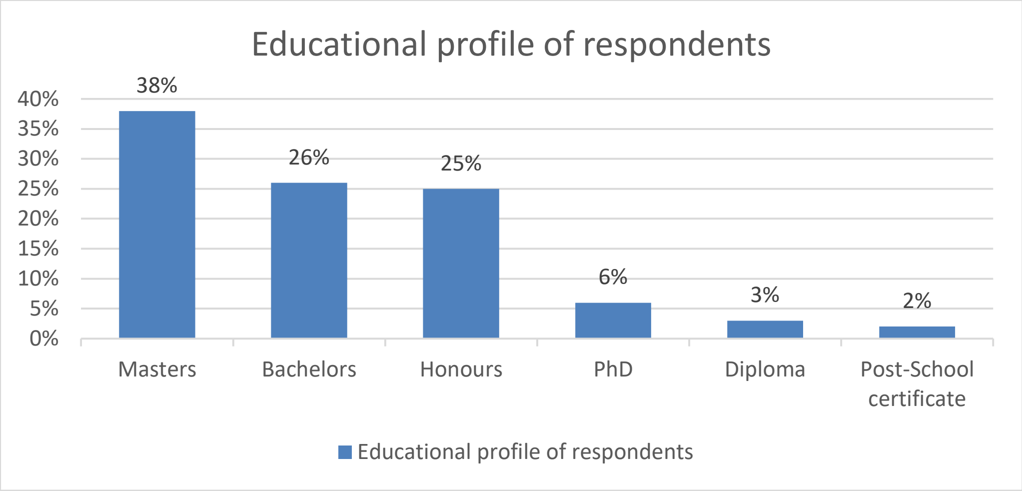

Figure 6: Educational profile Gender profile

The majority of respondents (123) or 53% identified as male, 104 (45%) identified as female male, 3 (1%) identified as non-binary and 3 (1%) preferred not to state their gender. The gender profile is summarised in figure 7.

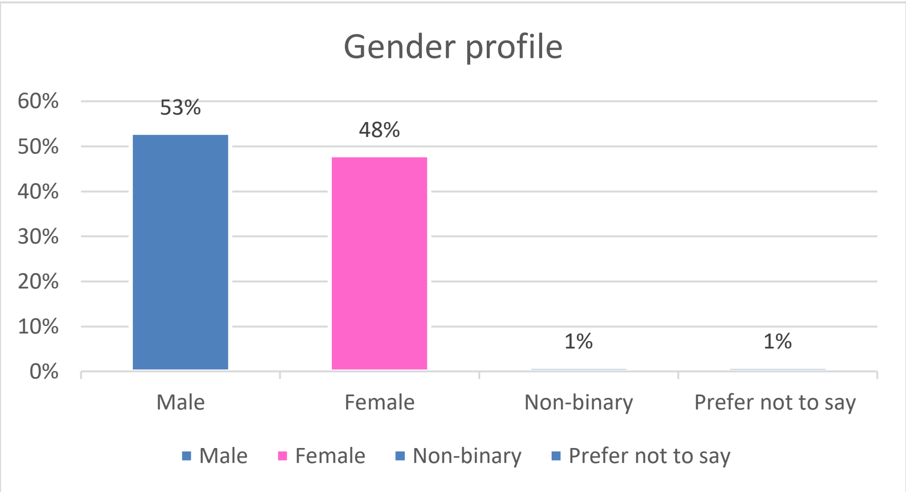

Figure 7: Gender profile

4.2.1.2 Age Profile

The majority of the respondents (31%) were in the 35- 44 age group, followed by the 25-34 age group, who constituted 26%. The 18 – 24 age group were the 3rd largest group and constituted 25%. The 45-44 age group constituted 14%. The 55 – 64 age group constituted 3.5% and the 65+ age group constituted 0,5%. See figure 7 for a summary.

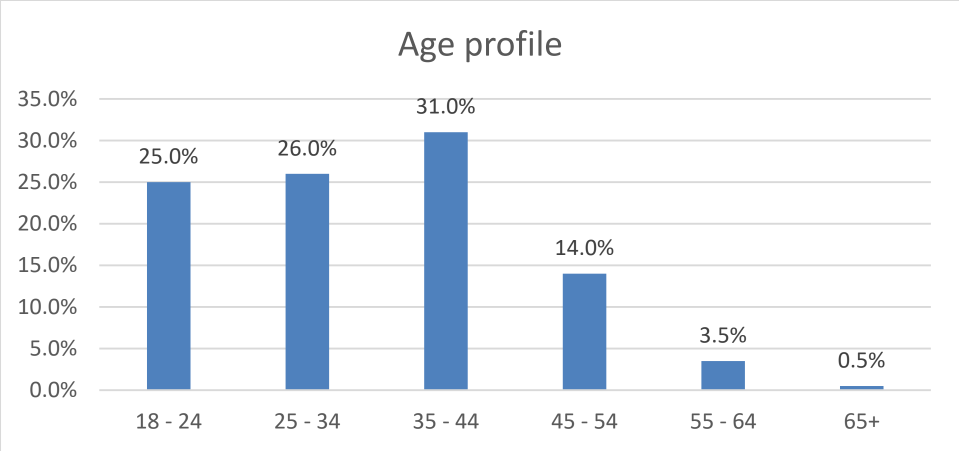

Figure 8: Age profile

4.2.1.3 Sector representation

Of the 233 respondents, 79 represented the business/ private sector (34%), 45 (19%) identified as ordinary citizens, 32 (14%) represented academia, 47 (16%) represented government, 28 (12%) represented SOEs, and 10(4%) represented civil society. The representation of all sectors in the study was critical for increasing external validity as the results can be generalised to the entire population.

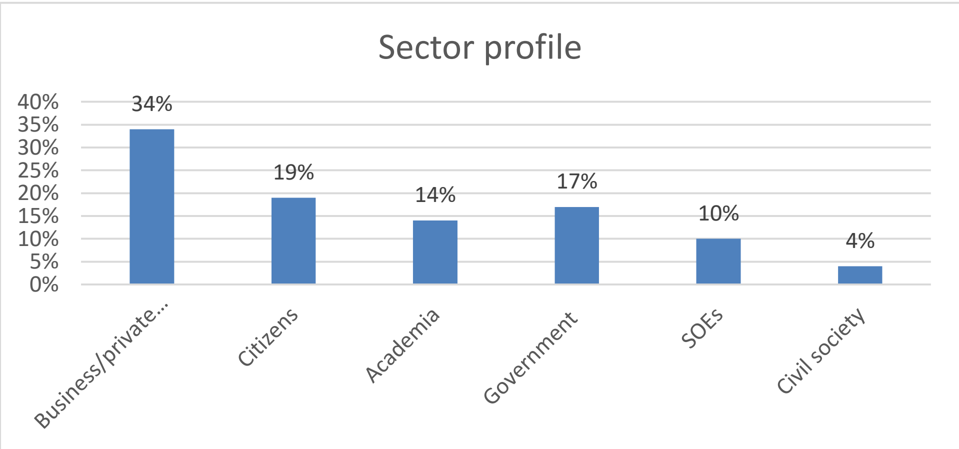

Figure 9: Sector profile

4.3 Reliability

4.3.1 Cronbach's Alpha reliability test

To test the reliability of the scale used in this study, a Cronbach's alpha test was conducted (see Table 7). This is critical, especially in multi-item scales used in this study. According to Ursachi, Horodnic and Zait (2015:680), "Internal consistency reliability is measured using the Cronbach Alpha coefficient, considered to indirectly indicate the degree to which a set of items measures a single unidimensional latent construct". All the measured item in the scales scored between .0760 and 0.892 which is above the acceptable value of 0.6 as reiterated by Taber (2018).

Table 7: Cronbach's Alpha reliability test

Scale	Cronbach Alpha's	N of Items
Institutional mechanisms for restoring legitimacy.	0.892	10
Stakeholder relations and trust in SOEs	0.843	14
Improving corporate governance in SOEs	0.760	9
Promoting ethical behaviour in SOEs	0.764	7

4.4 Interpretation of results

4.4.1 Results pertaining to Hypothesis 1: Strengthening corporate governance will restore the legitimacy of SOEs.

Table 8 summarises the results (scale) pertaining to Hypothesis 1 from the online survey. The 10 questions (see appendix) gathered empirical data pertaining to corporate governance institutional mechanisms (normative, cultural cognitive and regulative) for improving the legitimacy of SOEs. Normative mechanisms examined include corporate governance standard, cultural-cognitive mechanisms include leadership while regulative mechanisms include legislation). Eight of the ten items had a mean scored of more than 4 out of a possible 5 points with an average score of 4.4. The majority of respondents (more than 80%) strongly agreed or agreed that institutional corporate governance mechanisms such as:

- The appointment of professional and capable leadership (normative/ cultural-cognitive) (88,3%)
- Disassociation from illegitimate and unprofitable business operations (normative) (86.1%),
- The creation of new valuable business ventures (normative) (92,9%),
- Implementing strong monitoring and evaluation systems (normative) (82.3%) and;
- Compliance with legislation and corporate governance standards (regulative) (88.3%), were key in improving legitimacy.

Other mechanisms such as creating of new business operations within SOEs and restructuring efforts received the lowest ranking, with less than 65% strongly agreeing or agreeing. The mean score of above 3.5 however indicates that these mechanisms still play an important role in strengthening corporate governance to restore legitimacy. The results supported the hypothesis 1: Strengthening corporate governance will restore the legitimacy of SOEs. The mean score of 4.4 out of a possible 5 supports the hypothesis that strengthening corporate governance will restore legitimacy in SOEs. The results thus show that to a larger extent, the strengthening corporate governance will restore legitimacy in SOEs. This hypothesis is further tested using multiple linear regression analysis discussed later.

Table 8: Descriptive statistics: Legitimacy and corporate governance in SOEs

Constructs		**Strongly disagree.**		**Disagree**		**Neither agree nor disagree**		**Agree**		**Strongly Agree**		**Mean**	**Standard Deviation**
		Fr eq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Legiti macy	Q4_1	6	2.5%	7	2.9%	10	4.2%	73	30.7%	137	57.6%	4.41	.96
Legiti macy	Q4_2	14	5.9%	26	10.9%	45	18.9%	84	35.3%	64	26.9%	3.68	1.165
Legiti macy	Q4_3	7	2.9%	28	11.8%	62	26.1%	85	35.7	51	21.4%	3.62	1.048
Legiti macy	Q4_4	5	2.1%	7	2.9%	16	6.7%	71	29.8%	134	56.3%	4.38	.903
Legiti macy	Q4_5	5	2.1%	1	0.4%	6	2.5%	48	20.2%	173	72.7%	4.64	.753
Legiti macy	Q4_6	5	2.1%	3	1.3%	29	12.2%	76	31.9%	120	50.4%	4.30	.893
Legiti macy	Q4_7	7	2.9%	6	2.5%	33	13.9%	101	42.4%	86	36.1%	4.09	.938
Legiti macy	Q4_8	4	1.7%	3	1.3%	16	6.7%	82	34.5%	128	53.8%	4.40	.815
Legiti macy	Q4_9	7	2.9%	14	5.9%	36	15.1%	71	29.8%	29.8	44.1%	4.09	1.055
Legiti macy	Q4_10	5	2.1%	15	6.3%	35	14.7%	93	39.1%	85	35.7%	4.02	.985

4.4.2 Results pertaining to Hypothesis 2 - Strengthening stakeholder relations will restore trust in SOEs.

Table 9 summarises the results from the online survey pertaining to Hypothesis 2. The responses to the 14 questions provided empirical data pertaining to stakeholder relations and trust in SOEs. The first five questions measured trust in leadership, SOEs and other state institutions. The results, for example, indicated that the majority of respondents (71.6%) either disagreed or strongly disagreed that they trusted leadership in SOEs. Moreover, 76.1% either disagreed or strongly disagreed that they trusted state institutions to deal with corruption and unethical behaviour in SOEs. A significant number (68.8%) also strongly disagreed and disagreed that they trusted the current leadership to deal with corruption in SOEs. There was also distrust that those found to be guilty of corruption will be held accountable as 64.1% either disagreed or strongly disagreed. The culture of corruption that has been institutionalised in most SOEs thus contributed to decreasing trust in leadership in SOEs. Slightly more than half of respondents (53.3%) also strongly disagreed or disagreed that SOEs were transparent about their objectives, operations, and performance.

The second part of the survey for the question dealt with measures to increase trust in SOEs. An overwhelming majority (92,3%) strongly agreeing and agreeing that increasing transparency and accountability as critical, while 91.6% either strongly agreed and agreed that addressing unethical behaviour and corruption was key to increasing trust. Moreover, 88.3% also strongly agreed or agreed that implementation of transparent and independent monitoring and evaluations systems in SOEs will increase trust.

The role of leadership in increasing trust cannot be overemphasised. A total of 86.7% respondents either strongly agreed or agreed that the process of appointment of professional and capable boards free from political interference as a norm was pivotal in increasing trust. Increasing transparency in reporting was also identified as key in increasing trust, with 87% strongly agreeing and agreeing.

Stakeholder communication and stakeholder participation was also identified as a key lever in increasing trust with each scoring 84,5% and 79.3% respectively. Restructuring of SOEs was not deemed to have a significant bearing in increasing trust as 51,7% either strongly agreed or disagreed that it was effective. The results support the hypothesis that strengthening stakeholder relations through transparency, leadership accountability, addressing unethical behaviour and ethical leadership will restore trust in SOEs. One may therefore argue that to a larger extent, improving stakeholder relations will increase trust. This hypothesis is further tested using regression analysis discussed later.

Table 9: Descriptive statistics - scale results for stakeholder relations and trust

	Strongly disagree.		Disagree		Neither agree nor		Agree		Strongly Agree		Mean	Standard deviation
Q5_1	79	34.1%	87	37.5%	51	22.0%	11	4.7%	4	1.7%	2.03	.953
Q5_2	106	45.3%	72	30.8%	33	14.1%	11	4.7%	10	4.3	1.91	1.083
Q5_3	78	33.3%	83	35.5%	54	23.1%	9	3.8%	8	3.4%	2.08	1.016
Q5_4	77	33.2%	72	31%	45	19.4%	26	11.2%	12	5.2%	2.24	1.178
Q5_5	49	21.1%	75	32.3%	61	26.3%	30	12.9%	17	7.3%	2.53	1.173
Q5_6	5	2.2%	4	1.7%	20	8.6%	107	46.1%	96	41.4%	4.23	.845
Q5_7	1	0.4%	5	2.2%	21	9.1%	98	42.2%	107	46.1%	4.31	.762
Q5_8	4	1.7%	9	3.9%	23	9.9%	108	46.6%	88	37.9%	4.15	.877
Q5_9	5	2.2%	8	3.4%	35	15.1%	102	44%	82	35.3%	4.07	.914
Q5_10	1	0.4%	4	1.7%	13	5.6%	96	41.4%	118	50.9%	4.41	.714
Q5_11	8	3.4%	28	11.8%	73	30.7%	69	29%	54	22.7%	3.57	1.079
Q5_12	4	1.7%	5	2.2%	22	9.5%	80	34.5 %	121	52.2%	4.33	.867
Q5_13	2	0.8%	1	0.4%	11	4.6%	64	26.9%	154	64.7%	4.58	.685
Q5_14	3	1.3%	6	2.5%	25	10.5%	72	30.3%	126	52.9%	4.34	.869

4.4.3 Results for Hypothesis 3: Implementing corporate governance norms and standards will improve the corporate governance of SOEs.

Improving corporate governance, as discussed in the literature review section (chapter 2) remains a serious challenge in SOEs. The majority of the respondents (90.1%) concurred that reducing political interference in the running of SOEs was key to strengthening governance. Another 79.2 % either agreed or strongly agreed that cadre deployment had significantly contributed to the poor governance of SOEs. An overwhelming majority (89.6%) also either strongly agreed or agreed with the view that the appointment of professional, independent, and capable boards was key in strengthening corporate governance.

Interestingly, the majority of responds (90.1%) either strongly agreed or agreed that state institutions such as the Auditor General South Africa (AGSA) were empowered to enforce compliance. Moreover, a significant number (70.7%) of respondents also strongly agreed or agreed that implementing institutional norms and standards like the King IV will improve the corporate governance of SOEs. Moreover, (70,7%) respondents strongly agreed or agreed that the current policy and legislative framework was adequate in addressing corporate governance in SOEs. The scale results are summarised in Table 10. An average mean score of 4.26 out of a possible 5 may lead one to draw the conclusion that Hypothesis 4 is supported by the results of this study. Implementing corporate governance standards as normative institutional mechanisms thus to a larger extent will improve corporate governance. This Hypothesis is tested using multiple linear regression analysis.

Table 10: Descriptive statistics: corporate governance of SOEs.

	Strongly disagree.		Disagree		Neither agree nor		Agree		Strongly Agree		Mean	Standard Deviation
Q6_1	**14**	**6%**	**41**	**17.7%**	**49**	**21.1%**	**77**	**33.2%**	**51**	**22%**	3.47	1.188
Q6_2	**10**	**4.3%**	**6**	**2.6%**	**24**	**10.3%**	**78**	**33.6%**	**114**	**49.1%**	4.21	1.024
Q6_3	**5**	**2.2%**	**7**	**3.0%**	**32**	**13.8%**	**84**	**36.2%**	**104**	**44.8%**	4.19	.933
Q6_4	**4**	**1.7%**	**7**	**3.0%**	**12**	**5.2%**	**64**	**27.6%**	**145**	**62.5%**	4.46	.862
Q6_5	**2**	**0.9%**	**2**	**0.9%**	**20**	**8.6%**	**85**	**36.6%**	**123**	**53.0%**	4.40	.755
Q6_6	**4**	**1.7%**	**5**	**2.2%**	**39**	**16.8%**	**49**	**21.1%**	**135**	**58.2%**	4.32	.945
Q6_7	**26**	**11.3%**	**65**	**28.1%**	**48**	**20.8%**	**57**	**24.7%**	**35**	**15.2%**	3.04	1.261
Q6_8	**1**	**0.4%**	**8**	**3.4%**	**59**	**25.4%**	**81**	**34.9%**	**83**	**35.8%**	4.02	.890
Q6_9	**6**	**2.6%**	**33**	**14.2%**	**74**	**31.9%**	**74**	**31.9%**	**45**	**19.4%**	3.51	1.040

4.4.4 Results for Hypothesis 4: Promoting ethical behaviour will restore trust in SOE*s.*

Ethical behaviour and ethical leadership have come under the spotlight in South Africa in the wake of some of the perennial challenges that have become endemic in SOEs. To promote ethical leadership and behaviour to restore trust in SOEs, the overwhelming majority of respondents (94.4%) either strongly agreed or agreed that holding leadership accountable in SOEs is pivotal in reducing corruption and unethical behaviour. The implementation of corporate governance standards as normative mechanisms also ranked high as an effective mechanism for promoting corporate governance and ethical behaviour, with 90.1% strongly agreeing or agreeing. The implementation of consequence management was also considered by the majority of respondents who either agreed or disagreed that this will improve ethical leadership in SOEs.

Moreover, the empowerment of state institutions to enforce compliance to legislation, standards and regulations was viewed by the majority (83.1%) as critical in in dealing with unethical behaviour and corruption. Minimising the involvement of the state in running SOEs and doing away with norms such as the cadre deployment was also considered by the majority of respondents, (70.9% and 20.4% respectively) who strongly agreed and agreed that these were key measures in reducing corruption and unethical behaviour in SOEs. The scale results are summarised in Table 11. The results support hypothesis 4 that promoting ethical behaviour will restore trust in SOEs. The mean score of 4.2 out of a possible 5 supports the hypothesis that promoting ethical behaviour will restore trust in SOEs. Ethical behaviour therefore is to a larger extent pivotal in restoring trust in SOEs. This hypothesis is tested using regression analysis (discussed later).

Table 11: Descriptive statistics: Ethics and trust in SOEs.

	Strongly disagree		**Disagree**		**Neither agree nor disagree**		**Agree**		**Strongly Agree**		**Mean**	**Standard Deviation**
Q7_1	**2**	**0.9%**	**4**	**1.7%**	**7**	**3 %**	**87**	**37.7%**	**131**	**56.7%**	4.48	.721
Q7_2	**2**	**0.9%**	**4**	**1.7%**	**17**	**7.4%**	**77**	**33.3%**	**131**	**56.7%**	4.43	.777

	Q7_3	**5**	**2.2%**	**7**	**3 %**	**40**	**17.3%**	**62**	**26.8%**	**117**	**50.6%**	4.21	.978
	Q7_4	**5**	**2.2%**	**13**	**7.8%**	**33**	**14.3%**	**79**	**34.2%**	**101**	**43.7%**	4.12	.995
	Q7_5	**70**	**30.3%**	**64**	**27.7%**	**37**	**16%**	**41**	**17.7%**	**19**	**8.2%**	2.46	1.308
	Q7_6	**3**	**1.3%**	**6**	**2.6%**	**30**	**13%**	**100**	**43.3%**	**92**	**39.8%**	4.18	.849
	Q7_7	**5**	**2.2%**	**2**	**0.9%**	**16**	**6.9%**	**94**	**40.7%**	**114**	**49.4%**	4.34	.824

4.5 Multi linear regression analysis – Testing hypothesis

Regression analysis is a statistical technique for measuring the relationship between many variables (Uyanık & Güler, 2013). Multiple linear regression analysis was used in this study to identify the variables which were central in understanding constructs and factors valuable in this study and how they influence each other. The constructs analysed in this study included legitimacy, trust, stakeholder engagement and ethics are intangible and often difficult to measure. In determining correlation, Schober, Boer and Schwarte (2018:1) recommended that “specific coefficient should be interpreted as a measure of the strength of the relationship in the context of the posed scientific question”. Therefore, due to the abstract nature of the constructs in this study, a correlation of 0.4 and above will be interpreted as showing a strong relationship, with between 0.2 and 0.3 being interpreted as moderate, a correlation of below 0.2 and below will be interpreted as a weak correlation. Below, the results for the four hypothesis is discussed. See Table 12, 13 and 14 for the regression analysis statistical outputs and models.

4.5.1.1 Hypothesis 1 results: Corporate governance and legitimacy in SOEs

The analysis of data responses to the first question (Q4) which measured the relationship between legitimacy as the depended variable and independent variables such as accountability, compliance, and leadership showed a positive strong correlation. The strong positive correlation of between 0.35 and 0.45 can therefore be used to support Hypothesis 1 that strengthening corporate governance will restore the legitimacy of SOEs. The p value of <,001 shows that the results is highly statistically significant. One can therefore accept the alternative hypothesis. The null hypothesis is therefore rejected in this instance.

4.5.1.2 Hypothesis 2 results: Stakeholder relations and trust in SOEs

The analysis of data responses to the second question (Q5) which measured the relationship between trust as the depended variable and independent variables such as stakeholders, ethics, transparency and leadership culture showed a positive strong correlation. The strong positive correlation of between 0.49 and 0.58 can therefore be used to support Hypothesis 2. The p value of <,001 shows that the results is highly statistically significant. One can therefore accept the alternative hypothesis. The null hypothesis is therefore rejected.

4.5.1.3 Hypothesis 3 results: Corporate governance in SOEs

The analysis of data responses to the third question (Q6) which measured the relationship between governance as the depended variable and independent variables such as monitoring, compliance, norms, and leadership practices and belief systems showed a positive strong correlation. The strong positive correlation of between 0.39 and 0.43 can therefore be used to support Hypothesis 3 that Implementing corporate governance norms and standards will improve the corporate governance of SOEs. The p value of <,001 shows that the results are highly statistically significant. One can therefore accept the alternative hypothesis. The null hypothesis is therefore rejected.

4.5.1.4 Hypothesis 4 results: Ethics and Trust in SOEs

The analysis of data responses to the fourth question (Q7) which measured the relationship between trust as the depended variable and independent variables such as accountability, transparency, fairness and roles and responsibility showed a positive strong correlation. The strong positive correlation of between 0.35 and 0.48 can therefore be used to support Hypothesis 4 that promoting ethical behaviour will restore trust in SOEs. The p value of <,001 shows that the results is highly statistically significant. One can therefore accept the alternative hypothesis. The null hypothesis therefore does not hold water.

Table 12: Correlations matrix

Correlations																				
		Q5_10	Q4_1	Q4_4	Q4_5	Q4_6	Q4_9	Q4_10	Q5_6	Q5_7	Q5_8	Q5_9	Q5_12	Q5_13	Q7_1	Q7_2	Q7_7	Q6_3	Q6_5	Q6_8
Pearson Correlation	Q5_10	1.000	.383	.393	.350	.350	.439	.448	.500	.579	.569	.495	.581	.559	.352	.390	.437	.431	.431	.394
	Q4_1	.383	1.000	.540	.594	.591	.467	.460	.319	.372	.347	.264	.434	.317	.154	.329	.412	.435	.406	.261
	Q4_4	.393	.540	1.000	.691	.608	.544	.458	.260	.366	.359	.241	.369	.420	.300	.420	.478	.463	.397	.263
	Q4_5	.350	.594	.691	1.000	.642	.500	.497	.300	.417	.301	.269	.396	.513	.331	.415	.394	.469	.346	.150
	Q4_6	.350	.591	.608	.642	1.000	.470	.492	.275	.374	.402	.341	.406	.446	.211	.372	.377	.455	.331	.330
	Q4_9	.439	.467	.544	.500	.470	1.000	.698	.299	.409	.388	.344	.415	.401	.228	.337	.377	.390	.393	.233
	Q4_10	.448	.460	.458	.497	.492	.698	1.000	.311	.406	.383	.347	.412	.362	.226	.297	.380	.365	.318	.184
	Q5_6	.500	.319	.260	.300	.275	.299	.311	1.000	.641	.477	.378	.392	.376	.326	.351	.249	.354	.351	.252
	Q5_7	.579	.372	.366	.417	.374	.409	.406	.641	1.000	.567	.460	.516	.479	.373	.406	.395	.383	.381	.334
	Q5_8	.569	.347	.359	.301	.402	.388	.383	.477	.567	1.000	.703	.495	.420	.322	.413	.373	.345	.398	.327
	Q5_9	.495	.264	.241	.269	.341	.344	.347	.378	.460	.703	1.000	.414	.358	.325	.367	.297	.357	.317	.323
	Q5_12	.581	.434	.369	.396	.406	.415	.412	.392	.516	.495	.414	1.000	.513	.301	.353	.399	.461	.470	.282
	Q5_13	.559	.317	.420	.513	.446	.401	.362	.376	.479	.420	.358	.513	1.000	.362	.506	.417	.391	.553	.246
	Q7_1	.352	.154	.300	.331	.211	.228	.226	.326	.373	.322	.325	.301	.362	1.000	.492	.340	.323	.325	.245
	Q7_2	.390	.329	.420	.415	.372	.337	.297	.351	.406	.413	.367	.353	.506	.492	1.000	.407	.287	.405	.229
	Q7_7	.437	.412	.478	.394	.377	.377	.380	.249	.395	.373	.297	.399	.417	.340	.407	1.000	.388	.385	.338
	Q6_3	.431	.435	.463	.469	.455	.390	.365	.354	.383	.345	.357	.461	.391	.323	.287	.388	1.000	.469	.288
	Q6_5	.431	.406	.397	.346	.331	.393	.318	.351	.381	.398	.317	.470	.553	.325	.405	.385	.469	1.000	.256
	Q6_8	.394	.261	.263	.150	.330	.233	.184	.252	.334	.327	.323	.282	.246	.245	.229	.338	.288	.256	1.000
Sig. (1-tailed)	Q5_10	.	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001	<,001

4.6 Model Fit.

A well-fitting regression model according to Grace-Martin (2020:1) “results in predicted values close to the observed data values”. In linear models such as the one used to test hypothesis in this study (see Table 13), the adjusted R Square is used to measure the goodness-of-fit or accuracy of the model accuracy for linear models (viimeksi, 2023). Due to the abstract nature of the variables, an adjusted R Square of 0.57 is high and shows that the model is a good fit as it has a predictive value of 57%. Moreover, the Durbin - Watson score of 1.915 is close to 2 and therefore indicates that there is no autocorrelation. This is critical to ensure the elimination of biased parameter measurements, which may impact the accuracy of predictions in the statistical model used in this study.

Table 13: Model summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.779[a]	0,606	0,571	0,468	0,606	17,101	19	211	0,000	1,915

a. Predictors: (Constant), Q6_8, Q4_5, Q5_11, Q7_1, Q5_6, Q6_5, Q7_7, Q4_9, Q5_9, Q7_2, Q5_12, Q6_3, Q4_1, Q5_13, Q4_6, Q4_10, Q5_7, Q4_4, Q5_8

b. Dependent Variable: Q5_10

4.6.1 ANOVA Test

The ANOVA test is used to test if there are any significant statistical differences among the means of independent variables or groups (Roberts & Russo, 2014). This arguable makes the ANOVA test critical for measuring statistical significance especially for multi-item scales as it is the case with this study. In this study (see Table 14), the ANOVA test result <,001 is evidence that the results are highly statistical significant.

Table 14: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	71,274	19	3,751	17,101	<,001[b]
	Residual	46,285	211	0,219		
	Total	117,558	230			
a. Dependent Variable: Q5_10						
b. Predictors: (Constant), Q6_8, Q4_5, Q5_11, Q7_1, Q5_6, Q6_5, Q7_7, Q4_9, Q5_9, Q7_2, Q5_12, Q6_3, Q4_1, Q5_13, Q4_6, Q4_10, Q5_7, Q4_4, Q5_8						

4.7 Summary

The study aimed at identifying mechanisms for strengthening corporate governance, trust and ethics to improve the social and economic and performance of SOEs. The survey results presented in this chapter identified some of the institutional mechanisms for restoring legitimacy, strengthening governance, trust and ethical leadership and behaviour in SOEs. These results were used to draw initial conclusions to the hypothesis which was tested using advance statistical analyses techniques such as multiple linear regression analysis. Table 15 summarises the four propositions that will form the basis of the discussion in the next chapter. All of the four hypotheses were strongly supported by the results presented in this chapter. Statistical models such as the R square change, F test and ANOVA test were used to test statistical significance to ensure that results are reliable.

Table 15: Summary of hypothesis

Hypothesis	Pearson correlation	P value	Result
Hypothesis 1	0.35 – 0.45	<,001	Strongly supported
Hypothesis 2	0.39 – 0.43	<,001	Strongly supported
Hypothesis 3	0.49 – 0.58	<,001	Strongly supported
Hypothesis 4	0.35 – 0.48	<,001	Strongly supported

CHAPTER 5: DISCUSSION OF RESULTS

5.1 Introduction

The purpose of this chapter is to discuss the results from the study and triangulate them with evidence from literature and documents. This chapter builds on chapter 4, where we analysed and interpreted the results from the survey, and chapter 2, where we discussed literature and the theory. The discussion will enable one to draw conclusions and recommendations to address the problem and research questions that shaped this study.

5.2 Demographic profile of respondents

This study targeted individuals with a post-school qualification due to the complexity of the subject matter. The majority of respondents were male, constituting 53% of the respondents, followed by females who constituted 45%. Some respondents preferred not to reveal their identity, with some identifying as non-binary. The majority of respondents belonged to the 35 – 44 age categories, followed by the 24 – 34 age categories. Moreover, the majority of respondents held or were studying towards a master’s degree. This worked as an advantage as this group often has a better understanding of some of the complex academic concepts being interrogated in this study. Another critical factor is that all the sectors were proportional represented. The majority of respondents represented the business sector, with other sectors such as SOEs, government, academia, citizens, and civil society being fairly represented. This was critical in getting a balanced view of some of the issues being interrogated in this study. The demographic profile of the respondents plays an important factor as it will allow the results to be generalised to the entire population, a key factor in increasing rigor in quantitative research.

5.3 Discussion of results pertaining to Hypothesis 1: Strengthening corporate governance will restore the legitimacy of SOEs.

The legitimacy of corporations is often compromised by inadequate corporate governance practices, which results in firms circumventing rules and regulations. This study found that strengthening corporate governance has a positive effect in restoring legitimacy in SOEs. Cultural-cognitive mechanisms accountability and appointing new governance structures and ethical leaders emerged as one of the most important factors in strengthening corporate governance to restore trust. This is consistent with findings from Rizwan and Chughtai (2022), who found that fraud and financial misconduct (including untrustworthy financial reporting) compromises the legitimacy of corporations as this often points to weak corporate governance systems. They argued that changing the governance structure, including the appointment of new directors and executives, was therefore key in restoring legitimacy. Moreover, of the restructuring strategies for restoring legitimacy identified by Wang (2010), disassociation from an illegitimate organisational structure through the replacement board and executives, was identified as the most effective. Evidence from this study suggests that restructuring without changes in the board and executives was found to not have a significant impact in restoring legitimacy. This is evidence that leadership as a cultural-cognitive mechanism for institutionalising values and belief systems plays a pivotal role in restoring the legitimacy of institutions whose legitimacy has been called into question.

Moreover, the results also supported the notion by Wang (2010) that the creation of monitoring mechanisms was also central in strengthening corporate governance so as to restore legitimacy. The implementation of monitoring mechanism plays a key role in ensuring that SOEs comply with accepted standards, norms and regulations governing their operations. In their absence, various stakeholders have no way of monitoring compliance. The role of regulative mechanisms such as compliance with legislation and other regulative mechanisms were seen to have a positive effect in restoring legitimacy. The use of coercive isomorphism through rules, policies and regulations can be used to regulate the behaviour of institutions and their actors (Scott, 2014; DiMaggio & Powel, 2000). Shaping desired behaviour in institutions such as SOEs, and their actors can thus help restore legitimacy. The results of this study also strongly support this hypothesis.

5.4 Discussion of results pertaining to H2: Strengthening stakeholder relations will restore trust in SOEs.

The lack of trust in SOEs, which are critical social and economic institutions, has compromised them. Evidence from this study showed that key stakeholders such business, civil society, academia, and citizens did not trust SOEs and other institutional actors such as boards, executive management, and the state as the major shareholder. Leadership plays a pivotal role in fostering trust in their institutions as they interact with various stakeholders, both internally and externally (Mishra & Mishra, 2013). Poor leadership is therefore to blame for poor stakeholder relations. This aligns with the notion that institutional culture should be governed to align with the diverse interests of society, business, and government (Kana, 2020). Leadership should thus foster cultural-cognitive mechanisms such as belief systems and values that are aligned to the diverse interest of their stakeholders. Results also showed that stakeholders also did not trust that SOEs and the state had adequate monitoring mechanisms to monitor compliance and to address corruption and unethical behaviour. Moreover, stakeholders did not trust SOEs due to the lack of transparency, inability to deal with corruption and unethical behaviour. This is a notion reiterated by Oskarsson, Svensson and Öberg (2009:171), who argued that “impartial, uncorrupted and equality-enhancing institutions” were pivotal in fostering trusting relationships.

Trust is the glue that holds institutions together and, in the absence of trust, institutions often fail. The recent developments, for example, in Eskom surrounding the departure of its CEO, Andre de Ruyter, are testimony to that. Andre de Ruyter, in an interview with the ENCA, made allegations of corruption by the ruling party, the party in charge of government, a key stakeholder in Eskom. These allegations prompted a backlash from the ruling party who accused, the former CEO of incompetence, and falsely accusing the ruling party. Institutional Theory suggest that adoption of good corporate governance practices can enhance efficiency by minimising agency conflicts between senior management in SOEs and government (as a powerful shareholder) (Ntim, 2013).

Evidence from this study suggests that to improve trust, SOEs need to improve stakeholder relations through increasing transparency in reporting. Lack of transparency and disclosure of important information to the public is often seen as a ploy to cover up poor performance, corruption and self-serving agendas (Kamal, 2010; Tsheola, Ledwaba & Nembambula, 2013; van Zyl & Mans-Kemp, 2020). Moreover, untrustworthy financial reporting compromises the legitimacy of corporations, as this often points to weak corporate governance systems (Rizwan & Chughtai, 2022). When the legitimacy of institutions is compromised, trust is often lost.

Stakeholder participation and engagement, communication, and the establishment of monitoring systems to allow stakeholders to monitor the performance and compliance of SOEs to standards, norms and performance were identified in this study as pivotal in strengthening trusting relations among stakeholders. Increasing transparency and accountability will also improve trust relationships. According to the OECD (2022:1), “good corporate governance helps to build an environment of trust, transparency, and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies”. Strengthening stakeholder relations thus increases trust, a key factor in shared stakeholder and shareholder value creation. As evident in this study, the hypothesis that strengthening stakeholder relations will restore trust is strongly supported.

5.5 Discussion of results pertaining to H3: Implementing corporate governance norms and standards will improve the corporate governance of SOEs.

Weak institutional normative mechanisms have compromised the corporate governance of SOEs. Inadequate or ineffective monitoring mechanisms and lack of adherence to corporate governance standards are some of the factors that emerged in this study. Evidence also pointed to the need for SOEs to implement corporate governance standards such as the King IV corporate governance framework, and the OECD corporate governance of SOEs guideline, to improve their corporate governance. However, the challenge that remains in SOEs, a view also supported by Naidoo (2019:25), is that many companies were approaching compliance to the King IV code as a 'tick-box' exercise, "which reduces compliance to a set of mechanical actions, without addressing the underlying goal". This evidence also supports earlier studies in South Africa by Thomas (2012) who also found that SOEs were strong in complying with external governance demands such as annual reporting and external audits, while compliance to internal, self-regulated governance appeared to be weak.

Evidence in this study also suggests that some SOEs, like other state institutions, have mastered the art of compliance to attain clean or unqualified audits, which are not always indicative of strong corporate governance. This brings one to the question of the extent to which state institutions such as National Treasury and AGSA are empowered to monitor compliance to corporate governance standards. Evidence from this study suggested that these key institutions were only empowered to monitor but not "enforce" compliance. The endemic governance challenges are evidence enough and support the observation that compliance has been reduced to a "tick box" exercise. Going beyond mere compliance is therefore critical to improve the state of corporate governance in SOEs. The hypothesis that implementing corporate governance norms and standards will improve the corporate governance of SOEs is strongly supported. Evidence, however also suggests that these need to be supported by other regulative and cultural-cognitive mechanisms as shall be discussed in the next chapter.

5.6 Discussion of results pertaining to H4: Promoting ethical behaviour will restore trust in SOEs.

The relationship between ethical leadership and corporate governance is apparent. Promoting ethical leadership and ethics is therefore key in promoting good corporate governance and trust in SOEs and institutional actors (boards and executive management and the state as a major shareholder). Some of the challenges, as shown in this study, stem from unethical leadership in SOEs. In South Africa, corporate governance transgressions identified included corruption, fraud, bribery and tender rigging (Thomas, 2012). Political interference in the operations and management of SOEs, backed by the ruling party's cadre deployment policy, was found to have contributed to some of the woes in SOEs. The findings of the state capture report also supported this notion. The report found the ANC's policy of cadre deployment to be unconstitutional. This notion was disputed by the ruling party that argues that the cadre deployment policy was not the problem but the illegal agencies using state institutions for self-serving interests (ENCA, 2023). Although it is not the goal of this study to debate the legality or morality of the policy, it is clear that the policy has been manipulated by the political elite and other private interests to advance their own selfish agendas. Appointments that are driven by political motive have been found to compromise the competence and independence of boards and SOEs (Thomas, 2012).

Moreover, the creation of establishment of patronage networks aimed at produce systems of "power, profit and protection" to enable "preferential access to resources and power through an exploitative economic system" (Bhorat.et al. 2017:1), was to some extent enabled by this policy. The mistrust of state institutions and political appointments largely stems from the continued abuse of the power entrusted to them. Quinn (2008:84) argued that when the political elite are entrusted with ownership and management of critical economic sectors, they often use state resources to advance ''short-term personal and political goals rather than for long-term economic ones''.

The need to hold leadership accountable in SOEs is crucial in promoting ethical behaviour. Minimising the involvement of the state in management and operations of SOEs cannot be over-emphasised. The state, as an owner or major shareholder, should "act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness" (OECD, 2021). Moreover, according to Mertzanis, Basuony, and Mohamed (2019:86), "the manner in which a government discharges its responsibilities (exercise of governance, use of operational transparency, proper accountability to its citizen, conformance to internationally accepted good practices) and reduces the likelihood of public officials abusing authority or trust for private benefit, and of private enterprises accepting abuse". This discussion overwhelmingly supports the hypothesis that promoting ethical behaviour will restore trust in SOEs.

5.7 Summary

This chapter discussed the findings from the primary evidence collected in this study and triangulated it with evidence collected through a review of literature, theory and evidence. The chapter lays the foundation for the conclusions and recommendations discussed in the next chapter. From the discussion, it is clear that strengthening corporate governance in SOEs requires the institutionalisation of cultural-cognitive, normative, and regulative mechanisms such as legislation, standards, ethical leadership, and culture that promotes good corporate governance.

CHAPTER 6: CONCLUSIONS AND RECOMENDATIONS

6.1 Introduction

This chapter draws its conclusions from the discussion of results in chapter five. The conclusion and recommendations respond to the purpose of this study, which was to identify mechanisms for strengthening corporate governance, trust and ethics, to improve the social and economic performance of SOEs. The conclusions provide the basis for theoretical and practical recommendations, as well as suggested areas for future research based on the gaps observed or opportunities for further research.

6.2 Conclusions

6.2.1 Corporate governance and legitimacy in SOEs

Weak corporate governance has led to poor social and economic performance of SOEs. Unethical leadership, poor monitoring, lack of accountability and transparency have all contributed to the erosion of trust, leading to a legitimacy crisis in SOEs. The legitimacy crisis has led to a loss of public and investor confidence in SOEs. Eskom, for example, South Africa’s power utility, in the last few years has been downgraded by several rating agencies such as Fitch and Standard & Poor due to continued poor performance, poor governance, and ballooning debt. Restoring legitimacy through strengthening trusting relations, promoting ethical leadership, improving transparency and improved monitoring and the creation of valuable business operations will remain key. The state as the major shareholder will need to create an enabling environment for SOEs, by minimising undue influence, enforcing accountability, strengthening mechanisms for monitoring, institutionalising regulative mechanisms and corporate governance norms to restore the legitimacy of SOEs that has been tarnished by corruption, poor leadership, poor performance and lack of accountability.

6.2.2 Institutional mechanisms for improving corporate governance in SOES.

Cultural-cognitive, normative, and regulative mechanisms play an important role in institutionalising good corporate governance, especially in complex institutions such as SOEs. In South Africa, the challenge is not the absence of normative and regulative mechanisms such as legislation and standards, but the poor implementation thereof. The King IV corporate governance framework, for example, has been recognised as "the most effective summary of the best international practices in corporate governance" (Banhegyi, 2007:317). The Public Finance Management Act and other National Treasury regulations, for example, have been circumvented by SOEs with no consequences, as revealed in the Commission of enquiry for state capture.

The cultural-cognitive mechanisms such as value systems, culture, ethics, morals, and other belief systems is what has weakened the other two pillars. Unethical leadership, including state actors, for example, in some instances have deliberately ignored best practices in corporate governance to advance their own agendas. Regulative mechanisms such as policy and legislation have also been weakened by lack of enforcement, as some of the institutions meant to enforce compliance have been compromised by patronage networks through state capture or lack of capacity. Strengthening cultural-cognitive elements such as ethical behaviour and ethical leadership is therefore crucial in strengthening corporate governance of SOEs. Regulative and normative mechanisms such as legislation and standards alone is not adequate if not supported by cultural-cognitive mechanisms such as culture, moral obligation and value systems like ethics and ethical leadership that promote moral governance and accountability.

6.2.3 Stakeholder relations and trust in SOEs

Stakeholder relations in complex institutions such as SOEs plays a key role in fostering trusting relations, which is central in creating and unlocking shared value. The lack of transparency in objectives, operations, performance and reporting, poor stakeholder participation and engagement and lack of transparent and independent monitoring systems has contributed to the loss of trust. Leadership in SOEs need to play a central role in fostering trusting relations among key institutional actors in SOEs. Poor stakeholder cohesion often leads to poor collaboration, poor coordination, and resistance. This has been witnessed in SOEs with competing priorities, meddling in governance, lack of a common understanding among institutional actors such as the state, SOE boards, business and citizens has led to poor performance. Strengthening stakeholder relations through increasing transparency in reporting, effective communication, implementing independent and transparent monitoring mechanisms are some of the measures that can strengthen stakeholder relations, cohesion, and trust. Addressing challenges such as corruption requires government, society, civil society, state institutions and leadership in SOEs to work together as a unit.

6.2.4 Ethical behaviour and trust in SOEs

Ethical behaviour and ethical leadership have been a cause for concern in SOEs. Rampant corruption, undue influence by the state and the political elite (including patronage networks) and lack of consequences and accountability for those that have been found guilty of corruption and unethical behaviour have become the order of the day. The inability of state institutions to enforce compliance and punish unethical behaviour resulted in SOEs being taken over by patronage networks, who have institutionalised systems for exploiting SOEs for power, political influence, and self-enrichment.

Deinstitutionalising these patronage networks and culture will remain a tall order as these runs deep within SOEs, the state and other private interests through informal networks that operated in a sophisticated manner. Coercive mechanism such as legislation alone will not suffice. The institutionalisation of cultural-cognitive mechanism such as values, principles, beliefs, professionalism, and a responsible citizenry will be required to rid the SOEs of corruption, patronage networks and unethical behaviour that have become synonymous with SOEs. These should also be led from the top and require political will.

6.3 Recommendations

Below, I discuss some of the recommendations for responding to the questions that shaped this study under the broad themes of restoring corporate governance, restoring legitimacy, improving stakeholder relations and trust and ethical behaviour in SOEs.

6.3.1 Practical recommendations

6.3.1.1 Appointment of leadership in SOEs

The appointment of leadership in SOEs has become a political process that has been muddled with allegations of corruption, cronyism, bribery, and other unethical behaviour. This has also led to the appointment of incompetent and unqualified boards and executive management, who have been responsible for the deterioration of good corporate governance in SOEs. Some of the Directors who were responsible for the detriment of SOEs have since been declared delinquent directors (including the former Chairperson of the SAA board, Dudu Myeni). Cadre deployment has created a limited pool of potential directors and top executives like CEOs. Evidence from this study also showed that there is lack of confidence in the leadership appointment process in SOEs. An exemption should therefore be considered, particularly for SOEs like Eskom, Transnet, Denel, and SAA that require leadership that is professional, has strong business acumen and has a proven and excellent corporate governance track record.

6.3.1.2 Complete overhaul of SOEs

The business models are often rigid, with high levels of bureaucracy, which have created opportunities for inefficiencies, lack of accountability, lack of transparency, and poor governance to thrive. Boards in SOEs often have no control over some of the strategic and operational decisions due to patronage networks that have taken control of state institutions. The complete overhaul of SOEs needs to focus on some of the following key areas:

- Board and executive management structure – the current structure of boards and executive management is often inefficient and bloated. Following best practice in the constitution of boards, including experience and qualifications, should be applied in board and executive appointments. Professionalism should also be the basis for appointing leadership and not political affiliation as political exposed people often prone to corrupt activities and abuse of power.

- The business models of most SOEs are not optimised to respond to some of the governance challenges, especially in key areas such as procurement, risk management, human resources, technology, and financial management. This has created a loophole for corruption and other unethical practices to thrive. Overhauling theses business models would address some of the challenges like corruption that have become endemic in SOEs.

6.3.1.3 Strategic framework for improving corporate governance in the public sector.

The King IV and OECD guidelines provides a blueprint for corporate governance in South Africa. Implementation of these standards, however, remains a challenge in SOEs. Evidence suggests that SOEs don't have a harmonised strategy for implementing good corporate governance standards. An integrated strategy to implement corporate governance is therefore required. The strategy should set clear objectives, goals, measures, and timelines for implementation to ensure that implementation can be monitored. The strategy should also give birth to independent and transparent systems to monitor SOES.

6.3.1.4 Leadership training and capacity building within SOEs

Evidence from the results also suggested that deteriorating corporate governance which has impacted trust and legitimacy has been exacerbated by poor leadership capacity. The current leadership in SOEs lack the experience and skills to implement, manage monitor corporate governance issues. Sound knowledge of the corporate governance framework and related issues should be a prerequisite for anyone occupying senior management or leadership management positions in SOEs as it is their responsibility to identify and mitigate and risks to corporate governance and related issues.

6.3.1.5 Policy recommendations

Some of the recommendations require the need to strengthen policy and legislation. Some of the policy recommendations include:

- Legislating the need for SOEs to comply with corporate governance standards so that they are no longer viewed as the nice to have and optional. Provision in legislation to prosecute institutions and individuals who don't comply should also be made to enforce accountability.
- Legislating the minimum requirements for the appointment of leadership in SOEs to ensure that competent CEOs, senior management and boards are appointed.

6.3.2 Theoretical recommendations / contributions

The theoretical contributions are addressing some of the gaps found in literature. In this study, a conceptual framework for strengthening trust and corporate governance to restore legitimacy in institutions is proposed. This framework, although developed for SOEs, is also useful and can be applied in any institutional context.

6.3.2.1 Conceptual framework for strengthening trust and corporate governance to restore legitimacy in SOEs.

The conceptual framework identifies the key institutional pillars for strengthening trust and corporate governance to restore legitimacy in SOEs. It identifies the regulative mechanisms, cultural cognitive mechanisms, and normative mechanisms as the key pillars for fostering trust and strengthening corporate governance for restoring legitimacy that has been lost due to poor performance, leadership failures and weak corporate governance.

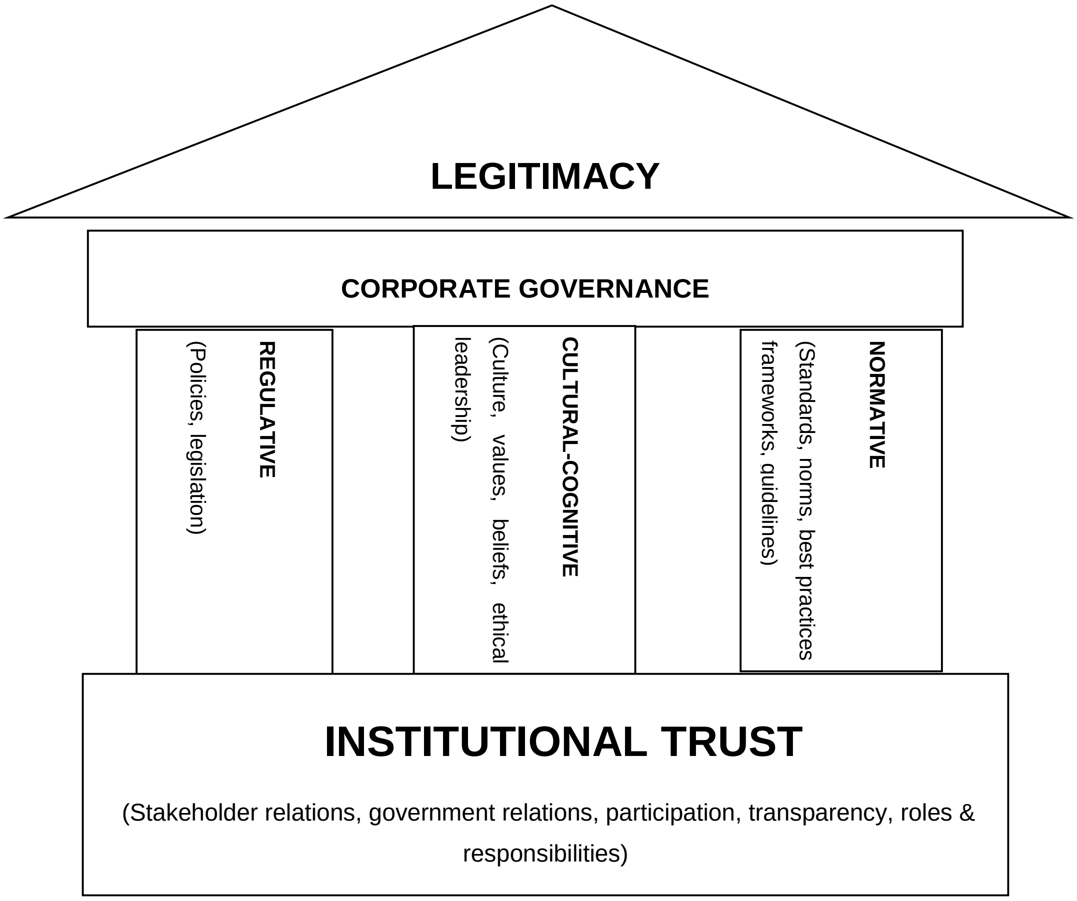

Figure 10: Conceptual framework for strengthening trust and corporate governance to restore legitimacy.

Institutional trust - The framework identifies trust as the foundation for corporate governance and legitimacy. Strengthening stakeholder relations, participation, and transparency in SOEs and social cohesion is critical in fostering institutional trust. Institutional trust and corporate governance are anchored by three institutional pillars.

- **Regulative mechanisms** such as legislation and policies for promoting corporate governance form one of the key pillars for corporate governance. Regulative mechanisms are used to enforce compliance and use legal sanctioning as a basis for enforcing compliance.
- **Normative mechanisms** such as standards, frameworks, and guidelines for corporate governance. Standards such as the King IV and the OECD corporate governance of SOE framework need to be entrenched in institutions to promote

corporate governance. These support regulative mechanisms and use social obligation as the basis for compliance.

- **Cultural- cognitive mechanisms** such as ethical leadership, value systems and beliefs need to be institutionalised to promote good corporate governance. The cultural -cognitive pillar plays a key and central role in holding the other two pillars together due to the role leadership pays in institutionalising desired behaviour, culture, and shared values. In the absence of desired behaviour, ethical leadership and shared values, regulative mechanisms which use coercive isomorphism are likely to fail where there is no trust, cohesion, and resistance.

The three pillars play a complementary role, and in the absence of one pillar, corporate governance is weakened. This in turn weakens the trust in institutions which in turn compromises the legitimacy of the institution in the face of its stakeholders.

6.3.3 Suggestions for future research

Future research should focus on understanding the institutionalisation of desired norms and cultural-cognitive elements in complex institutions with multiple stakeholder groups and institutional actors such as SOEs, using theories that are not native to the management discipline such as the Actor Network Theory. The theory, a social theory examines how social relations constantly shift in the complex social environment and how different actors interact in this network. Evidence from this study suggests that organisational behavioural issues such as ethical behaviour, trust and stakeholder relations all impact legitimacy. Understanding those issues is therefore pivotal in an attempt to institutionalise desired norms and cultural-cognitive elements to foster trusting relations, ethics and good corporate governance, in order to restore institutional legitimacy. Moreover, such studies should use an interpretivist paradigm to understand the phenomena under investigation. Soft issues such as trust, ethics and legitimacy are often difficult to understand and gain more insights using positivist’s studies, whose aim is often to predict and explain phenomena (Bhattacherjee, 2012).

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APPENDIX A: PARTICIPANT INFORMATION SHEET

Participant Information Sheet:

My name is More Ickson Manda, and I am a Master of Business Administration student at the University of Witwatersrand. As part of my studies, I am conducting research titled "**An institutional and stakeholder perspective of governance, ethics and trust in State Operated Enterprises**". As part of my research studies, I would like to invite you to voluntarily participate an online survey which will take an average of 15 minutes of your time. The data collected will be used for research and academic purposes only. Personal information of the participants will not be collected and used in this study; the researcher will ensure confidentiality and anonymity of the participants. As a participant you can choose to withdraw from the study, and nothing will be held against you. Your participation or non-participation in this study will not pose any risk or loss to you. The research was approved by the University of Witwatersrand Research Ethics Committee (Non-Medical), Protocol Number …. and will adhere to the University's strict guide in conducting research.

If you have any concerns regarding the ethical procedures of this study, you can contact the University of Witwatersrand Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Should you require further details regarding the study, please contact me.

Yours sincerely,

Researcher: More Manda

Email: 1238843@students.wits.ac.za

Supervisor: Professor Zunaid Bulbulia
Email: zunaid.bulbulia@wits.ac.za

By completing and submitting this questionnaire means you consent to participate in the study. By clicking "I agree" below, you consent to voluntarily participating in this study and that you are above 18 years.

APPENDIX A:ONLINE SURVEY INSTRUMENT

Select your highest level of post-school education. If you are studying, select the level you are currently studying.

- No post-school education
- Post-School certificate or equivalent
- Diploma or equivalent
- Bachelor's degrees or equivalent
- Honours degree / Post graduate Diploma or equivalent
- Master's degree
- PhD

Which stakeholder category best describes you?

- SOE
- Civil society
- Academia
- Government
- Business
- Citizen

What is your gender?

- Male
- Female
- Non-binary
- Prefer not to say.

QUESTION 4: SECTION A: INSTITUTIONAL MECHANISMS FOR RESTORING LEGITIMACY IN SOES

1. **The appointment of professional and capable boards and executives will improve legitimacy of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
2. **The creation of valuable business operations within SOEs can improve their legitimacy**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
3. **Disassociation from illegitimate organisational structures through restructuring, appointment of professional and capable boards and executives will improve the legitimacy of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
4. **Disassociation from illegitimate and unprofitable business operations in SOEs through divesting in illegitimate subsidiaries and assets divestment and debt restructuring will improve their legitimacy.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
5. **The creation of new business ventures will improve the legitimacy of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
6. **The implementation of monitoring systems will improve the legitimacy of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
7. **Improving accountability of senior leadership will improve legitimacy of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
8. **Integrated reporting will improve the legitimacy of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

9. **Stakeholder consultations in key decisions (including the appointment of boards) will increase legitimacy of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
10. **Compliance with legislation will improve the legitimacy of SOES.**
    Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

QUESTION 5 SECTION B: STRENGTHENING STAKEHOLDER RELATIONS TO IMPROVE TRUST IN SOES

1. **I trust the leadership running SOEs.**

   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

2. **I trust state institutions to deal effectively with corruption and unethical behaviour.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

3. **I trust the appointed leadership to address corruption in SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
4. **I trust that those found to have been involved in corruption and unethical behaviour will be held accountable.**

   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
5. **SOEs are transparent in their objectives, operations and performance.**

   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree.
6. **Increasing transparency in reporting will improve trust of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
7. **Implementing transparent and independent monitoring and evaluation mechanisms to share performance of SOEs will increase trust.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

8. **Effective communication with stakeholders - not just ticking the box will increase trust.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
9. **Stakeholder participation in key decisions will lead to improved decision making and trust**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
10. **Increasing transparency and accountability in SOEs will improve institutional trust.**
    Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
11. **Restructuring of SOEs will increase trust.**
    Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
12. **Appointment of professional and capable boards and executives will increase trust.**
    Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
13. **Addressing unethical behaviour and corruption in SOEs will increase trust.**
    Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
14. **Improving performance of SOEs will improve trust.**
    Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree.

QUESTION 6: SECTION C: INSTITUTIONAL MECHANISMS FOR IMPROVING CORPORATE GOVERNANCE

1. **Monitoring systems in SOES are effective in strengthening governance.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
2. **Poor corporate governance has contributed to poor performance of SOEs.**

Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

3. **Attracting qualified and talented executives in SOEs will improve performance.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
4. **Reducing political interference in SOEs will improve corporate governance.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
5. **The appointment of the governing party loyalist (cadre deployment) in key positions in SOEs has contributed to poor performance and poor governance of SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
6. **Cadre deployment in SOEs has contributed to poor governance.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
7. **The current legislative framework is adequate in addressing corporate governance challenges in SOEs.**
   Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
8. **Implementing best practice norms and standards in corporate governance standards such as the King IV and the OECD Guidelines on Corporate Governance in SOEs will improve corporate governance.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
9. **State institutions such as AGSA and National Treasury are empowered to enforce compliance to corporate governance standards.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

QUESTION 7: SECTION D: INSTITUTIONAL MECHANISMS FOR IMPROVING ETHICAL BEHAVIOUR IN SOES

1. **Holding leadership accountable in SOEs will reduce corruption and promote ethical behaviour**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
2. **Implementing consequence management will reduce corruption and improve ethical leadership.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
3. **Doing away with cadre deployment (the systematic placement of party loyalists in SOEs) will reduce patronage networks and corruption in SOEs.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
4. **Minimising the involvement of the state in the management of SOEs will reduce unethical behaviour.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
5. **State institutions are effective in dealing with unethical behaviour.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
6. **State institutions should be empowered to enforce compliance.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]
7. **Enforcement of legislation and corporate governance standards will promote ethical behaviour.**
   [Strongly disagree][disagree] [Neither agree nor disagree] [Agree] [strongly agree]

APPENDIX C: ETHICS CLEARANCE

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/BA1238843/460
This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

Project title	An institutional and stakeholder perspective of governance, ethics and trust in state operated enterprises
Investigator / Researcher	Dr More Manda
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed anonymity and confidentiality.
Issue Date of Certificate	2022-10-11
Expiry date	Date of submission of the project / research report
Chairperson	Prof Anthony Stacey +27 11 717 3587 +27 82 880 4531 anthony.stacey@wits.ac.za

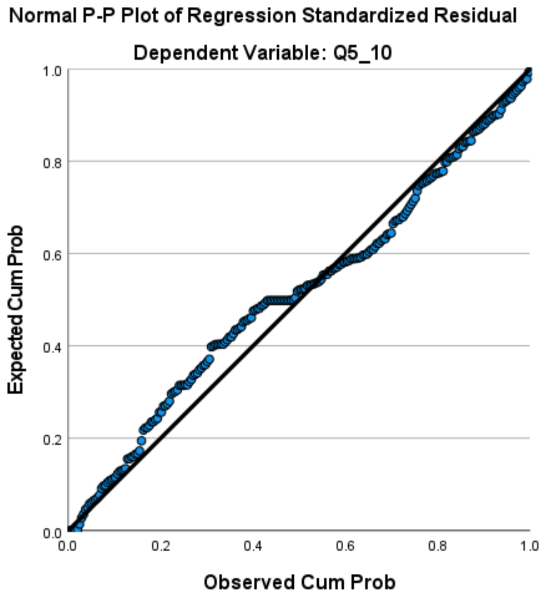
Declaration by Researcher

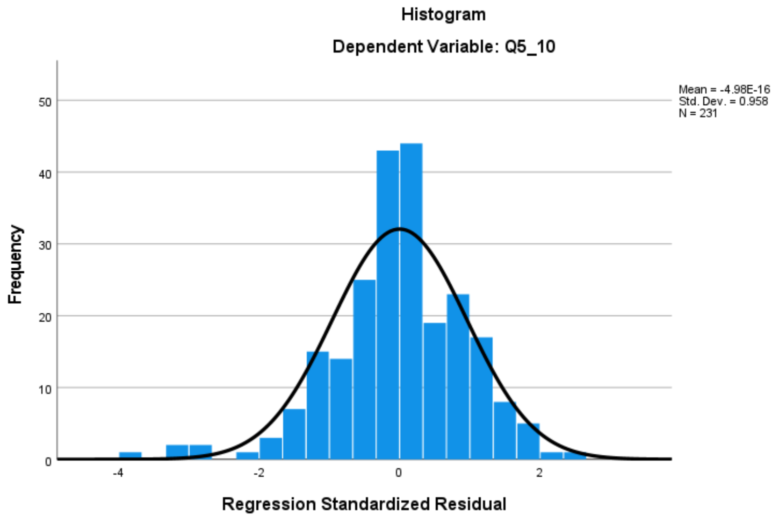
One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

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.

	14/10/2022
Signature	Date:

APPENDIX D: SPSS STAT OUTPUTS





ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71.274	19	3.751	17.101	<,001[b]
	Residual	46.285	211	.219		
	Total	117.558	230			

a. Dependent Variable: Q5_10

b. Predictors: (Constant), Q7_7, Q5_11, Q5_6, Q6_8, Q7_1, Q4_9, Q6_5, Q4_6, Q5_9, Q6_3, Q7_2, Q5_12, Q4_1, Q5_13, Q4_4, Q4_10, Q5_7, Q5_8, Q4_5

Model Summary[b]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.779[a]	.606	.571	.468	.606	17.101	19	211	<,001	1.915

a. Predictors: (Constant), Q7_7, Q5_11, Q5_6, Q6_8, Q7_1, Q4_9, Q6_5, Q4_6, Q5_9, Q6_3, Q7_2, Q5_12, Q4_1, Q5_13, Q4_4, Q4_10, Q5_7, Q5_8, Q4_5

b. Dependent Variable: Q5_10