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MMR Research Proposal

The Perceptions of Executive Managers on the Role that Corporate Governance Practices Play on SOE's Performance: A Case of Eskom

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ABBREVIATIONS

CEO	Chief Executive Officer
CFO	Chief Financial Officer
ED	Executive Director
NED	Non-Executive Director
SOEs	State-Owned Enterprises
PFMA	Public Finance Management Act
IRP	Integrated Reporting Practices
Eskom	Electricity Supply Commission
DPE	Department of Public Enterprises

DEFINITION OF KEY TERMS

Board Member	This refers to Board Members who are non-executive
Chief Executive Officer	An individual who oversees major operations of a company. The CEO is the key officer that provides guidance, policies, and approval of objectives that lead the organisation. The CEO also oversees management processes in tandem with chief officers, as well as guides the major financial decisions of the organisation.
Chief Financial Officer	An individual who oversees major financial operations of a company. The CFO is the overseer of all key financial actions and guides the actions that can lead to positive financial outcomes.
Corporate Governance	Corporate governance is the system of rules, practices and processes by which a company is directed and controlled (The Chartered Governance Institute, 2019).
Executive Director	Executive Directors (refers to the chief executive officer and chief financial officer), who by virtue of their positions are also members of the board and on the other hand are members of the executive management.
Management Succession	Refers to a process that culminates in the implementation of leadership succession within an organisation. The plan created through management succession is key towards ensuring that all individuals in the organisation are guided by policies that outline the leadership goals.
Non-executive	Someone who does not hold an executive position. An individual that is a non-executive may hold positions such that include operating machinery or interacting with clients, but does not have decision-making power and authority inside the organisation.
Objective Alignment	Refers to the extent to which executives' objectives are aligned with those of their companies.
Resource Provision	Refers to the ability of board members to provide and/or secure important resources that can reduce organizational risk, and uncertainty and enhance performance for the company's benefit or success.
State Owned Enterprises	Refers to enterprises, parastatals, public sector entities, or public entities. SOEs are independent bodies partially or wholly owned by government

The Perceptions of Executive Managers on the Role that Corporate Governance Practices Play on SOE's Performance: A Case of Eskom

ABSTRACT

Background: State-owned enterprises (SOEs) in Africa were established to spur economic development and contribute to infrastructure development, service provision, and ultimately to realise developmental outcomes. However, poor governance and mismanagement have constrained the development potential of SOEs in South Africa. This research explores the concept of corporate governance as it relates to the governance and performance of SOEs. In this respect, the paper assessed the perceptions of the executive managers of the utility as far as governance and performance are concerned. The paper makes use of both primary and secondary resources, including interviews, annual performance reports, policy statements, and academic literature. This study is a modest contribution in an area where knowledge is still evolving and at a time when some of the SOEs in South Africa face an existential crisis. The study focuses on Eskom, a national utility.

Research objective: The main objective of this study was to explore whether the SOE Electricity Supply Commission (Eskom Soc Ltd) implements and fully complies with the principles of the King Code on corporate governance practices to ensure sound corporate governance practices and, if so, how this affects the organisational performance of the SOE. As already stated, the research assessed the perceptions of Eskom's executive managers on the role of objective alignment, resource provision, and management succession in its performance.

Research methodology: This is a qualitative case study focussing on Eskom as the utility. The target population is Eskom's executive managers. In-depth, semi-structured interviews were conducted with a sample of over 12 participants from across the target population.

Keywords:

SOEs, Corporate Governance Practices, SOEs Failure, Poor Governance, Misleading Policies, Privatization and Lack of Quality Management

Chapter 1: INTRODUCTION AND BACKGROUND TO THE STUDY

State-owned enterprises (SOEs) are classified as enterprises over which the government possesses significant control through full, majority, or significant minority ownership (Kim & Ali, 2017). SOEs play an important role in the national economies of many countries, including the promotion and implementation of global sustainable development goals (Barnes, 2019; Bezuidenhout, Bussin & Coetzee, 2018a; Boateng, 2016). Despite the waves of privatisation over the past few decades, SOEs are important actors in the economies of both developed and developing countries (Kim & Ali, 2017). The proportion of entities that are controlled or owned by governments has increased steadily in recent decades and can now be found in many industries, including natural resources, defence, automobile manufacturing, chemicals, construction, aerospace, banking, and transportation (Barnes, 2019).

In many countries, SOEs are often central participants in mega-infrastructure projects, such as telecommunications, power, gas, and railways Fields(Kim & Ali, 2017). However, SOEs have experienced severe criticism due to poor governance (Kim & Ali, 2017). South Africa is one of the numerous countries that have made efforts to reform their SOE field (Kanyane & Sausi, 2015). However, the reforms have yielded limited gains as shown in this research. Like in other countries, SOEs in South Africa have been identified as key to the achievement of economic growth and poverty reduction through the delivery of key infrastructure services, such as energy, transportation, and water Fields(Kikeri, 2018).

As of 2021, there were approximately 700 active SOEs in South Africa, including commercial SOEs, non-commercial SOEs, related subsidiaries, and municipal entities. Commercial SOEs consist of four types of incorporated and non-incorporated entities: (a) state-owned companies; (b) state-interest companies; (c) statutory corporations; and (d) financial intermediaries. Non-commercial SOEs comprise institutions responsible for public functions, such as research entities, advisory bodies, and regulatory entities. Non-commercial SOEs reportedly contribute about 27% of South Africa's gross domestic product (Kikeri, 2018). The performance of South African SOEs has generally been poor and studies have shown that SOEs are prone to financial and operational challenges due to weak governance frameworks and practices (Edoun, 2015; Kikeri, 2018). Thus, developing countries continue to seek ways to reform their SOE management and governance structures as a means to improve financial and operational performance and efficiency (Kim & Ali, 2017).

According to Kim and Ali (2017), the major challenge facing SOEs is the separation between management and ownership. Unlike private enterprises, SOEs are likely to have a board of directors that comprises members from the ruling political party, politically connected individuals, or government officials, who may be difficult to remove or replace. This inherent structure makes SOEs vulnerable to abuse or corrupt practices, and this may compromise short-term efficiency and reduce long-term efficacy.

International research shows that boards of directors are key to the operation and success of SOEs. However, these boards of directors often fail to meet the various needs of SOEs, especially in achieving success and alignment with the government's objectives (Muzapu, Mandizvidza, Havadi, *et al.*, 2016). Even so, most research on SOEs does not sufficiently consider the views and perceptions of board members and executive managers in the governance of these entities. Based on the identified gaps in the literature, a need exists to undertake a study to canvass and understand the perceptions of the leadership of SOEs, focusing in particular on board members and executive management concerning the governance and performance of SOEs in South Africa.

Chapter 2: PROBLEM STATEMENT

Since many African countries achieved independence from colonial powers, African leaders have struggled to put their countries on the path of stable economic development (Edoun, 2015). African countries have continued to experience the negative economic impacts of poor governance, misguided policies, and lack of quality management (Edoun, 2015). In various economies globally, SOEs have been identified as having the potential to play a crucial developmental role alongside private enterprises. However, SOEs have generally performed poorly compared with private enterprises (Mbo & Adjasi, 2017). As such, various studies have been devoted to understanding the failures of SOEs and why the privatisation of these SOEs has risen as a growing political and economic phenomenon in response to the failures (Rajib, Kumara & Fan, 2016).

A key example of SOE governance failure is Eskom, which in recent years has faced significant challenges. Eskom is the largest SOE in South Africa and has failed repeatedly to implement corporate governance strategies and detailed reporting for transparency within the organisation (Kessides, 2020). Eskom's governance problems include a lack of role clarity, poor consultation processes, and a lack of transparency from Eskom board members about the status of the SOE (Kessides, 2020).

According to Kanyane and Sausi (2015), SOEs serve as primary drivers of the formal sector of South Africa's national economy. In this country, SOEs provide the bulk of economic growth through the delivery of various social services and goods that ensure the quality of life among all South Africans (Kanyane & Sausi, 2015). However, the policy and legislative frameworks of SOEs in South Africa continue to fail due to poor governance strategies. This constrains them from reaching their potential in their efforts to respond to the socio-economic development mandates of the government (Mbo & Adjasi, 2017). SOEs can be overwhelmed by organisational and structural problems that are rooted in illegal governance practices and poor oversight of investment decisions. They can improve their overall performance by optimising their control frameworks, professionalism, experience, and accountability, as well as by appointing qualified people to management positions (Muzapu *et al.*, 2016). Muzapu *et al* (2016) also noted the fact that the absence of quality leadership, corruption, high human resource turnover, lack of performance-based incentive practices, poor work ethic, and intra-swapping of leadership are some of the major weaknesses of SOEs.

Despite studies stressing the importance of corporate governance and management in the success of SOEs, boards of directors have often fallen short of expectations. They are frequently paralysed by contests for control, self-serving and divergent interests, and a lack of specific governance structures to protect their institutions from agency conflicts (Muzapu *et al.*, 2016). Moreover, despite the widely publicised poor performance of SOEs in South Africa, they remain important to the country's economic growth and development.

The problem that this research seeks to address is the potential instability of SOEs in South Africa because of poor corporate governance practices which in turn affect their performance. The research will focus, specifically, on the perceptions of board members and executive managers concerning the roles that objective alignment, resource provision, and management succession play in the performance of SOEs. By filling the gap in research, more information can be provided to the executives of South African SOEs to ensure that all facets related to the SOE are taken with careful measures, to ensure greater collective success.

2.1 GAPS IN THE LITERATURE

Although research related to this topic has expanded, some gaps in the literature still exist that require attention. Specifically, as has been demonstrated in the literature review, there has been little research that has specifically pertained to the defined constructs such as SOE objective alignment, resource provision and management succession, factors underpinning SOE performance and stability. Recent literature has identified a gap in regards to a holistic and multidimensional understanding of the issues, amongst others, related to corporate governance, and issues related to sustainability and corporate governance (Daiser, Ysa & Schmitt, 2017; Kirsten & Du Toit, 2018; Meyer, Höllerer & Leixnering, 2018). For example, Bezuidenhout *et al.*, (2018) and Fondo, (2016), noted that there is a lack of studies that assess how the behaviours, practices, and decisions of board members and executive managers influence the performance of South African SOEs. Further, the corporate governance attributes that positively affect the efficiency of SOEs are also lacking (Heo, 2018). Addressing the gaps in this study is essential to consider the problems of the potential instability of SOEs in South Africa because of corporate governance practices that are perceivably poor. (Again check the UNECA report).

2.2 RESEARCH OBJECTIVES

The main objective of this study was to explore whether Eskom implements and fully complies with the principles of the King Code on corporate governance to ensure sound corporate governance ethics and, if so, how this affects the performance of the SOEs. Specifically, the research assessed the perceptions of board members and executive managers on the role of objective alignment, resource provision, and management succession in the performance of Eskom.

The corporate governance practices dictated by the King Code include: (a) creating an ethical culture in organisations; (b) improving performance and increasing value; (c) ensuring adequate and effective controls in the organisation; (d) building trust between stakeholders; (e) ensuring the organisation has a good reputation; and (f) ensuring legitimacy.

The specific objectives are as follows:

- To understand how board members and executive managers perceive the role of objective alignment in the performance of SOEs.
- To understand how board members and executive managers perceive the role of resource provision in the performance of SOEs.
- To assess the awareness and perception of board members and executive managers regarding the role of management succession in the performance of SOEs.
- To establish whether SOE's board members comply with the provisions of the King Report and its principles of good corporate governance, and whether they are succeeding or failing to execute their governance duties.

2.3 RESEARCH QUESTIONS

Based on the problem identified and in line with the purpose of this study, the overarching research question was reviewed and framed using the theoretical lens of the agency and resource dependence theories. The overarching research question is: How do executive managers of the SOEs perceive the role of objective alignment, resource provision, and management succession in the performance of the SOEs? To achieve the goals of this study, the researcher sought to answer the following specific research questions:

1.1.1 Research Question One

How do executive managers perceive corporate governance practices as far as resource provision, objective alignment, and management succession on the performance of SOEs?

1.1.1.1 Sub-Research Question

How do executive managers perceive the status of objective alignment?

How do executive managers perceive the status of governance?

1.1.1.2 Sub-Research Question

How do executive managers perceive opportunities for improvement in the performance of SOEs?

1.1.2 Research Question Two

How do executive managers perceive the role of resource provision in the performance of the SOEs?

1.1.2.1 Sub-Research Question

How do executive managers perceive the status of resource provision?

1.1.2.2 Sub-Research Question

How do executive managers perceive opportunities for improvement in the performance of SOE?

1.1.3 Research Question Three

What are the perceptions of executive managers in terms of the role of management succession as far as the performance of SOE is concerned?

1.1.3.1 Sub-Research Question

How do executive managers perceive opportunities for growth in the performance of SOE?

1.1.3.2 Sub-Research Question

How do executive managers perceive the role of management succession?

2.4 DEFINITION OF CONSTRUCTS

Objective alignment: Refers to the extent to which executives' objectives align with those of their companies (Morrison, Ghose, Dam, *et al.*, 2012). Therefore, objective alignment refers to the process of aligning individual goals and objectives with the overall strategic objectives of the organization.

Resource provision: Refers to the distribution of resources (Davies, Fuller, Loram, *et al.*, 2009). In essence, it refers to the function of ensuring that employees have the necessary resources, tools, and support to perform their jobs effectively

Management succession: Refers to the succession of management within a company (Huang, 2001). Therefore, management succession is the process of identifying, developing, and preparing individuals to replace key executives and managers.

Chapter 3: LITERATURE REVIEW

The purpose of this section is to examine the contemporary literature relevant to this study, with specific reference to SOEs, SOE's corporate governance practices, SOE corporate governance structure, theoretical framework, as well as assessment of previous studies on corporate governance in SOEs.

The literature review is made up of 6 key sections. These include a broad overview and detailed sub-sections of the following topics: (1) SOE Value, Failure & Poor Governance, (2) Misleading Policies, (3) Lack of Quality Management, (4) Failure of SOE and Privatization Response, and (5) summary. The final summary provides an overview of salient topics and illustrates the research gap.

A complex history of colonialism frames the development of Africa. By the 1960s, changes in economic development thrust Africa into the global economy through reformed policy and governance (Austin, 2010). In 1980, resource allocations were shifted from the previous colonial-guided administration (Austin, 2010). In this first section, a review of the prominent issues of African governmental reform and governance is discussed. A broad discussion of the South African economy will include a robust discussion of the place of SOEs in South African economies.

3.1. Economic Development & SOEs' Development in Africa

South African development is interlaced with a complex history of colonialism and subsequent economic restructuring (Barnes, 2019; Gnade, Blaauw & Greyling, 2017). The post-democratization period of South Africa included decentralization of economic governance, which created a local government that was central to the development of the economy. However, the post-democratization period continues to be marked by difficulties, inequalities, and privatization to meet the new South African global economy (Cao & Shi, 2020; Gnade et al., 2017). The implementation of developmental plans, such as The National Development Plan, was created to address educational inequalities, lacking public services, and a struggling infrastructure system (Gnade et al., 2017).

SOE development and impact in developing countries is considered one model for entrance into global economies. (Nem Singh & Chen, 2018) explored growth-enhancing strategies for the development of economic development through an East Asian context. The authors performed a systematic review of the impact of SOE on developing country reform. The authors noted that despite privatization, SOEs remain a positive factor in many countries' development and economic furtherment. Additionally, economic reform is furthered by SOE establishment, but poor governance and unclear strategies play a role in ineffective SOE management.

Further, the authors demonstrated that SOE development is crucial for developing countries' political and business relationships. Though the authors' work is targeted towards East Asia and not South Africa, their work serves as a foundational review of the elements of SOE development that can serve or challenge developing countries' economic status. In consideration of modern South African development, (Ndabeni, Rogerson & Booyens, 2016) noted that innovation in the development of South Africa is centred around development, social change, and improved economic development. Leading innovation change is the South African National System of Innovation (NSI), which aims to guide new policies that reflect renewed economic structures after the apartheid (Ndabeni et al., 2016).

In line with these changes was a renewed focus towards SOEs in 1994. Ideally, the development of SOEs in South Africa will target economic growth and reduce rampant poverty and inequality (Kikeri, 2018). A reflection of the focus on SOE was the establishment of the Presidential State-Owned Entities Review Committee in 2010 (Kanyane & Sausi, 2015; Kikeri, 2018). The new committee was designed to oversee economic development and emphasize the need for an increasingly innovative market. As noted Kim and Ali (2017), SOE development creates a separation between levels of management and ownership, which includes a board of directors that includes governmental officials. Resultantly, the structure of SEOs has raised concern over the difficulty of measuring political influence and the long-term efficacy of the economic model (Kim & Ali, 2017). The following section moves to examine SOEs in the context of the South African economy.

State-owned enterprises (SOEs) are considered government-owned businesses. The government or state may have significant, complete, or majority ownership (Guo, Huy & Xiao, 2017). Further, SOEs can include commercial and non-commercial enterprises that can be used for policy implementation (Meyer, Ding, Li, et al., 2014; Pang, Hu & Woon, 2018; Song, 2016). A non-commercial SOE is designed for the function of regulatory, advisory, public policy implementation, and research-based enterprises. Conversely, commercial SOEs are grouped within four incorporated and non-incorporated bodies: (a) state-owned companies, (b) state interest companies, (c) statutory corporations, and (d) financial intermediaries (Estrin, Meyer, Nielsen, et al., 2016; Li, Cui & Lu, 2018; Meyer et al., 2018).

SOEs are considered problematical due to a tendency to inflate revenue reporting. Lei and Xu (2019) recently examined SOE ecology protection, audit strategy, and motivation analysis to assess inflated revenue reporting. The authors noted that operating income is a traditional model for assessing the efficiency and development of SOEs; however, this model is also used to inflate revenue illegally. In particular, some SOEs in the past have used performance commitments, share prices, and bank credits to defraud governing bodies. The authors used motivation analysis and audit strategy analysis to explore reported SOE income and examine factors that could be ideal for monitoring fraudulent SOE strategies. Resultantly, the authors noted that poor governing strategies in SOE globally (including South Africa) used the enterprise's scale to acquire bank credit. However, this strategy inflated revenue streams which presented erroneous financial statements to stakeholders. The authors argued that policies and improved governing strategies must be increased to ensure that SOEs are adequately monitored. The work of Lei and Xu (2019) serves as a key illustration of the failings of SOE strategies. In particular, the authors' work demonstrates governance and poor policy development as two key factors that influence the failure of SOEs.

Researchers also indicate a critical need to consider how SOE development has changed developing countries' modern economic business models. Nicolo, Zanellato, Manes-Rossi, et al. (2020) considered the globally integrated reporting practices (IRF) in SOE organizations. Through examination of secondary data, the authors attempted to identify how the size and socio-cultural environment of SOEs correlated with IRF compliance. Nicolo et al. (2020) noted that in South Africa, IRF compliance was connected to a firm's social performance but was decreased due to poor policy implementation. In terms of IRF globally, the authors concluded that SOE increases transparency and legitimacy by publishing their financial information to stakeholders. However, SOEs rarely disclose performance and outlook reporting. The authors noted that this is problematic as these two elements are central to ensuring that SOEs operate legitimately and effectively. Nicolo et al. (2020) argued that future research is needed to assess how further policy implementation can ensure that SOE organizations produce IRF compliance. The work Nicolo et al. (2020) further demonstrates the need for policy implementation and transparency in terms of performance and outlook reporting for SOEs. However, as the authors' focus was not solely on South Africa, detailed conclusions are impossible.

SOEs are also explored in terms of the interaction of foreign investment strategies, referred to as FDIs. Li et al. (2018) explored the interaction of SOEs within FDI strategy and financial influx. The authors included a trickle-down theoretical framework to examine how capitalism from developed industries plays a role in SOES's decreased performance. Through a secondary literature review, the authors identified micro patterns regarding the impact of capitalism and FID strategies. In particular interest to this study was a consideration of South African involvement with China in 1996. The authors noted that the interaction played a role in SOE development and policy development.

Further, Li et al. (2018) noted that SOEs in South Africa could be classified as local and central SOEs based on their involvement within the principles and municipal government, which ultimately impacts their economic impact upon South Africa. The authors did note that the Chinese investment in South Africa possibly aided in SOE development yet did not increase governance and policy development. However, how interactions between varying policy and global economic involvement played a role in South Africa was absent from consideration within this study. Regardless, Li et al. (2018) work illustrates the interaction of SOE on a local and global level.

Researchers have also considered SOEs within a geopolitical framework to examine the influence of socio-cultural and economic factors on the efficacy and legality of enterprise operations. Shi, Hoskisson and Zhang (2016) noted that previous explorations lacked consideration of the geopolitical, economic, and local socio-cultural factors that influence the development and operation of SOEs. The authors noted that as SOE development is typically initiated in developing countries, these factors are a considerable criterion for how the enterprises are monitored. Therefore, the authors performed a technical summary of globalizing state enterprises to provide a foundational analysis of the geopolitical influence upon SOE development. Resultantly, Shi et al. (2016) reported that SOEs’ development is intrinsically linked with geopolitical interests due to their governmental ownership.

Further, the authors argued that nationalist politics influence the operation and legality of which an SOE is expected to operate. Further, nationalist politics often fail to ensure that SOEs operate under legal and sound policies that represent the needs of the citizens and the state. The authors argued for further examination of policy and governance strategies regarding SOE operation. The work of Shi et al., (2016) provides a unique insight into the complex intersection of politics and SOE operation. However, similar to previous assessments, a lack of primary data through an empirical approach limits understanding geopolitical concerns within the South African SOE context.

Katjiruru (2016) they provided a unique analysis of the policy and financial decision-making in Namibia SOEs that demonstrate the need for improved governing and policy implementation practices. The author noted that Namibian SOEs lack examination in academic literature and, in particular, the methods for investment, budgeting, and documentation are unclear. Therefore, the author employed a questionnaire to assess board member perceptions regarding SOE risk strategies and budgeting methods. The results were examined using multivariate analysis. Resultantly, the author found that board members reported that budgeting practices have improved using standardized techniques, such as ensuring that budgets are submitted to the minister and the board's interest frames that decision-making. However, a lack of training on the state-level management teams was reported due to the reliance on external consultants for budgetary needs. Katjiruru (2016) argued that future assessments should consider how governance strategies intersect with consultation-based groups for budgetary means. Additionally, there is a need to examine how the same budgetary methods are controlled by the minister and the board in South Africa. However, Katjiruru (2016) provides a valuable addition to the literature by employing a qualitative review and examinations from the perspectives of board members in charge of the Namibian SOEs.

Resultantly, Shi et al. (2016) reported that SOEs' development is intrinsically linked with geopolitical interests due to their governmental ownership. Further, the authors argued that nationalist politics influence the operation and legality of which an SOE is expected to operate. Further, nationalist politics often fail to ensure that SOEs operate under legal and sound policies that represent the needs of the citizens and the state. Therefore, the authors argued for further examination of policy and governance strategies in terms of SOE operation. The work of Shi et al. (2016) provides a unique insight into the complex intersection of politics and SOE operation. However, like previous assessments, a lack of primary data through an empirical approach limits understanding geopolitical concerns within the South African SOE context.

3.2. SOE Value, Failures & Poor Governance

In South Africa, there are 715 active commercial, non-commercial, and subsidiary SOEs in operation (Kikeri, 2018; Kim & Ali, 2017). Non-commercial SOEs are 27% of South Africa's domestic income (Kikeri, 2018). However, several researchers have noted that the management and development of SOEs in

South Africa struggle to meet the ideal governance strategies for effective functioning (Coetzee & Bezuidenhout, 2019; Edoun, 2015; Kikeri, 2018; Mustapha, Kruss & Ralphs, 2018).

In South Africa, SEOs are a critical portion of the economy. Overall, SOEs comprise an R-1 trillion enterprise equivalent to 27 per cent of the country's GDP (Kikeri, 2018). SEOs serve essential roles in ensuring that South African citizens are provided goods and services, such as transportation, electricity, and policy and research implementation (Kanyane & Sausi, 2015). Fourteen water boards and companies currently comprise the most critical SOE corporations and contribute 8.5 of the GDP. Further infrastructure organizations include the Airport Corporation of South Africa, South African Airways, and SANRAL, which comprises the road and railway corporations. The original establishment of SOEs was based on a previous need to reduce poverty and inequality across South Africa (Gumede, 2016; South Africa Ministry of Public Enterprises, 2000). Thus, SOEs served to provide goods and services, ensuring that job opportunities were advanced (Kanyane & Sausi, 2015; Masekoameng & Mpehle, 2018).

Resultantly, researchers have examined how the introduction of SOEs and associated governance and policies have impacted the South African economy. Individual sub-sections are presented in this chapter to review these issues, but a brief overview is necessary for this section. Edoun (2015) was among the first to examine the governance factors of South African SOEs. The author noted that the current policies and practices impeded the organizational goals. Similarly, Kikeri (2018) provided an examination of SOEs that illustrates the issue of poor governance in SOEs. In addition, the author provided an overview of the Presidential Review Commission (PRC) published in 2014 for assessing performance and the SOE alignment with the state developmental agenda (Seán M Muller, 2015). Kikeri, (2018) noted that the establishment of SOEs was designed to align with the New Growth Plan (NGP) for reducing poverty and inequality and providing critical infrastructure for public citizens. However, the introduction of NGP developed issues in implementation that called for key models that would incorporate SOE and govern them appropriately for implementation.

Through a review of the 2006-2010 reports, the authors noted that commercial SOE performance produced a positive profit but poor asset return. For example, from 2006-2010, the net profit margin was 13.8%, but the asset return was 0.7%. They indicated that SOEs experienced loss based on poor governance and a lack of attention to the strategic objectives (Kikeri, 2018). The author concluded that despite the ideal policies for reducing inequalities through SOE, that performance was relatively ineffective. Kikeri (2018) recommended changes in SOE policies in the following realms (1) clarifying SOE objectives, (2) improving regulations for governance, (3) strengthening management of SOEs, (4) promoting financial stability, (5) enhancing accountability and transparency of SOEs. Kikeri's (2018) examination is a valuable assessment based on secondary data from governmental reports. However, there are limitations to the author's systematic review, such as a lack of examination of how government leaders and executive managers perceive challenges and policy intervention models.

Executive remuneration and financial performance are considered critical factors that initiate SOE success in South Africa. Marimuthu and Kwenda (2019) explored SOE performance by exploring the Public Financial Management Act that governs 33 commercial SOEs in South Africa. A series of dynamic panel data was used to estimate the Generalized Methods of Moment acts that lead to increased financial performance. As a result, the authors found an increasing issue of misalignment between the pay and the performance of the executive officers in South African SOEs. The authors argued that current models fail to consider financial performance when assessing executive remuneration. Thus, further assessment is needed to consider how governing processes align with the excellent remuneration for executive officers.

SOE assessment in South Africa is limited in the empirical literature; however, some context is provided in Mihyo and Mukuna (2018) the exploration of Kenya's SOE development. The authors provided a horizontal accountability assessment to explore the executive and legislative bodies in Sub-Saharan African countries. The authors noted that the infrastructure and institutions present are relatively weak, which complicates the effectiveness of SOE development and intervention management. However, reforms through the past three decades elucidate models for improving SOE development in Kenya. In particular, one element noted by the authors that has improved SOE development is the inclusion of effective governing strategies and clear adaptions to policies for ensuring anti-corruption. The authors examined the National Cereals and the Produce Board SOEs within Kenya for a case study. Secondary data was employed by examining informal mechanisms (e.g., political actors) and formal factors (e.g., policy and governing strategies). Documentation of the constitution, Hansard Reports, and Nation speeches and media reports examined these two mechanisms' interactions. In the case of National Cereals, the authors found that ineffective models were substitutive competing, which resulted in poor models of competition and decreased financial competency.

Further, the SOE was improved by integrating formal models for ensuring citizen development, decreasing prices for citizens, and providing policies that delineated the allocation and distribution of funds. Integration with informal mechanisms of political actors created more defined policies and bettered government that increased previously poor financial reporting. Mihyo and Mukuna (2018) argued that these two case studies illustrated the interaction of informal and formal mechanisms in SOE operation. These authors help illustrate the complicated political and economic struggle to increase governance and clarify existing SOE policies.

Researchers such as Coetzee and Bezuidenhout (2019) further illustrate a lack of transparent strategy and implementation by chief executive officers (CEOs) of SOEs. The authors noted a reported increase of concern regarding officer execution of objectives. Further, news in South Africa reported that CEOs were increasingly taking monetary packages despite their poor performance. As such, the authors explore how the size and industry of SOE impacted CEO compensation. For their purpose, the authors explored a multiple regression analysis with a secondary data set of 162-panel observations conducted over nine years.

Further, the financial data for 18 CEOs were examined from the McGregor BFA database and SOE annual reports. Resultantly, the authors found that the site of the SOE does not influence compensation; however, the industry appears to play a role in the bonuses and overall compensation for CEOs of SOEs. In particular, forestry and energy industries were most likely correlated with poor performance and CEO compensation. The authors argued that considering the rampant poverty in South Africa, it is essential to consider how these organizations are managed effectively. The work of Coetzee and Bezuidenhout, (2019), similar to Kikeri (2018) provides essential information regarding one of the issues of SOE management. In particular, the work illustrates a link between strategy implementation and the governance models used.

Researchers also illustrate that the management of SOEs demonstrates decreased profitability compared to private ownership. Cheng, Li and Li (2018) explored data from China to examine SOEs. The authors' examination is not specific to South Africa but still serves as critical empirical evidence towards incorporating SOE for economic betterment. Cheng et al. (2018) explored the China Employer-Employee Survey to explore the difference between private and SOE efficiency. For the study, data explored labour productivity between 2013 and 2015. The authors found that SOEs produce decreased human capital and market power, which ultimately decreases efficiency in return for economic growth. However, the governance factors and the perceptions of government leaders and executive managers regarding the efficiency of private and SOE efficiency in South Africa.

SOE value is also linked to the ideal strategy for the staffing and management processes within the specific industry or organization. Boateng (2016) examined SOE's value in the country's economy by exploring Ghana. Similarly Cheng et al. (2018), the authors' examination is a crucial examination of the general value of the SOE model. Boateng (2016) noted that the SOE model has proved ineffective in Ghana. The author assessed through face-to-face interviews and thematic analysis regarding the effectiveness and challenges of the SOE model. Resultantly, Boateng (2016) reported that overstaffing, increasing bureaucracy, and decreased strategy implementation led to poor performance in Ghana. The authors' findings illustrate that poor governance is one element that leads to decreased efficiency of SOE. Further, the model of exploring perceptions from interviewing research design can be an effective model for assessing challenges to model effectiveness. As such, the following will review the failure of SOEs in South Africa and assess the processes that reduce the effectiveness of SOE models.

SOE development in South Africa is a critical economic model (Kikeri, 2018; Kim & Ali, 2017; South Africa Ministry of Public Enterprises, 2000). Further, SOEs serve to support the needs of the people and ideally reduce inequality and poverty (Kanyane & Sausi, 2015; Masekoameng & Mpehle, 2018). Examinations of SOE in South Africa are primarily limited to secondary data analysis. However, researchers in this section illuminated critical issues with the development of SOEs in South Africa. Mihyo and Mukuna (2018) discussed previous SOE development and noted that infrastructures are relatively weak throughout Africa but are improving. Researchers also revealed that financial performance executive remuneration is poorly connected and maybe a link towards rampant SOE corruption (Coetzee & Bezuidenhout, 2019; Edoun, 2015; Kikeri, 2018; Marimuthu & Kwenda, 2019). Researchers also noted that SOE profitability is decreased compared to private ownership; however, privatization is less frequently assessed in South Africa SOE examinations (Boateng, 2016; Cheng et al., 2018). However, examinations of SOE in South Africa represent diverse literature focused on issues of poor governance and lack of policy clarification. The following section presents significant issues related to SOE failure through an examination of quality management, poor governance, and policy ambiguity.

SOEs are considered a critical function in South Africa; however, the implementation of the SOE model is not considered effective for all developing countries (Boateng, 2016). Multiple researchers illustrated the issues that contribute to the ineffective leadership of SOEs. In this section, the general issues with the SOE model are presented through previous academic research. Subsequent sub-sections will provide evidence of poor governance of South African SOEs.

In China, SOEs are considered less effective than private firms. Zheng (2018) examined the economic effectiveness of Chinese SOEs to explore the challenges present to profitability compared to private ownership. For their assessment, the authors assessed the SOE and private-owned enterprises based on previous case studies and financial indicators. In particular, the authors explored the mixed ownership of Chongqing Beer to explore indicators of on-the-job consumption and financial effectiveness. For the authors' study, mixed ownership referred to the introduction of non-state capital, such as private grants or financial support. The authors noted that the acquisition of private funds into SOE models led to governance change, which ultimately led to abuse of power and financial misuse through on-the-job consumption. Ultimately, poor governance led to decreased effectiveness compared to private ownership. Zheng (2018) noted that one reason for the abuse of power might be the introduction of less strict policies due to the SOE-governed model. The work Zheng (2018) illustrates one failure of SOE, which is poor governance and abuse of power.

In terms of abuse of power, researchers note that policy implementation is critical for improving the effectiveness of SOEs in developing countries. (Musacchio & Ayerbe, 2019) provided an exploration of models that may serve to improve the effectiveness of SOEs. The authors noted that one model for mitigating SOE was an implementation that strictly governed oversaw policies and implementation to detailed strategic objectives. This includes monitoring abuse of power through governing officials who remain unbiased towards objective strategies. Similarly, Li and Liu (2019) provided an overview that mirrored Ayerbe’sAyerbe’sAyerbe’sMusacchio and Ayerbe (2019) examination of issues with SOE development. A systematic review of literature related to SOE development and challenges was provided for the authors' assessment. The authors noted that SOE development should include strategies guided towards the betterment of the country, such as green initiatives. Without such initiatives, SOEs are unclear about their mission of reducing inequality. However, Li and Liu (2019) noted that current SOEs reflect poor governance strategies and are not aligned with the needs of the country's citizens. However, both Li and Liu (2019) Musacchio & Ayerbe (2019) review was based on a review of systematic literature, which though helpful in providing foundational knowledge, illustrates a gap in empirical investigations regarding the perceptions of governing officers towards the challenges of SOE efficiency.

Researchers Capobianco and Christiansen (2011) also reviewed SOE problems by examining the current policies that govern competitive neutrality. In the author's case, competitive neutrality refers to the insurance that a business does not have advantages or disadvantages based upon ownership. Thus, an SOE should ideally maintain competitive neutrality despite governmental ownership. However, the authors noted that problems globally illustrate that SOEs do not maintain competitive neutrality, resulting from unclear policies and a lack of proper governance. A series of secondary data from recent policy SOE models by European Union countries were examined for the authors' examination. The authors noted that current competitive neutrality frameworks in the European Union might represent an ideal model for developing countries dealing with issues of poor policies and corruption. Capobianco and Christiansen (2011) argued a critical need for an academic assessment that demonstrates an ideal theoretical framework for competitive neutrality in SOEs globally. However, the authors' examination falls short in exploring the specific context of South Africa. Nevertheless, the findings are critical to illustrating one element that can lead to corruption and the failure of SOEs globally.

SOE leadership is critical for policy implementation but is not always reflected by the CEO's actions. Deng (2017) noted a need for a review of the public and private legalities that governed mixed ownership and SOE enterprises in Vietnam. Deng (2017) further noted that transaction legality and abuse of power were frequent issues in SOE outside Vietnam. The authors assessed legal assessments and case studies regarding mixed ownership and SOE enterprises in Vietnam for analysis. Deng (2017) reported that current legal structures do not adequately govern property rights transactions, resulting in decreased SOE efficiency. In particular, a lack of uniform legislation in Vietnam and ambiguous terminology decreased the ability for legal actions against poorly executed or illegal property transactions for SOE. Deng (2017) argued that different legal structures are needed to ensure that SOEs in Vietnam and globally are created to decrease illegal activity.

The work Deng (2017) further demonstrates the issue of poor governance and inadequate leadership strategies. However, similar to previous assessments Li and Liu (2019) and Musacchio and Ayerbe (2019) failed to provide an empirical investigation from primary data. Nevertheless, research concerning SOE failure is not absent in academic literature. In particular, researchers note that SOE development is not always successful for developing countries (Boateng, 2016). Similarly, researchers found that China's SOEs are decreasingly effective due to failings in governance (Zheng, 2018). Further, abuse of power continues to be an issue of concern in terms of SOE infectivity (Deng, 2017; Li & Liu, 2019; Musacchio & Ayerbe, 2019). As such, the following will examine each of these variables separately. First, poor governance as a variable of SOE development is considered from the empirical literature.

One significant issue in SOE development is poor governance strategies and inadequate leadership. Corporate governance is critical to ensuring that the strategies are effectively implemented and that the financial performance of SOEs effectively represents the country's developmental needs. However, poor SOE leadership leads to reduced efficiency and decreased financial performance (Fondo, 2016).

The particular issue in South Africa is a series of ineffectual and partially absent legal frameworks to govern SOEs. Mbo and Adjasi (2017) explored these issues by assessing organizational performance in South Africa. Mbo and Adjasi (2017) discussed the SOE performance by exploring the power and utility franchise within South Africa. For data analysis, the authors explored data for a period of 10 years from 1994 to 2013. A financial audit was assessed using statistical assessment to explore SOE effectiveness.

Further, narrative data from previous academic explorations were used for discussing the challenges affecting the efficiency of SOE. For example, Mbo and Adjasi (2017) reported that stakeholder and board governance serves as the guiding model for ensuring that policies are correctly followed and implemented. Effective policies were practised through performance and resource-based strategies. Further, a broad stakeholder representation was found to be negatively correlated with the performance of the SOE. In part, this is linked with the findings mentioned above by Coetzee and Bezuidenhout (2019) regarding increasingly poor performance linked to the greater size of the SOE.

Additionally, Mbo and Adjasi (2017) reported that governmental involvement and tariff processing decreased SOE performance. The authors concluded that a leading issue for ineffectuality was a combination of poor governance, insufficient resources, and poor public policy management from stakeholders. Mbo and Adjasi's (2017) work, though based on secondary data, was a valuable exploration of SOE performance through multiple avenues of data. Additionally, similarly Coetzee and Bezuidenhout (2019), the authors illustrated that poor governance and SOE size are linked to decreased performance.

Despite assessments that poor governance is linked to decreased SOE performance, a lack of research exists regarding governmental leaders' and executive managers' role in guiding SOE in South Africa. (Bezuidenhout et al. (2018) illustrated this research gap by exploring the chief executive remuneration (e.g., fixed salary and total remuneration) and performance in two SOEs in South Africa. The authors explored a quantitative longitudinal study over 9 years. Secondary data was collected by examining the 18 reports of the two SOEs in the study. A statistical assessment was performed through the use of regression analysis. Resultantly, Bezuidenhout et al. (2018) reported a statistical relationship between CEO remuneration and company performance. The authors reported that these findings indicated that strategies to improve SOEs might be based on the need to explore how performance and pay are linked in future assessments. Bezuidenhout et al. (2018) argued that many forms of financial bonuses were wasteful models to increase performance in SOEs, when in fact, changes were needed in how governance models proved effective in previous SOEs.

Similarly, Kumalo and Scheepers (2021) found that SOE in South Africa was impacted by leadership patterns that proved ineffectual for performance. The authors noted a need to explore how leadership requirements, such as behaviour during recovery processes, impact SOE performance. The authors explored semi-structured interviews with 11 CEOs in SOEs in South Africa. Each of these participants was in the process of re-organizing the current model to increase the performance and effectiveness of the organization. After thematic analysis, Kumalo and Scheepers (2021) reported that leadership focused towards a specific individual, such as a CEO, was preferred over joint leadership, such as board leadership.

Further, it was critical that objectives and decisions could be targeted towards a central figure in times of leadership turnaround instead of turning to fragmented leadership models. The authors argued that governance is a central factor in SOE performance; however, how poor leadership has impacted previous SOE models is unclear from the authors' examinations. However, Kumalo and Scheepers' (2021) reporting illustrates the usefulness of the qualitative interview model to explore findings specific to the reported experiences of governing officials.

However, Mashamaite and Raseala (2019) provided further information regarding poor governance strategies in SOE. The authors noted that SOEs play a crucial role in South Africa's economic development; however, governance is considered one model that has decreased the effectiveness of these performance-based strategies. The authors thus focused on governance to explore how governance impacts firm performance. For the authors' assessment, a review of secondary literature was discussed, and a focus was placed on previous governmental performance results for SOE in South Africa. Mashamaite and Raseala (2019) reported that SOE issues included poor financial reporting, lack of proper governance, underperformance, debt burdens, and poor accountability systems. These fallbacks were most notably documented in the energy, transport, finance, and telecommunication industries. The authors further noted that models to reduce these issues were ideal governance strategies that would ensure that the SOE models were placed against the current ineffectual processes. Mashamaite and Raseala's (2019) work illustrates the most recent issues in SOE development in South Africa. However, the authors did not perform a qualitative assessment similar to Kumalo and Scheepers (2021). As a result, they illustrated a gap regarding the empirical models used to explore the challenges and opportunities for improvement within SOE in South Africa.

In terms of governance, Magang and Kube (2018) analyze governance principles that are critical to understanding the failure of SOEs in South Africa. For the authors' assessment, 16 South African SOEs were explored to assess the best governance principles and practices. The authors also assessed compliance of the same SOEs to compare with the recommended principles of the King Code of South Africa. Notably, the King Code of Africa was placed to ensure that SOEs adhered to ideal corporate governance policies. The authors examined 53 provisions from the Code to explore the compliance level of the 16 examined SOEs. The authors found that 68.7% of the examined companies reported a score of 51%. The remaining group reported 31.3% compliance with the Code. The authors further found that issues in reporting were most strongly related to integrated sustainability reporting, while positive compliance was aligned with risk management. They indicated that the examined SOEs were more likely to pick and choose elements of compliance than to ensure that all elements were aligned with the designated Code. The authors concluded that current policies fail to comply with governing practices and fail to align with international compliance efforts regarding SOE models. Magang and Kube (2018) work provides renewed information from an empirical approach regarding the compliance issues of SOEs in South Africa. Lack of governance and adherence to policies is an apparent issue that plagues SOEs in South Africa.

Similarly, Suleiman, Hamad and Sulaiman (2018) reported that poor governance is a continued issue connected to the performance of SOEs in South Africa. The authors noted that Zanzibar is considered one example of poor SOE performance in South Africa. Therefore, the authors explored governance, management, benefits, and challenges of effective SOE performance in Zanzibar. For the assessment, literature and government documents were reviewed as secondary data for the study. The authors reported that SOE governance lacks uniform storage, guidelines, or policy to ensure optimal performance. Researchers also noted that guidelines are vague and leave room for error or non-compliance.

Further, overstaffing of SOEs decreases the ability for proper governance and reduces the contribution towards economic effectiveness. In sum, the author concluded that future studies should focus on the need for improving governance and policy in light of the poor performance of SOEs in South Africa. Suleiman et al. (2018) provided helpful information regarding the current status of SOE performance in South Africa; however, secondary data illustrates the need for further empirical investigations that gather and analyze primary data for scientific rigour.

One critical issue facing SOE performance in South Africa is poor governance. The authors examined in this sub-section demonstrated the need for changes in policy, guidelines, and governing structures to mitigate SOE performance issues. Mbo and Adjasi (2017) demonstrated that poor performance is linked to the governance strategy and the size of the SOE enterprise. Further, Bezuidenhout et al. (2018) demonstrated that SOE remuneration and company performance were positively linked; however, attention to the performance of the CEO was often ignored, which was correlated with poor SOE performance. Through qualitative interviews, Kumalo and Scheepers (2021) also demonstrated that leading through a singular individual is ideal for increased performance. Mashamaite and Raseala (2019) also noted that poor performance is linked to inadequate governance, especially in the energy, transport, and finance industries. Overall, governance is linked to inadequate SOE performance and plays a key role in guiding the implementation of strategies designed for firm effectiveness. Next, the role of misleading policies is explored through academic explorations.

3.3. Misleading Policies

As noted in the previous section, governance is empirically linked to a decrease in SOE performance. Researchers further noted that governance is intrinsically linked with implementing practices and policies that are guided towards firm performance (Kumalo & Scheepers, 2021; Mashamaite & Raseala, 2019; Mbo & Adjasi, 2017; Suleiman et al., 2018). In this vein, behaviour, practices, and decisions guided by SOE policies are considered one disconnect between performance effectiveness.

Policies are noted to be one factor that is critical to SOE performance. Schneider (2019) provided an overview of the policies that proved effective for SOEs in Asia. As literature is lacking towards South Africa, the context provided by Schneider (2019) allows for an exploration of policy importance. The authors explore how policies and governance interacted with the goals of meeting the country's citizens. The author found that policies and strategies must be incorporated through ideal governance. Schneider (2019) presented a series of themes that illustrated ideal policies (1) conflict of interest can be mitigated through ownership strategies that are designated by specific policies, (2) conflict of interest is also mitigated by a policy that develops independence between the state and the governing strategies, and (3) independence of the organization at individual levels. The work of Schneider (2019) illustrated a crucial issue in SOE, the conflict between ownership by the state and the autonomy of governing parties to make independent decisions. The authors illustrate a need to develop SOE policies that allow for policy implementation that is autonomous from the state-controlling bodies.

Similarly, Gumede (2016) provided an overview of the ideal models for restricting policies regarding SOEs in South Africa. The author noted that the current policy models for South Africa are failing, which is apparent from the performance of SOEs. Gumede (2016) noted that one action of SOEs was privatization, a factor discussed in later subsections. Similar to Schneider (2019), the policy recommendations by Gumede (2016) were based on secondary data derived from policy and governmental records regarding SOE policies. In conclusion, the author noted that policies should be uniform across all commercial and non-commercial SOEs. Further, ideological models should be aligned towards specific goals, such as inequity reduction. The work of Gumede (2016) provides a demonstration of the academic need for policy reformation in South African SOEs. However, there remains a lack of empirical investigation in academic literature regarding policy change.

To exemplify the ambiguity of current policies, Mtshali (2016) provided a detailed examination of policies regarding SANRAL (e.g., road agencies) in South African SOEs. The author noted the importance of SOEs in South Africa and emphasized a lack of previous policy consideration for exploring the failings of current SOE models. The authors explored secondary data regarding SANRAL road agencies in South Africa, which are composed of SOEs. In particular, the Public Financial Management Act (1999) and the Companies Act of 2008 were reviewed. In terms of transit, failings included a reduced customer focus, lack of flexibility and reliability, reduced cost-efficiency, lack of transparency, and decreased improved communication between divisions. Notably, policies are ambiguous in controlling these factors, which has led to evident issues. Mtshali (2016) noted that a review of policies and previous case studies demonstrates that poor leadership and failing policies reduce SOE positive outcomes.

The policy is also found lacking regarding the South African defence industry. Kleynhans (2017) performed a systematic review of the Defense Policy Review (2015), the National Development Plan, and the National Industrial Policy Framework. The authors noted that SOEs were crucial figures in the defence system within these objectives. Besides governmental involvement, the contribution was designated towards peacekeeping policies and diversification of defence industries towards cyber and maritime efforts. However, policies lacked implementation methods for shifts towards research and development models that could be used for competencies and diversification. However, policies were still aimed towards eliminating poverty and inequality by increasing jobs, education, and skills through SOE-developed models. Kleynhans (2017) argued that for SOE involvement to be successful, policies should be targeted towards supplier and development alignment and policy growth alignment. Significant scale management interventions, digital platforms, and business development models should be developed for this process. However, current models for policy implementation lack a defined framework to ensure that the desired benefits (e.g., policy reduction and defence development) are achieved. The work of Kleynhans (2017) provides a unique examination of policy that is critical to this literature examination. However, models of empirical investigation (e.g., quantitative, or qualitative based on primary data) are absent from examinations of policy implementation regarding South Africa.

To conclude, there is a lack of examinations that include empirical evidence to explore the role of policy implementation in SOE effectiveness. Researchers indicate that policies are ideal for governing practices (Kumalo & Scheepers, 2021; Mashamaite & Raseala, 2019; Mbo & Adjasi, 2017; Suleiman et al., 2018). However, policy implementation appears to be failing in the South African SOE frameworks (Gumede, 2016; Kleynhans, 2017; Mtshali, 2016; Schneider, 2019). Ideally, the results of this study will fill this gap in the literature and provide a bettered understanding of how current policies contribute to poor governing strategies for South African SOEs. The lack of quality management strategies for South African SOEs is discussed.

3.4. Lack of Quality Management

Human corruption, increased turnover, poor work ethic practices, and decreased leadership quality are linked to poor SOE performance (Muzapu *et al.*, 2016). Researchers noted a need to explore the elements of quality practice management, such as human resource (HR) ethics, in terms of SOEs. Hertati, Zarkasyih, Suharman, et al. (2019) explored HR ethical tactics in Indonesian SOEs. Literature concerning quality management in South Africa is limited; as such, the work of Hertati et al. (2019) provides context to the importance of HR management in South African SOEs. Hertati et al. (2019) noted that quality HR departments could ensure that policies are appropriately implemented and objectively monitor governance strategies of leadership. However, there is a notable lack of quality management procedures for SOE industries noted in empirical research. As such, the researchers explored SOEs in 355 sub-units in Indonesia. Data was collected through questionnaire approaches and statistically analyzed to assess correlations between responsibility, accountability, and liability with SOE performance. The authors reported that responsibility, accountability, and liability variables were statistically correlated with effective SOE performance.

Further, Hertati et al. (2019) noted that HR departments contribute to effective reporting and compliance. Therefore, the authors argued that quality management through HR departments was one model for ensuring compliance, improved governance, and ideal performance. The work of Hertati et al. (2019) demonstrates an ideal empirical modelled investigation that revealed models that could improve SOE models.

Hertati et al. (2019) were mirrored by Allini, Rossi & Hussainey's (2018) exploration of Italian SOEs and HR departments for quality management purposes. The authors explored the impact of the board of directors and HR debarments as quality management processes for SOEs. An assessment of secondary data of Italian SOEs provided data for exploring quality management in terms of SOEs. For the examination, the authors revealed that risk disclosure, company size, and internet visibility were related to the explored positive outcomes for the Italian SOEs. The authors further reported that boards might be an ideal model for ensuring accountability and reducing the possibility of corruption of a singular CEO. Notably, these findings converse with the work of Kumalo and Scheepers (2021) who posited that a singular leader is ideal for transformational processes within SEOs. However, the finding differences may be explainable by Kumalo and Scheepers' (2021) focus on agencies going through change and Allini et al. (2018) work towards ensuring accountability in non-transformational SOEs. Regardless, Allini et al. (2018) illustrate the importance of quality management processes and SOE performance value.

Researchers have also examined leadership styles in terms of governance in South African SOE. For example, Eresia-Eke and Mabasa (2018) explored the leadership styles of Managers in SOEs in South Africa to demonstrate the effective strategies employed for positive outcomes. The authors employed a quantitative approach by sampling and surveying 232 SOE employees through a cross-sectional analysis. A multi-factorial leadership scale was used and assessed with factor analysis, Harman's test, and model-fit statistics. Eresia-Eke and Mabasa (2018) found that transformational leadership style was most positively correlated with the managers' performance examined.

Further, the authors noted that the laissez-faire leadership style was least likely used in the SOE style. The authors did not examine how these leadership styles impacted the positive outcomes of SOEs. However, the leadership style was correlated with the most successful management explored within the study indicating a possible link between a transformational leadership style and SOE management;

however, how this leadership style correlates with improved governance as a model of decreasing poor SOE outcomes.

In terms of governance, researchers also considered how compensation is correlated with the performance of executives of SOEs. Maloa and Bussin (2016) explored SOE leadership effectiveness and compensation through secondary data analysis of 222 executives across 21 SOEs. The authors found that the type of industry and the function are positively correlated with compensation and SOE performance. Inferential statistics and multiple regression analyses were used to explore secondary data. Further, the authors assessed demographic data but did not find significant correlations between age, gender, race, and age towards compensation. Maloa and Bussin (2016) recommended that future researchers consider compensation in terms of the industry and the ideal performance needed to increase the performance of the SOE. Maloa and Bussin (2016) illustrated a connection between governance strategies and compensation; however, there was a lack of examination of what specific tactics, behaviours, or policies led to increased compensation and SOE development. Further, as in many assessments for South Africa, secondary data was primarily relied upon, which provides limitations to exploring data.

Digital Transformation is also considered a factor that may effectively increase governance strategies for SOEs. Venter (2019) explored the elements of digital transformation and the intersection of leadership in terms of SOEs in South Africa. The author conducted 13 qualitative semi-structured interviews with executive leaders in SOEs. As a result, the data were thematically analyzed to explore digital Transformation. Venter (2018) reported that through the interviews, digital Transformation was considered an increasing model for policy implantation, governance, and leadership skills. However, the interviewed executives reported poor digital skills and a lack of ability to apply these skills to the context of SOEs in South Africa. Venter (2019) reported that digital skills are critical to transformative leadership, which is greatly needed in South African SOEs. The author further emphasized a need to consider implementing interventions designed to provide digital training techniques for SOE executives in South Africa. Vener's (2019) study is crucial as it is an example of one of the few qualitative explorations in academic literature regarding SOE development. However, in comparison to this study, the focus was not on governance, policy ambiguity, or quality management. However, the findings still illustrate one possible approach for exploring the issue of SOE failure in South Africa.

Similarly, Andoh, Gebremariam, Thorson, et al. (2019) provided valuable information that indicates the need for quality management policies through an exploration of Ethiopian and Ghana Airways. The authors reviewed the output of each industry and explored how these objectives met compliance benchmarks. In addition, the authors reviewed secondary governmental and peer-reviewed literature regarding statistics for each airway for the assessment. The authors noted that one model that led to increased performance was human resources. In particular, Ethiopian Airways demonstrated ideal performance compared to Ghana through its use of an HR department. The authors argued that there is a need for future researchers to consider how quality management is controlled by HR departments, which ultimately leads to increased SOE performance. However, the authors' assessment lacked an exploration of empirical data from primary sources.

Kikeri (2018) noted that one element future researchers should consider is quality management practices. Similarly, the researchers explored in this study demonstrated that HR departments are central in ensuring that governing bodies comply with ethics and those governing strategies are correctly adhered to (Allini et al., 2018; Andoh et al., 2019; Hertati et al., 2019). However, there is an overall lack of empirical research regarding quality management and South African SOEs. Additionally, the research reviewed relies on secondary data, which reduces the ability to provide information from government officials and managers of SOEs in Africa. The following section concludes this literature review with a summary that presents the salient points discussed in this chapter and the gap evident within the literature. Such investigations can be crucial to exploring the ideal policies and practices that increase the positive outcomes of SOEs.

3.5. Privatization as Government Response SOE Failure

One issue that is considered a concerning reaction to SOE failure is increasing privatization. Poor SOE performance has made it all the more important to consider strengthening the alignment between SOEs and government strategies. Metsing (2018) noted that underperformance is often linked to poor governance, lack of objectives, and decreased policy implementation or clarification. Effectively, in the 1980s, the privatization of SOEs increased in reaction to perceived failures. Metsing (2018) employed a comparative assessment of financial data from 2006 to 2016 of SOE Telkom and SAA. Data collection was conducted through secondary financial statements, and quantitively examination of financial trends before and after privatization was assessed. The researcher reported that privatization reflected positive financial trends; however, Metsing (2018) noted that these findings were not consistent with similar research across differing South African SOEs. However, Metsing (2018) argued that these findings might corroborate previous ideologies that the threat of solvency governs private ownership. Under this threat, leaders are more likely to develop clear strategies and policies and ensure proper governance strategies. This indicates that while privatizing is not ideal, the efficacy of clear policies and proper governance is a solution to increase financial SOE efficiency.

Conversely, researchers Reinsberg, Stubbs, Kentikelenis, et al. (2019) argued that privatization only leads to inevitable corruption in developing countries. The authors noted that privatization has been increasingly popular in developing countries since the early 1980s. Within these organizations, the International Monetary Fund (IMF) allows for the borrowing of monetary funds upon certain conditions. However, IMF policies designed to decrease corruption are possibly linked to increasing privatization and decreased state involvement, leading to corruption. As such, the authors examined IMF conditionality for 141 developing countries from 1982 to 2014. A variable regression analysis assessed the correlation between corruption, privatization, and IMF conditionalities in the assessed countries. Reinsberg et al. (2019) found that SOEs are less likely to exhibit corruption; however, privatization and IMF conditionalities lead to more corruption. Therefore, the authors argued that large-scale privatization and IMF involvement should be reduced or altered to reduce corruption in developing countries. The work of Reinsberg et al. (2019) is a valuable perception regarding the impact of privatization in developing countries; however, these same impacts are yet to be similarly explored in South Africa.

Similarly, Kane-Berman (2016) noted that privatization is a factor that is considered problematic in South Africa. The authors explored proposals by the Institute of Race Relations and South African governing policies towards SOEs to explore the increase of privatization and the resulting impact on the country's economy. The authors noted that SOEs are increasingly reported as failing in South Africa. Major SOEs, such as South African Airways (SAA), are dependent upon recapitalisation by the government. There is always the concern that SOEs are susceptible to corruption and financial failure due to poor credit monitoring and growing debt. Kane-Berman (2016) noted that privatization, though increasing, is still considered an ineffective tactic. In particular, South African economists report that privatization is not an option for many SOEs. However, SOEs continue to be reported for lack of governance and unclear or poorly executed policies. Kane-Berman noted that in 2015, the deputy public protector Kevin Malunga argued that "state-owned entities are a cesspit of disgrace." Such strong remarks were corroborated by finance ministers in 2016, noting that an SOE is not an excuse for excessive borrowing. However, a lack of policies and clear strategies for SOEs continues to create pressure for privatization. More economists indicate that privatization is the only key to success for South African SOEs. Kane-Berman (2016) argued that privatization is considered the last route for SOE success in South Africa. However, despite the review of both the challenges and positives of SOE privatization, the review is based on previous literature and SOE case studies. Ideally, a future examination of the privatization issue could be presented by senior government officials, SOE board members and executives of SOEs to gain a more robust perspective.

A recent assessment by Wagner (2017)revealed some crucial information regarding SOE development and privatization effectiveness. The author performed a market evaluation by examining the pre- and post-market data for SOE and privatized corporations. The author noted that SOEs have traditionally been considered essential for developing countries; however, recent problems have led to privatization efforts. The author noted that SOE is likely more desirable based on the following tenants: (1) informing the treasury of net market value, (3) ensuring discipline management, (3) discussing changes by stakeholders transparently, and (4) exploring research and development avenues for increased revenue versus borrowing financial means from governmental channels. Through the authors' market analysis, Wagner (2017) argued that these tenants would help to ensure the effectiveness of SOEs and reduce privatization efforts. Further, the authors noted that the inclusion of analysis, either externally or internally, may be an option that is critical for the development of SOEs globally. However, similar to previous authors this assessment was not solely targeted towards South Africa and thus did not include examinations of factors that may be specific to South African SOEs.

Similar examinations of privatization are centred on non-South African countries, such as Nigeria. Nigeria is a central consideration of privatization due to large natural gas and oil holding. However, SOE development in Nigeria is crucial due to the continued reliance on the financial influx from international institutions. According to Bakre and Lauwo (2016), there is a lack of accountability and transparency for SOEs and privatized organizations in Nigeria. Bakre and Lauwo (2016) assessed the Nigerian government based on a review of assets, malpractice, and accountability in the privatization processes. Though not specifically related to South Africa, the authors' review provides context to the issues of privatization. The authors revealed that a critical issue was a lack of transparency in a financial exchange during privatization. Thus, leading to the concealment of assets and funds, which seemed primarily concealed by facilitating Nigerian officials.

Privatization leads to poor economic outcomes without clear asset transfer, accountability, and policies for negating corruption. In the case of Nigeria, accounting through state legitimacy was used to create a false sense of transparency. The authors noted, "Through the legitimacy of accounting, these parties thus form hubs in a network of cronyism, which concentrate economic and political power in small, interlocking, crony capitalist groups (p. 11)." Thus, Bakre and Lauwo (2016) indicated that future research should consider how poor policy and erroneous accountability lead to corruption during privatization. However, a similar examination for South Africa is lacking. This may be due to decreased favours of privatization in South Africa. However, this is unclear from the available reviewed academic literature.

In summary, privatization is one factor that is considered a solid response to SOE failure. However, researchers fail to provide a clear determinant of privatization effectiveness. Metsing (2018) argued that privatization is a likely choice for many enterprises due to SOE failures in South Africa. However, Reinsberg et al. (2019) and Kane-Berman (2016) argued that privatization is only likely to lead to further corruption and lack of financial transparency. However, outside of South Africa, researchers indicate that privatization can be an excellent economic choice (Bakre & Lauwo, 2016). Despite the clear academic consensus, the issue of privatization is an element to be monitored in consideration of SOE failure. Next, the final summary of this literature review is presented to discuss the literature gap and the most salient points demonstrated.

3.6. Literature Review Summary

In this literature review, a severe lack of governance was illustrated as far as the SOEs are concerned. In particular, researchers noted that South African poor development is connected to corruption and poor governance processes (Coetzee & Bezuidenhout, 2019; Edoun, 2015; Kikeri, 2018; Marimuthu & Kwenda, 2019). Failure of SOEs was most critically linked to abuse of power which stemmed from poor governance, unclear policies and lack of quality management (Deng, 2017; Etikan, Musa & Alkassim, 2016; Li & Liu, 2019).

Following, poor governance, policy management and quality management were explored to provide evidence for previous academic explorations. Poor governance is frequently considered in academic examinations of SOE's profitability and management. Poor SOE leadership is intrinsically linked to decreased financial performance (Fondo, 2016). In terms of South Africa, poor governance was noted by multiple academic researchers (Coetzee & Bezuidenhout, 2019; Kumalo & Scheepers, 2021; Magang & Kube, 2018; Mashamaite & Raseala, 2019; Mbo & Adjasi, 2016, 2017; Suleiman *et al.*, 2018). However, only Kumalo & Scheepers, (2021) provided an empirical investigation regarding the perceptions of governance in SOEs through executive remarks. Similarly, multiple researchers connected misleading policies to the failings of South African SOEs (Gumede, 2016; Kleynhans, 2017; Mtshali, 2016; Schneider, 2019). Similarly, a lack of quality management was noted to be an issue linked to governance and policy ambiguity (Allini *et al.*, 2018; Andoh *et al.*, 2019; Hertati *et al.*, 2019). However, a clear gap in the literature was elucidated throughout this review.

In particular, most studies available in the past five years (e.g., 2016-2020) were analyses of secondary data. Only three researchers provided empirical research, from collected primary data, regarding the South African SOEs (Kumalo & Scheepers, 2021; Magang & Kube, 2018; Venter, 2019). Further, examinations combining all three noted variables (e.g., poor governance, policy ambiguity, and quality management) are absent from the reviewed literature. As such, this study serves to address this gap. Multiple assessments illustrate that the corporate governance of SOEs is inadequate for the ideal management of each enterprise (Muzapu, Havadi, Mandizvidza, *et al.*, 2016). However, how variables of governance, policy, and quality management can be improved for SOE development is absent in academic literature. SOE development is crucial to the South African economy (Bezuidenhout *et al.*, 2018a; Kanyane & Sausi, 2015; Kikeri, 2018).

Further, privatization efforts reflect a lack of clear benefits for the SOE context. Thus, the problem that this study will address is the potential instability of SOEs in South Africa due to perceivably poor governance practices. This study will fill the identified corporate governance practices gaps in the literature by exploring the perceptions of government officials, board leaders and executive managers regarding the role of objective alignments, resource provision, and management succession in the performance of SOEs in South Africa. Ideally, this study will address this literature gap and provide further insight or understanding to ensure efficiency and stability.

3.7. Previous studies on corporate governance within State-Owned Entities

Despite the studies focusing on corporate governance and its impact on organisational financial performance, it remains largely unexplored how the behaviours, practices, and decisions of executive managers influence the performance of South African SOEs (Bezuidenhout *et al*., 2018; Kumalo & Scheepers, 2018; Mamun & Hasan, 2017). Past research on corporate governance, financial management, and financial efficiencies, focused on attributes and practices of the board governance (Fondo, 2016; Heo, 2018).

Studies have explored how governance may impact the performance of SOEs in South Africa. Edoun (2015) stated that while SOEs were established to contribute to socioeconomic development, public enterprises have often failed to meet objectives due to maladministration, corruption, and a lack of leadership. Edoun (2015) highlighted that good governance is crucial to the achievement of organisational goals and for any development initiative to be achieved. Kanyane and Sausi (2015) stated that the issue of governance in SOEs is often due to corruption, animosity, and antagonism between the principals and agents engaged in the work. They highlighted that corporate governance reforms could help organisations become more efficient, and profitable, and reach the same levels of performance as private enterprises. Comment: again take a look at the UNECA study.

Adequate resources are generally regarded as necessary for the success of any organization. Filho and Alves, (2017) also emphasized that agents react to incentives. Incentivization often encourages managers to produce good performance; however, the ownership structures of SOEs may lead to the absence of incentives, which stem from the ownership of residual rights. It is therefore important to understand how the structure of SOEs may influence overall managerial performance. Existing research provides insight into how financial remuneration, influences the performance and remuneration of executives of SOEs in the South African field(Bezuidenhout *et al*., 2018a). However, information about what motivates the executives' behaviours is limited (Bezuidenhout *et al*., 2018a).

To address the performance and inefficiency problems associated with SOEs in the region, Matsiliza (2017) stated that South African SOEs should employ strategies to translate concepts of corporate governance into practical solutions. This will encourage the support of the government and other stakeholders. Matsiliza (2017) further stated that corporate governance and leadership research are crucial to the improvement of SOEs. According to existing research, there is a clearly defined need for SOEs to obtain high-quality executives to lead their organizations, and without top-level executives, success is not guaranteed (Edoun, 2015; Matsiliza, 2017). However, there is limited research that delves into the exploration of board members and executive managers' perceptions of the role of objective alignments, resource provision, and management succession in the performance of SOEs in South Africa. Addressing this gap in the literature is vital given that the unique views of board members and executive managers have a substantial impact on the performance, profitability, and efficiency of SOEs. This is especially the case in South African SOEs where business research related to corporate governance is still limited within these contexts (Edoun, 2015; Matsiliza, 2017).

In South Africa, there are a total of 715 active commercial, non-commercial, and subsidiary SOEs in the operation (Kikeri, 2018; Kim & Ali, 2017). Non-commercial SOEs are 27% of South Africa's domestic income (Kikeri, 2018). However, the management and development of SOEs in South Africa struggle to meet the ideal governance strategies for effective functioning (Coetzee & Bezuidenhout, 2019; Edoun, 2015; Kikeri, 2018; Mustapha *et al.*, 2018).

In South Africa, SEOs are a critical portion of the economy. Overall, SOEs comprise an R-1 trillion enterprise that is equivalent to 27 per cent of the country's GDP (Kikeri, 2018). SEOs serve important roles in ensuring that South African citizens are provided goods and services, such as transportation, electricity, and policy and research implementation (Kanyane & Sausi, 2015). Currently, 14 water boards and companies comprise the most critical SOE corporations and contribute 8.5 of the GDP. Further infrastructure organizations include the Airport Corporation of South Africa, South African Airways, and SANRAL, which comprises the road and railway corporations. The original establishment of SEOs was based on a previous need to reduce poverty and inequality across South Africa. Thus, SEOs served to provide goods and services, ensuring job opportunities were created (Kanyane & Sausi, 2015; Masekoameng & Mpehle, 2018).

Resultantly, researchers have examined how the introduction of SOEs and associated governance and policies have impacted the South African economy. Individual sub-sections are presented in this chapter to review these issues, but a brief overview is necessary for this section. Edoun (2015) was among the first to examine the governance factors of South African SOEs. The author noted that the organizational goals were impeded by the policies and practices currently in practice. Similarly, Kikeri (2018) provided an examination of SOEs that illustrates the issue of poor governance in SEOs. The author provided an overview of the Presidential Review Commission (PRC) published in 2014 for assessing performance and the SOE alignment with the state developmental agenda. Kikeri (2018) noted that the establishment of SOEs was designed to align with the New Growth Plan for reducing poverty and inequality and providing critical infrastructure for public citizens. However, the induction of NGP developed issues in implementation that called for key models that would incorporate SOE and govern them appropriately for implementation.

As noted, through a review of the 2006-2010 reports, commercial SOE performance produced a positive profit, but poor asset return. For example, from 2006-2010, the net profit margin was 13.8%, but the asset return was 0.7%. Indicating that SOEs experienced loss based on stakeholder poor governance and a lack of attention to the strategic objectives (Kikeri, 2018). The author concluded that despite the ideal policies for reducing inequalities through SOE, that performance was relatively ineffective. Kikeri (2018) recommended changes in SOE policies in the following realms (1) clarifying SOE objectives, (2) improving regulations for governance, (3) strengthening management of SOEs, (4) promoting financial stability, (5) and enhancing accountability and transparency of SOEs. Kerikeri (2018) examination is a valuable assessment based on secondary data from governmental reports. However, there are limitations to the author's systematic review, such as a lack of examination of how board members and executive managers perceive challenges and policy intervention models.

Executive remuneration and financial performance are considered a key factor that initiates SOE success in South Africa. Marimuthu and Kwenda (2019) explored SOE performance through an exploration of 33 commercial SOEs in South Africa that are governed under the Public Financial Management Act. A series of Dynamic panel data was used to estimate the Generalized Methods of Moment acts that lead to increased financial performance. As a result, the authors found that there is an increasing issue of misalignment between the pay and the performance of the executive officers in South African SOEs. The authors argued that current models fail to consider financial performance when assessing executive remuneration. Thus, further assessment is needed to consider how governing processes align with the ideal remuneration for executive officers.

SOE assessment in South Africa is limited in the empirical literature, however, some context is provided in Mihyo and Mukuna (2018) exploration of Kenya's SOE development. The authors provided a horizontal accountability assessment to explore the executive and legislative bodies in Sub-Saharan African countries. The authors noted that the infrastructure and institutions present are relatively weak, which complicates the effectiveness of SOE development and intervention management. However, reforms through the past three decades elucidate models for improving SOE development in Kenya. One element noted by the authors that has improved SOE development is the inclusion of effective governing strategies and clear adaptions to policies for ensuring anti-corruption. For a case study, the authors examined SOEs of National Cereals and the Produce Board within Kenya. Secondary data was employed by examining informal mechanisms (e.g., political actors) and formal factors (e.g., policy and governing strategies). Documentation of the constitution, Hansard Reports, and Nation speeches and media reports were used to examine these two mechanisms' interactions. In the case of National Cereals, the authors found that ineffective models were substitutive competing which resulted in poor models of competition and decreased financial competency. Further, the National Cereal SOE was improved by integrating formal models for ensuring citizen development, decreasing prices for citizens, and providing policies that delineated the allocation and receiver of funds. For the Produce Board, integration with informal mechanisms of political actors created more defined policies and bettered government that increased previously poor financial reporting. Mihyo and Mukuna (2018) argued that these two case studies illustrated the interaction of informal and formal mechanisms in SOE operation. The work of these authors is useful in illustrating the complicated political and economic struggle to increase governance and clarify existing SOE policies.

Researchers, such as Coetzee and Bezuidenhout (2019), further illustrate a lack of clear strategy implementation by chief executive officers (CEOs) of SOEs. The authors noted that there is a reported increase of concern regarding officer execution of objectives. Further, news in South Africa reported that

CEOs were increasingly taking monetary packages despite their poor performance. As such, the authors explore how the size and industry of SOE impacted CEO compensation. For their purpose, the authors explored a multiple regression analysis with a secondary data set of 162-panel observations conducted over 9 years. Further, the financial data for 18 CEOs were examined from the McGregor BFA database and SEO annual reports. Resultantly, the authors found that the site of the SOE does not influence compensation, however, the industry appears to play a role in the bonuses and overall compensation for CEOs of SOEs. In particular, forestry industries and energy industries were most likely to be correlated with poor performance and CEO compensation. The authors argued that considering rampant poverty in South Africa, it is important to consider how these organizations are managed effectively. The work of Coetzee and Bezuidenhout (2019), similarly Kikeri (2018) provides important information regarding one of the issues of SOE management. In particular, the work illustrates a link between strategy implementation and the governance models used.

Researchers also illustrate that the management of SOEs demonstrates decreased profitability compared to private ownership. Cheng, Li and Li (2018) explored data from China to examine SOEs. The author’s examination is not specific to South Africa but still serves as critical empirical evidence towards the incorporation of SOE for economic betterment. Cheng *et al.* (2018) explored the China Employer-Employee Survey to explore the difference between private and SOE efficiency. For the study, data explored labour productivity between 2013 and 2015. The authors found that SOEs produce decreased human capital and market power, which ultimately decreases efficiency in return for economic growth. However, the governance factors and the perceptions of government leaders and executive managers regarding the efficiency of private and SOE efficiency in South Africa.

SOE value is also linked to the strategy ideal for the staffing and management processes within the specific industry or organization. Boateng (2016) provided an examination of SOE value in the country's economy by exploring Ghana. Similarly, Cheng et al. (2018), the author's examination is a crucial examination of the general value of the SOE model. Boateng (2016) noted that the SOE model has proved to be ineffective in Ghana during an analysis of 5 years. The author assessed through face-to-face interviews and thematic analysis regarding the effectiveness and challenges of the SOE model. Resultantly, Boateng (2016) reported that overstaffing, increasing bureaucracy, and decreased strategy implementation were reported to lead to poor performance in Ghana. The author's findings illustrate that poor governance is one element that leads to decreased efficiency of SOE. Further, the model of exploring perceptions from interviewing research design can be an effective model for assessing challenges to model effectiveness. As such, the following will review the failure of SOEs in South Africa and provide an assessment of the processes that reduce the effectiveness of SOE models.

In sum, SOE development in South Africa is a critical economic model (Kikeri, 2018; Kim & Ali, 2017). Further, SOEs serve to support the needs of the people and ideally reduce inequality and poverty

(Kanyane & Sausi, 2015; Masekoameng & Mpehle, 2018), Examinations of SOE in South Africa are primarily limited to analysis of secondary data. However, researchers in this section illuminated key issues with the development of SOEs in South Africa. Mihyo and Mukuna (2018) discussed previous SOE development and noted that infrastructures are relatively weak throughout Africa but are improving. Researchers also revealed that financial performance executive remuneration is poorly connected and may be a link towards rampant SOE corruption in the South African (Coetzee & Bezuidenhout, 2019; Edoun, 2015; Kikeri, 2018; Marimuthu & Kwenda, 2019). Researchers also noted that SOE profitability is decreased in comparison to private ownership, however, privatization is less frequently assessed in the South Africa SOE examinations (Boateng, 2016; Cheng, Li & Li, 2019). However, examinations of SOE in South Africa represent a diverse literature that is focused on issues of poor governance and lack of policy clarification. As such, the following section presents major issues related to SOE failure through an examination of quality management, poor governance, and policy ambiguity.

One notable issue in SOE development is poor governance strategies and inadequate leadership. Corporate governance is critical to ensuring that the strategies are effectively implemented and that the financial performance of SOEs effectively represents the needs of South Africa. Poor SOE leadership reduces efficiency and decreases financial performance (Fondo, 2016).

Particularly the issue in South Africa is a series of ineffectual and partially absent legal frameworks to govern SOEs. Mbo and Charles (2017) explored these issues by assessing organizational performance in South Africa. Mbo and Charles (2017) discussed the SOE performance by exploring the power and utility franchise within South Africa. For data analysis, the authors explored data from 20 years from 1994 to 2013. A financial audit was assessed using statistical assessment to explore SOE effectivity. Further, narrative data from previous academic explorations were used for discussing the challenges present in the efficiency of SOE. Mbo and Adjasi (2017) reported that stakeholder and board governance serve, typically, as the guiding model for ensuring that policies are properly followed and implemented. Effective policies were practised through performance and resource-based strategies. Further, a wide stakeholder representation was found to be negatively correlated with the performance of the SOE. This is in part, linked with the aforementioned findings of Coetzee and Bezuidenhout (2019) regarding increasingly poor performance linked to the greater size of the SOE.

Additionally, Mbo and Charles (2017) reported that governmental involvement and tariff processing decreased the performance of SOE. The authors concluded that a leading issue for ineffectuality was a combination of poor governance, a lack of resources, and poor public policy management from stakeholders. The work of Mbo and Charles (2017), though based on secondary data was a useful exploration of SOE performance through multiple avenues of data. Additionally, similarly to Coetzee and Bezuidenhout (2019), the authors illustrated that poor governance and SOE size are linked to decreased performance.

Despite assessments that poor governance is linked to decreased SOE performance, a lack of research exists regarding the role of government leaders and executive managers role in guiding SOE in South Africa. (Bezuidenhout *et al.*, 2018a) illustrated this research gap by exploring the chief executive remuneration (e.g., fixed salary and total remuneration) and performance in 2 SOEs in South Africa. The authors explored a quantitative longitudinal study over 9 years. Secondary data was collected by examining the 18 reports of the two SOEs in the study. A statistical assessment was performed through the use of regression analysis. Resultantly, Bezuidenhout, Bussin, Coetzee, *et al.* (2018) reported that there was a statistical relationship between CEO remuneration and company performance. The authors reported that these findings indicated that strategies to improve SOEs may be based on the need to explore how performance and pay are linked in future assessments. Bezuidenhout, Bussin, Coetzee, *et al.* (2018) argued that many forms of financial bonuses were wasteful models to increase performance in SOEs, when in fact changes were needed in how governance models proved effective in previous SOEs.

Similarly, Kumalo and Scheepers (2021) found that SOE in South Africa was impacted by leadership patterns that proved ineffectual for performance. The authors noted that there is a need to explore how leadership requirements, such as behaviour during recovery processes, impact SOE performance. As such, the authors explored semi-structured interviews with 11 CEOs in SOEs in South Africa. Each of these participants was in the process of re-organizing the current model to increase the performance and effectiveness of the organization. After thematic analysis, Kumalo and Scheepers (2021) reported that leadership focused towards a specific individual, such as a CEO, was preferred over joint leadership, such as board leadership. Further, in times of leadership turnaround, it was critical that objectives and decisions could be targeted towards a central figure instead of turning to fragmented leadership models. The authors argued that governance is a central factor in SOE performance, however, how poor leadership has impacted previous SOE models is unclear from the author authors examinations. However, the reporting of Kumalo and Scheepers (2021) illustrates the usefulness of the qualitative interview model to explore findings specific to the reported experiences of governing officials.

However, Mashamaite and Raseala (2019) provided further information regarding poor governance strategies in SOE. The authors noted that SOEs play a crucial role in South Africa's economic development, however, governance is considered one model that has decreased the effectiveness of these performance-based strategies. The authors thus provided a focus towards governance to explore how governance impacts firm performance. For the author's assessment, a review of secondary literature was discussed, and a focus was placed on previous governmental performance results for SOE in South Africa. Mashamaite and Raseala (2019) reported that the issues of SOE included poor financial reporting, lack of proper governance, underperformance, debt burdens, and poor accountability systems. These fallbacks were most notably documented in the energy, transport, finance, and telecommunication industries. The authors further noted that models to reduce these issues were ideal governance strategies that would ensure that the SOE models were placed against the current ineffectual processes. Mashamaite and Raseala (2019) work illustrates the most recent issues in SOE development in South

Africa. However, the authors did not perform a qualitative assessment similar to Kumalo & Scheepers, (2021). Illustrating a gap regarding the empirical models used to explore the challenges and opportunities for improvement within SOE in South Africa.

In terms of governance, Magang and Kube (2018) provide an analysis of governance principles that are critical to understanding the failure of SOEs in South Africa. For the author's assessment, a series of 16 South African SOEs were explored to assess the best governance principles and practices. The authors also assessed compliance of the same SOEs to compare with the recommended principles of the King Code of South Africa. Notably, the King Code of Africa was placed to ensure that SOEs adhered to the ideal corporate governance policies. As such, the authors examined 53 provisions from the Code to explore the compliance level of the 16 examined SOEs. The authors found that 68.7% of the examined companies reported a score of 51%.

The remaining group reported a 31.3% compliance with the code. The authors further found that issues in reporting were most strongly related to integrated sustainability reporting, while positive compliance was aligned with risk management. Indicating that the examined SOEs were more likely to pick and choose elements of compliance than to ensure that all elements were aligned with the designated Code. The authors concluded that current policies fail to comply with governing practices and fail to align with international efforts of compliance regarding SOE models. Magang and Kube, (2018) work provides renewed information from an empirical approach regarding the compliance issues of SOEs in South Africa. Lack of governance and adherence to policies is an apparent issue that plagues SOEs in South Africa.

Similarly, Suleiman, Hamad and Sulaiman (2018) reported that poor governance is a continued issue connected to the performance of SEOs in South Africa. The authors noted that Zanzibar is considered one example of poor SEO performance in South Africa. As such, the authors explored the governance, management, benefits, and challenges of effective SEO performance in Zanzibar. For the assessment, literature, and government documents were reviewed as secondary data for the study. The authors reported that SOE governance lacks uniform storage, guidelines, or policy to ensure that performance is ideal. Researchers also noted that guidelines currently in place are vague and leave room for error or non-compliance. Further, overstaffing of SOEs decreases the ability for proper governance and reduces the contribution towards economic effectiveness. In sum, the author concluded that future studies should focus on the need for improving governance and policy in light of the poor performance of SOEs in South Africa. The work of Suleiman et al. (2018) provided useful information regarding the current status of SOE performance in South Africa, however, the use of secondary data illustrates the need for further empirical investigations that gather and analyze primary data for scientific rigor.

In summary, one critical issue facing SOE performance in South Africa is poor corporate governance practices. The authors examined in this sub-section demonstrated the need for changes in policy, guidelines, and governing structures to mitigate SOE performance issues. Mbo and Charles (2017) demonstrated that poor performance is linked to the governance strategy and the size of the SOE enterprise. Further, Bezuidenhout, Bussin, Coetzee, *et al.* (2018) demonstrated that SOE remuneration and company performance were positively linked, however, attention to the performance of the CEO was often ignored, which was correlated with poor SOE performance. Kumalo and Scheepers (2021) also demonstrated, through qualitative interviews, that leading through a singular individual is ideal for increased performance. Mashamaite and Raseala (2019) also noted that poor performance is linked to inadequate governance, especially in the energy, transport, and finance industries. Overall, governance is linked to inadequate SOE performance and plays a key role in guiding the implementation of strategies designed for firm effectiveness. Next, the role of misleading policies is explored through academic explorations.

Chapter 4: Theoretical Framework

The theoretical discourse is guided by a fusion of the agency theory and the resource dependency theory. These theories were used as a lens through which the review of related and relevant literature was employed. The problem that this research seeks to address is the potential instability of SOEs in South Africa because of poor corporate governance practices. The research specifically delved deeper into the perceptions of board members and executive managers regarding the roles of objective alignments, resource provision, and management succession in the performance of Eskom. The main objective of this study was to explore whether Eskom implements and fully complies with the principles of the King Code on corporate governance to ensure sound corporate governance ethics and principles and, if so, how this affects the performance of the SOE.

The agency theory was developed by Jensen and Meckling in the mid-70s. One of the key concepts of the agency theory is a metaphorical contract under which one or more people (principal) seek another person (agent) to perform a service for the former (Garba *et al*, 2016). The principal-agent contract also dictates the task of the agents and proper compensation from the principal to the agent (Garba *et al*., 2016). The agency theory parallels corporate governance, which has gained focus from business researchers following the collapse and poor financial performance of enterprises worldwide (Garba *et al.*, 2016).

In addition, the contract requires that the agent possesses the necessary skills, experience, information, and qualifications to effectively perform the tasks that will satisfy the principal (Ahmad *et al.*, 2012). The theory supports that problems arise from the distinction between owners and managers, and it is wise for governance to implement a way to control the agent’s actions (Panda & Leepsa, 2017). The agency relationship can lead to agency conflict when the principal and the agent both work for their self-interests; in which case, the principal can engage in monitoring activities to curb the actions of the agent's (Panda & Leepsa, 2017).

The agency theory is considered suitable for this study because it highlights how SOE stakeholders can apply various governance structures to align executive managers to their objectives. The theory underscores the importance of alignment in objectives between the governing board of SOEs and the executive managers tasked with performing the activities necessary to achieve the goals of SOEs. In SOEs, executive managers conduct business on behalf of the government; as such, the government delegates decision-making authorities to the managers, to a certain extent, in exchange for a reward or compensation (Boateng, 2016). The agency theory argues a case for effective boards as a necessary foundation for addressing agency problems (Mbo & Adjasi, 2016). According to the agency theory, the role of board governance, amongst others, includes a monitoring role which means it has the responsibility to support the agent with resources to carry out the mandate. Hence the agency theory underscores the importance of alignment in objectives between the board members and executive managers of SOEs to encourage positive organisational performance.

Complementing the agency theory, the importance of resource provision and management succession in the performance of SOEs can also be examined through the resource dependency theory. Hillman, Withers, and Collins (2009) noted that the resource dependence theory by Pfeffer and Salancyk in the late 1970s has become one of the most influential organisational and strategic management theories. It argues that organizations experience dependence due to their need for resources located outside of the organisation and are therefore not readily available.

These external ties provide organizations with access to advice, information, resources, and legitimacy; however, they may increase proportionally with environmental uncertainty from internal staff's perspectives (Dieleman & Widjaja, 2019). The resource dependency theory is often used to examine boards and how they can influence organisational performance. The theory has specifically been used to frame the importance of board resource provision and management succession in various types of corporations (Hillman *et al.*, 2009). According to Wiersema, Nishimura, & Suzuki (2018), the recruitment of a new CEO plays a major role in terms of an organisation's future strategic direction and performance concerned, hence management succession is very critical to be explored as far the performance of SOEs is concerned.

This study will draw on the agency theory to analyse the adoption and implementation of corporate governance practices by South African SOEs (Matsiliza, 2017). The agency theory is a process of decision-making (Panda & Leepsa, 2017). It parallels corporate governance, which has gained attention from business researchers following the collapse and poor financial performance of enterprises worldwide (Bendickson, Muldoon, Liguori, *et al.*, 2016). Many SOEs have suffered inefficiencies and financial mismanagement in such a way that they have become burdensome to their respective governments (Fondo, 2016; Krishnan & Scullion, 2017). They have come under fire amid allegations of state capture, corruption, financial crisis, maladministration, and governance challenges (Tusi, 2019). Good corporate governance has been identified as a tool to revitalize and enhance SOE performance (Fondo, 2016). However, several SOEs have failed to comply with and practice corporate governance principles: their performance has been undermined by an insufficient governance framework and a failure to balance the commercial, developmental and shareholder objectives enforced on them (Bezuidenhout, 2021; Matsiliza, 2017).

4.1. SIGNIFICANCE OF STUDY

Based on the identified gaps in the literature, a need exists to implement a qualitative, case study design within a single, cohesive investigation to understand the perceptions of executive managers concerning the role of corporate governance practices focusing on the areas of objective alignment, resource provision and management succession as far as SOE's performance is concerned. The study, in general, provides insights into the alignment of objectives between SOEs and board members and executives and, specifically, between the organizational objectives of Eskom and those of its board members and executives.

Understanding the perceptions of Eskom's board members and executives regarding the importance of corporate governance strategies could contribute towards assisting decision-makers to have more options to implement to resolve some of the pressing issues regarding problems of poor corporate governance systems for SOEs. The current study sought to address some of these problems by gaining insight into executives' perceptions of objective alignment and management succession. It was interesting to assess the perceptions of executive managers in a large SOE like Eskom, which has been plagued by widespread corruption scandals throughout its history, regarding corporate governance practices.

4.2. EXPECTED CONTRIBUTION TO KNOWLEDGE

The study explores how corporate governance practices affect the performance of an SOE. This phenomenon was studied by focusing on how executive managers of SOEs perceive the role of corporate governance practices in SOE, specifically Eskom, performance focusing on objective alignments, resource provision, and management succession. Kanyane and Sausi (2015) highlighted the importance of clarifying the roles of the executive authority, the boards, and the chief executives in the management of SOEs. The results of this study may help organisational leaders understand the relationship between governing boards and executive managers and how alignment in their objectives can influence organisational performance. SOEs may draw on this study's findings in their development of processes and practices that best enforce the positive performance of executive managers, who are ultimately responsible for ensuring the operational success of SOEs.

The results of this case study could also assist the executives of SOEs in analyzing how their respective corporate governance practices can be assessed and enhanced to improve appointments and resource provision at the executive level. Additionally, South African SOEs may draw from the findings of this case study to better understand the governing framework in which SOEs operate, providing insight into the success and failure factors. Furthermore, assessing the perceptions of SOE executives on corporate governance practices could shed light on the notion of ethical corporate governance. No other company in South Africa has been more closely associated with corruption and scandal than Eskom. As such, gaining an understanding of why projects have failed within the company and how to manage an SOE more effectively could generate new knowledge about corporate governance.

The problem that this study sets out to address is the potential instability of SOEs in South Africa because of dysfunctional governance practices. Informed by the agency theory and the resource dependency theory, corporate governance problems in this research are framed in terms of objective alignment, resource provision, and management succession. The results of the case study may be beneficial to the executives of SOEs in South Africa and may contribute to further business literature by understanding various facets related to the SOEs, which could significantly ensure greater collective success.

4.3. RESEARCH DESIGN AND METHODOLOGY

The research design refers to the overall strategy that a researcher chooses to integrate the different components of the study coherently and logically, thereby ensuring that the research problem is effectively addressed. Rossman and Rallis (2012) suggest that the research design is a planned roadmap for conducting the study

The qualitative and explorative case study method is proposed. Using qualitative research applies to the current study because of the exploratory nature and the need to combine multiple perspectives derived from interviews to better understand this novel phenomenon (Fassinger & Morrow, 2013). A qualitative approach involves the strategic use of interpretivist data to fully examine a specific phenomenon with as many tools and perspectives as necessary (Fassinger & Morrow, 2013). Figure 1 provides a conceptual model of the approach to be followed. The details of it will be discussed in the sections to follow.

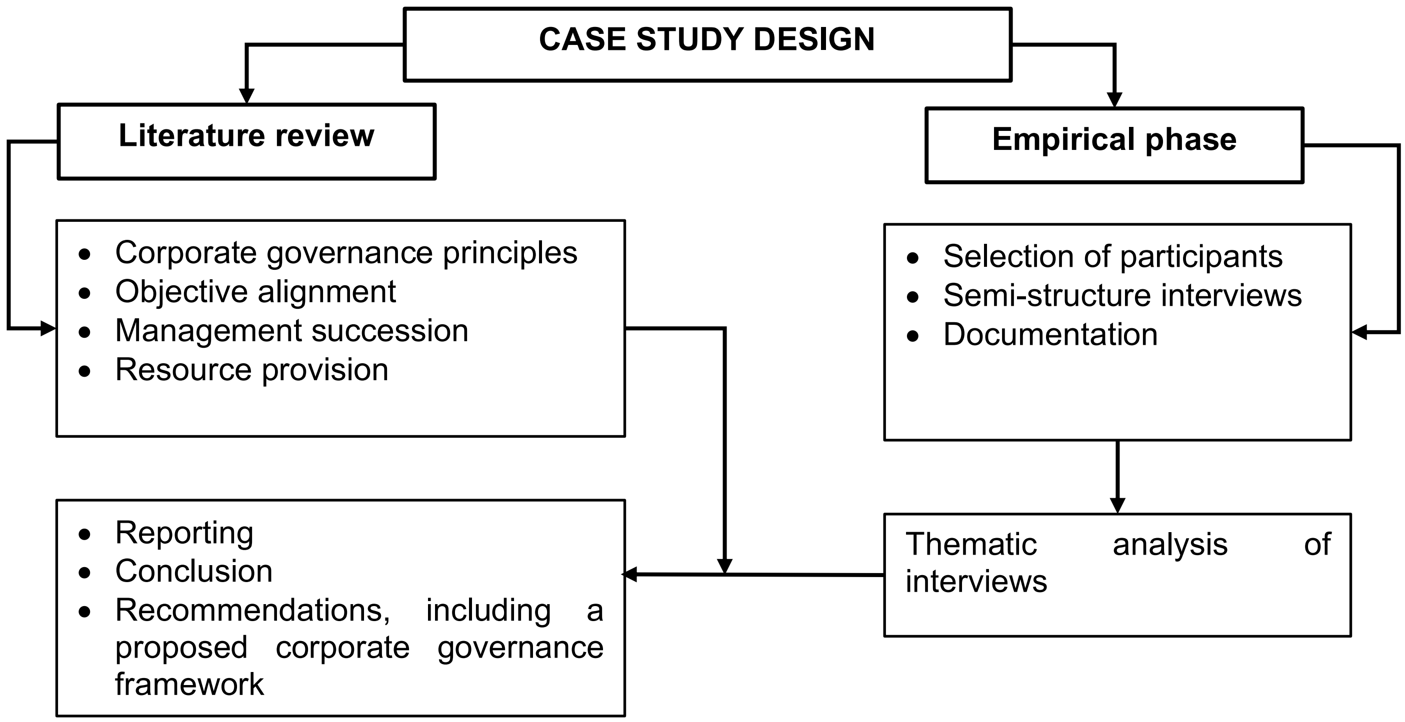

FIGURE 1: Proposed conceptual framework

4.3.1. Qualitative Research Approach

Creswell (1999) defines qualitative research as "an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem." The following common characteristics of qualitative research are exploratory methodologies that examine the perspectives and experiences of individuals (Tracy, 2019). Qualitative research is also not ideal for numerical assessments or examining the categorical nature of a phenomenon. Instead, qualitative research provides insight based on individuals' assessments in alignment with an exploratory-based phenomenon (Tracy, 2019).

In conducting this qualitative study, the researcher intended to explore and interpret complex phenomena within their contexts using several individuals' unique and subjective perspectives (Skovdal & Cornish, 2015). The qualitative research approach was deemed appropriate for this research as it is focused on identifying repeating themes and patterns from the data collected from participants' experiences and perceptions. Qualitative case studies facilitate the exploration of a phenomenon within its context through the use of various data sources, which ensures that multiple facets of the phenomenon are discovered and understood comprehensively (Skovdal & Cornish, 2015). According to Skovdal and Cornish (2015), case study designs are suitable when the intent is to uncover how or why a phenomenon exists, given the contextual conditions that are embedded in the said phenomenon.

A quantitative approach is not appropriate given the current framing of the research problem. Equally, other qualitative research designs were considered possible options for the study such as phenomenology, grounded theory, and narrative inquiry. However, these qualitative research designs are not appropriate for this study because of the lack of alignment between the intended purpose of the design and the actual purpose of the study. Phenomenology is inappropriate for this study because the study's purpose does not focus on examining the meaning of the participants' lived experiences about a particular personal or psychological phenomenon (Prasad, 2017). Instead, the focus of the study was on the experiences and perceptions of executives working at Eskom. Qualitative research may be seen more as an interpretive research approach in that it does not test hypotheses or believe researchers can control aspects of the world they are exploring.

The sample size for this study was determined through the use of data saturation. Data saturation is sampling to the point where no new information is provided by the participant's (Yin, 2017). The target population for this study was current executive managers who are working for Eskom. Executive managers are those who are employed in positions as executive managers, and this is discussed below. The targeted sample of 12 participants was adequate to reach the data saturation (Guest, Bunce & Johnson, 2006; Morse, 2015). This sample size was expected to produce rich themes to answer the research questions.

4.3.2. Case Study as Design

The qualitative research tradition of a case study was utilized. The case study was exploratory. A case study is a strategy for doing research which involves a detailed, in-depth empirical investigation of any social or contemporary phenomenon, using multiple sources of information within its real-life context (Creswell, 1999). According to Skovdal and Cornish (2015), case study designs are suitable when the intent is to uncover how or why a phenomenon exists, given the contextual conditions that are embedded in the said phenomenon. A single case study provides the appropriate qualitative design for the proposed study, focusing on the perceptions of executive managers on the perceived role of objective alignments, resource provision, and management succession within National Energy Utility. The case study approach was used to study participants' perceptions to provide a more desired outcome, as the focus accentuates the experiences of the study participants (Skovdal & Cornish, 2015). Consequently, a case study was more appropriate than grounded theory because the study did not aim to develop a theory from gathered and inductively analysed data based on the identification of key processes that define a phenomenon. A narrative design was not the most suitable research design either, as there was no need to present the gathered data in a narrative and chronological way.

4.3.3. Population and sample selection

The sample for this study included 12 participants (current executive managers) of the utility. Executive managers from current tenures are defined as members of Senior Executive Management members of Eskom. This sample size was expected to produce rich themes to answer the research questions. The sample size for a qualitative study was based on the point of data saturation, which is when the researcher cannot identify any new codes, themes, or data despite adding more information obtained from the participants (Malterud, Siersma & Guassora, 2016). Therefore, collecting more data beyond the data saturation point will not yield significant changes in the number of unique codes for this study (Tran, Porcher, Tran, *et al.*, 2017). However, the researcher did not stop collecting data until the saturation point was reached. Data saturation refers to the quality and quantity of information in a qualitative research study. Researchers usually define data saturation as the point when "no new information or themes are observed in the data field (Guest *et al.*, 2006). Indeed, the study did reach saturation.

4.3.3.1. Participants

The study was conducted at Eskom. The researcher recruited samples from the population using purposive sampling. A purposive sampling technique involves recruiting individuals based on specific characteristics that are aligned with the requirements of research (Etikan *et al.*, 2016). According to Barratt, Ferris, & Lenton, (2016), participants selected using purposive sampling have been found to provide more relevant experiences as compared to other sampling methods. Purposive sampling has been found useful in allowing a researcher to target and recruit participants who can provide relevant information to address the research questions of a study (Etikan *et al.*, 2016). Therefore, a purposive sampling technique is appropriate for this study. In this study, the purposive sampling technique was used as a means of identifying participants who were eligible for the study based on their previous experience and tenure within the national energy utility.

4.3.3.2 Documentation

Documentation that has been analysed as it was anticipated that it may shed light on the topic under research are published documents (for the last five years), including:

- Policies/procedures relating to corporate governance within Eskom
- Annual reports
- Media citations
- Parliamentary reports

Only those published documents that were deemed to have a direct impact on corporate governance within the Utility were selected.

4.3.4. Data collection

A systematic data collection approach comprising various data collection methods was used. Data analysis also includes triangulation of policies, annual reports, and media citations. Each of these methods is discussed below.

4.3.5. Interviews

The primary method of data collection was in-depth semi-structured interviews with more than 12 participants. By using semi-structured interviews, the researcher was able to narrow down the topics to avoid the risk of eliciting non-related topics and themes (Rabionet, 2011). The interviews were individual one-on-one, in-depth interviews to gain multiple perspectives on the study topic. These interviews were either conducted face-to-face or in a virtual format, considering the COVID-19 pandemic situation at the time of data collection. The advantage of interviews is that they allow for depth and richness of data from participants with insight into the research phenomenon. A disadvantage is that they were limited in generalisability. The questions were open-ended, and participants had the opportunity to respond in their own words, rather than having a set of pre-determined answers.

Participants were contacted after gaining permission from DPE as the principal shareholder and Eskom's clearance. Permission was needed to send an invitation email to request participation in the study. The researcher submitted a written request for permission to recruit participants and conducted the study within their premises (or via Zoom/Microsoft Teams) where possible.

After obtaining permission from the relevant organisations, the researcher invited potential participants by sending an invitation email. The email outlined the reasons for participation based on the eligibility criteria. The details of the study were outlined with a specific due date for inquiries about participation. All participants were given copies of the consent forms. Those who responded to the email were formally contacted by phone and sent a consent to participate form. The consent to participate form fully explained the purpose of the research study, as well as informed consent and the participants' right to withdraw from the study at any time. The consent form also highlighted the participants' agreement to be audio recorded. Only those who signed the consent form and agreed to participate were considered respondents of the study and will be scheduled for an interview.

In the interviews, the researcher allocated at least 45 minutes for each participant. The interviews were held in the workplace of the participant (or webinar, depending on the status of COVID-19 at the stage of data collection). To begin each interview, the researcher gave an overview of the topic of the study, reviewed the contents of the consent form, and discussed the flow of the interview. The researcher began by asking questions based on the interview guide. Because the interviews are semi-structured, the researcher also asked follow-up questions to probe further the initial response of the participants. The questions were open-ended, and participants had the opportunity to respond in their own words rather than having a set of pre-determined answers.

The following approach will be followed by (Rabionet, 2011; Robson & McCartan, 2015; Whiting, 2008):

- Opening statement – this was a verbatim script including the introduction of the researcher, the purpose of the interview, permission to record the interview, assurance of confidentiality and anonymity, consent, the option to clarify, and the eventual use and scope of the results.
- Topics explored such as incapacity and reasonable accommodation with key questions per topic.
- Appropriate prompts; and
- Closing.

Participants were informed that if they had a need, breaks could be allowed, or the interview could be continued at a future date to ensure maximum participation. Participants had the right to clarify questions, refuse to answer questions and may even withdraw at any stage without explaining and without any fear of negative consequences for the participants.

4.3.6. Documentation

The following documents were collected and reviewed: All published documents (for the last five years), namely policies/procedures relating to corporate governance within the Utility, annual reports and media citations.

4.3.7. Data Management and Analysis

Since the study was exploratory, it required the flexible tools of thematic analysis for detailed and exhaustive information to be generated from the data (Nowell, Norris, White, *et al.*, 2017). For the qualitative data derived from the semi-structured interviews, Braun and Clarke's (2006) a six-step thematic analysis strategy was used. Thematic analysis is the process of identifying patterns and themes from the qualitative data without being bound to a particular epistemological or theoretical perspective (Maguire &

Delahunt, 2017; Nowell *et al.*, 2017). This theoretical freedom allows the researcher a degree of flexibility while remaining compatible with the interpretivist paradigm (Braun & Clarke, 2006).

The varied data sources were triangulated to enhance the credibility of the findings (Fusch, Fusch & Ness, 2018; Huberman & Miles, 2012; Joslin & Müller, 2016). Specifically, data analysis involved the following steps.

- The first step was to read all transcribed interviews for familiarisation and accuracy.
- The second step was to code the document based on frequently recurring terms or phrases identified in the review of transcripts from the interviews using software (i.e., Atlas TI).
- The third step was to group these codes into related categories.
- The fourth step identified theoretically or conceptually distinct themes.
- The fifth step identified sub-themes.
- The sixth step consisted of comparing exclusion/inclusion results from the survey, interview responses, and research notation/observations from the conduct of the interview. The final step reviewed all analyses and made any revisions that were needed to best define and characterise the data.

4.3.8. Data storage

After transcribing the interviews and combining these with the notes taken during the interviews or observation, it is stored in Microsoft Word on a computer. Backup data is stored on a memory stick. The documents are password-protected. The computer and the memory stick are locked in a safe cabinet at the house of the researcher. The data has been managed through the recording of each case in a sequence of major events. Each case has its folder and unique identifier.

Documents are available either electronically or manually. Electronic documents are stored on a computer and backed up on a memory stick. Manual documents are placed in Archlever files. The memory stick and the arch lever files will be locked in a safe cabinet at the house of the researcher. A directory of the documents will be kept on a Microsoft Excel spreadsheet with appropriate keywords. The spreadsheet cross reference to where the documents can be retrieved, either the computer, memory stick or the relevant file.

4.3.9. Interview Analysis

Before analysing the data, the recorded interview and notes taken during the interview are transcribed and stored. The documents are password-protected.

Although the researcher immersed himself in the data, the researcher supports the view of Rossman and Rallis (2012:264) that analysis is ongoing and already starts when one defines the research questions.

By using the thematic analysis approach, a detailed examination of each case was conducted against a few selected topics, such as perceived management succession, objective alignment and resource provision and other suggestions on how corporate governance principles within the national energy utility could be improved.

For each of these identified topics, a folder was created, and the topics were cross-referenced to the individual cases. Each of the topics was then analysed in detail to verify if sub-topics emerged. Where such sub-topics emerged, these were described in detail. After the individual case analysis, there was a cross-case analysis based on the topics mentioned above. The topics were then collated into potential themes.

4.3.10. Document analysis

A similar approach with interviews and observations was followed with the collected documents. A detailed analysis of each document, using a thematic analysis approach, was conducted. The documents that were analysed include (a) Policies/procedures relating to corporate governance within Eskom's Annual reports, (b) Media citations and, (c) Parliamentary reports. The document analysis was used as the means of exploring the roles of objective alignments, resource provision, and management succession in the performance of the National Energy Utility through secondary (e.g., documents) sources.

For each of these identified topics, a folder was created, and the topics were cross-referenced in the documentation. Each of the topics was analysed in detail to verify if sub-topics emerged. Sub-topics that emerged were described in detail. The topics were collated into potential themes. The themes were compared with the emerging themes from the interview and documentation analysis.

4.3.11. Presenting of results

Through the analysis of the interviews and documents, certain topics and themes emerged. The researcher had to crossmatch the themes coming from the analysis. It was necessary to combine two themes, divide a theme into more than one theme or discard the theme if it does not relate to the research questions. Once the thematic themes were finalised, the researcher had to go through the data topics again to ensure that the themes reflected the data and the data supported the themes (Robson & McCartan, 2015). The researcher provided a detailed analysis of each theme, provided a clear description of the theme, and constructed an informative name for the theme. Not only should each theme be defined, but it also requires analysis across themes, resulting in an analytical narrative that supports the relevant research question and the literature review. Out of this, the researcher developed conceptual generalisations, through inductive reasoning, that formulated into recommendations that the Utility may apply to improve corporate governance strategies and achieve bettered performance.

4.4. ONTOLOGICAL AND EPISTEMOLOGICAL POSITION

This study draws from an interpretivist epistemological and ontological position, in which it is assumed that reality is experienced through the lens of human perception. Therefore, human perception and experience are integrated into the data collection and analytical processes. This contrasts with positivism, which is associated with the assumption that an independent reality exists free from human perception.

4.5. ETHICAL CONSIDERATIONS

As part of the responsibilities of the researcher, ethical issues were addressed regarding the use of human participants for this study. According to Friesen, Kearns, Redman, & Caplan, (2017) Rethinking the Belmont Report, human subjects are given respect, beneficence, and justice. To show respect for the person, the researcher will ensure confidentiality of the identity, perform an informed consent process, and eliminate any forceful acts to encourage participation. To ensure beneficence, the researcher did not expose participants to risks during the interviews by avoiding the discussion of sensitive topics. To ensure justice, the researcher kept all procedures reasonable and non-exploitative. Therefore, participation was voluntary. Moreover, all actions and scope of participation were explained to the participants before they decided whether they agreed to be part of the study or not.

All participants (e.g., executive managers) were given consent forms to read and sign before being part of the study if requested. Informed consent provides participants with an opportunity to review information about the study, including the rights of participants and the minimal risks involved in participating in the study. The researcher made the following information available on the informed consent form: (a) procedures for participation, (b) assurances of confidentiality and anonymity, (c) study risks (if any), (d) researcher and University contact information, (e) non-disclosure, and (f) the purpose of the study. Only those who agreed with the contents of the form signed the consent and will provide a copy of the signed form to the researcher if required.

Keeping the confidentiality of the participants' identities is important. The researcher used to conduct the interviews anonymously. However, the participants' names will be provided confidentiality to the Wits Business School. The information discussed in the interview will not be disclosed to anyone who is not included in this study. The study has minimal risks for participants. Because the topic of the study does not involve highly sensitive information or data about the personal lives of individuals, risks to participants will be minimal. Moreover, the participants will not involve members of at-risk populations. Further, an application for ethical clearance was made to Wits University in line with the approved study proposal.

The researcher will store the physical data, such as informed consent forms, data sheets, and the like, in a locked cabinet, if necessary. All digital data will be kept in a password-protected hard drive. The physical data and hard drive will be stored in the same locked cabinet. All data will be kept for five years in the cabinet that only the researcher can access. After five years, the researcher will destroy this data by erasing digital files and shredding any physically printed or written data or information.

The study has minimal risks for the participants. Because the topic of the study does not involve highly sensitive information or data about the personal lives of individuals, risks to participants are minimal, if any. Moreover, the participants do not involve members of at-risk populations.

4.6. TRUSTWORTHINESS

Trustworthiness was established through attention to credibility, dependability, conformability, and epistemological/ontology. Credibility will be established via member checking. Member checking is a process of providing a summary of the findings for the associated participant to review and assess if additional commentary or feedback is needed. Member checking is a model used for creating credibility in a qualitative research design (Tracy, 2019). Dependability was established by allowing a third party to review all analyses. Conformability was ensured by documenting all research processes and data collection. Keeping the confidentiality of the participants' identities will be important. Pseudonyms replaced the names of the participants.

To enhance the truthfulness and rigour of the research to maintain acceptable standards of scientific enquiry, the following strategies were applied in this research:

- Triangulation to establish converging themes of evidence. Robson (2011:158) thinks that triangulation is a valuable and widely used strategy involving the use of multiple sources to enhance the rigour of the research. As cases and documents will be examined, it should add to the trustworthiness of the study, especially if it provides corroborative information on the phenomenon.
- Participant validation ("member checking") – the researcher intends to, after transcribing, analysing, and formulation of findings, take the information back to the participants for them to verify the correctness and credibility. The researcher negotiated with the participants that a summary of the researcher's interpretation of the interview or observation would be shared with the participants to check if the researcher had the correct understanding. (Robson & McCartan, 2015) Argues that member checking can be a very valuable means of guarding against researcher biases.

The following additional strategies to ensure the trustworthiness of the study were explored by the researcher:

- Continuous checking for representativeness of data and fit between coding categories.
- Deviance - should there of this study be deviant cases not fitting the general conclusions, it will be explored to explain the difference.

- Community of practice - Rossman and Rallis (2012:65) suggest that a researcher engages in critical and sustained discussion with valued colleagues so that emerging ideas, tentative hypotheses and half-baked ideas can be shared. As the outcome will benefit the colleagues managing the employee relations and employee assistance programme at the ODL institution, they were engaged to be the soundboard of the researcher. During this engagement, the anonymity of the participants was ensured.

4.7. ASSUMPTIONS AND DELIMITATIONS

Assumptions are aspects of the study that the research takes for granted and are generally understood to be true (Tracy, 2019). For example, it is assumed in this study that participants responded to interview questions honestly and accurately and that they understood the questions asked.

Delimitations are constraints on the research field (Tracy, 2019). This study is delimited to the executive managers of the national energy utility. Findings can, therefore, not be generalised.

4.8. STRENGTHS AND LIMITATIONS OF STUDY

Although this study does provide a significant contribution to knowledge related to corporate governance in the SOE sector, there are some limitations. First, the use of a qualitative approach requires subjective interpretations on the part of the researcher. Qualitative research is associated with an interpretive epistemological and ontological position. The flexibility and holisticness of this design are expected to help provide a richer and broader depiction of the phenomenon of interest. Additionally, this study will utilise a relatively small sample size (e.g., 18-25 participants) that is obtained in a non-probabilistic manner. Therefore, the findings may not be fully generalisable beyond the context from which they were obtained. However, such a sample size and approach were determined to be necessary for the current research and ensured participants met specific inclusion criteria.

Chapter 5: Research Findings

5.1. Perception of corporate governance practices and impact on the performance of SOEs.

This section presents the results of the interviews with Eskom's participants, particularly the executive managers. The interviews took the form of an unstructured approach, and the participants were also asked to submit their views in writing or to confirm if what I have captured is a true reflection of their views or perceptions.

Corporate governance practices, management succession, resource provision and objectives alignment greatly impact the performance of SOEs. Unfortunately, SOEs try their best in general to be everything to everyone and any organisation, besides being an extension of government departments. Although SOEs are set up with good intentions, they don't achieve optimal performances because of the bureaucracy inherent in trying to achieve governance and compliance requirements.

The general perception is that the integrity and effectiveness of SOEs are compromised by political interference. The three areas are human capital decisions are influenced by government policies and frameworks, e.g. Equity, Skills Plans and appointment of Board and executive members, which have a direct impact on the strategy, productivity, operations and profitability of the organisation. For effective corporate governance, there must be segregation and separation of roles both on paper and in practice. The intended goals and objectives must be clearly defined and delineated to allow for proper execution without interference. Through the State Capture Investigations and the findings thereof, corporate governance is mere window dressing in some institutions and others, it exists on paper for compliance, but what gets executed is to the contrary. Corporate governance is intended to achieve sound management and economic success and it allows for more opportunities to control than manage the Institutions. More lip service to the concepts than implementation.

The established view is that there is no objectives alignment yet, maybe on paper but not in practice as far as the shareholder, board and executives are concerned. It is clear they still develop objectives that are not completely aligned with Eskom's overall objectives. Alignment must be managed effectively for Eskom to succeed on its route to recovery. Whereas if one were to look at the alignment of objectives internally to Eskom, it seems not to be a problem regarding Eskom Divisions (Generation, Transmission and Distribution) core businesses. However, there is no disconnect between Eskom's corporate strategies and the Divisions' core-businesses operational objectives; it seems clear as to how the Divisions' core businesses' operational objectives feed into Eskom's overall corporate strategies and priorities. Employees seem to be clear on how their roles fit into the bigger picture and how they could contribute to the success of the division's business operations. The same cannot be said regarding Eskom's non-core businesses, finance, human resources, real estate, etc. Decisions regarding these non-core businesses that are taken at the corporate level are mostly disregarded or not prioritized in the division's operational objectives and plans. In this situation, non-core businesses are more likely to feel like they are not adding value concerning strategic priorities.

There is a considered view that there are clear processes and procedures within the SOEs, but the decision-making becomes difficult because of levels of management and governance. Even though the policy itself refers to King Code principles in terms of governance, the implementation is the problem which lacks in terms of monitoring and oversight.

5.2 How do you perceive the status of objective alignment?

Generally, there is an alignment of the objectives of SOEs and those of the shareholders and government. It's just that the objectives of government are broad and tend to be driven by the political masters and hence, priorities tend to shift from time to time. The instability of board leadership and executive management has a direct bearing on the objective's alignment.

Overtly or covertly, it is an accepted norm that Eskom operates within a governance framework including the Companies Act, Public Finance Management Act (PFMA) and King IV principles. Despite the existence of these frameworks, there are endless corporate governance challenges in Eskom. For example, board members or executive members are changed too often, making it a challenge to achieve long-term stability; board members or executive managers are often reported to be involved in corruption or Eskom tenders (clear conflict of interest) and these problems tend to filter down to lower levels within Eskom; there is the perception of political interference in business operations, including the appointment of executive managers; mostly, CEOs hardly see to it until the end of their contracts and some leave within months without clear explanation. Even though the latest CEO (Andre de Ruyter) has not been dismissed but resigned; just before the announcement of his resignation it had become clear that he was no longer enjoying government support due to high levels of load shedding, which he also stated through various media platforms. When the new CEO gets appointed, is going to introduce new strategies; in addition to a new board with new ideas.

Hence objective alignment in SOEs has great room for improvement in terms of better balancing the mandate to deliver on the two agenda areas of (a) facilitating the country's developmental program or in other words delivering on non-commercial socio-economic country objectives and (b) delivering as a commercial entity. Objective alignment for commercial and non-commercial goals at times creates cognitive dissonance. An example of such a conflict can be drawn from Eskom in just one of the many areas of commercial/non-commercial dilemma is Eskom's municipal debt that continues to increase exponentially having reached R44.8 billion (by March 2022) from R35.3 billion the previous year. It can be strongly argued that a fully commercially privately operated entity would have greater autonomy to take more drastic measures to arrest such a situation given the historic perpetuation of this challenge had it been in their case. In the SOE context government and political vulnerability is high including the onerous regulatory processes when compared to the private sector, especially when drastic measures are being considered. Note that the government is the main customer of these municipalities (redistributors) resulting in a conflict of interest since the SOE is state-owned. The socio-economic developmental goals must be more specifically defined and budgeted/funded by the government in SOEs similarly to commercial goals, to improve this competition of agendas.

Objective alignment starts at the top. SOE objectives are often clear at the strategic level. However, it is often a challenge for top management to cascade these objectives to lower levels. Employees are often in the dark and disconnected from the key objectives. This misalignment often impacts the productivity, service delivery and performance of SOEs. It is therefore always important to ensure that objectives are shared and understood by everyone in the organisation. Unfortunately, Eskom does not do enough to ensure that there is objective alignment and that these are well communicated and compacted.

It seems there is little alignment. Non-alignment is found in the way in which different departments may implement things such as corporate governance differently, and succession and resource provision. Equally, there is no link, necessarily, between on the one hand governance practices, and on the other hand succession and resource provision save that to the extent resource provision other than human resources is impacted by corporate practices. In that regard, it seems the practices and policies do not support effective resource provision.

5.3 How do you perceive the status of corporate governance practices?

Corporate governance is more complex in the public sector such as SOEs as compared to the private sector. In the South African context where there are over 715 SOEs, there is a huge challenge of having too many institutions providing SOE oversight (Regulators, various Government policy departments and government standards). In turn, the SOE is accountable to the Board, which is accountable to a cabinet minister, which is accountable to the National Assembly. The National Assembly is in addition assisted by the Portfolio Committee and the Standing Committee on Public Accounts (SCOPA). The challenge facing members of parliament could be the lack of capacity of the parliamentary committees (given the huge number of 715 SOEs) to hold departments and SOEs to account as part of the corporate governance challenge. The other challenge is the conflict of interest highlighted above in the example of municipal debt.

Hence, within the confines of the legal framework for corporate governance, which is the cornerstone for good governance, it appears that the correct aspects are addressed in the framework, however for it to be correctly applied there must be due diligence and commitment at every layer in the organisation. Although it appears that Corporate Governance is adhered to in most businesses, the challenge is too many compliances and committees are sometimes responsible for slow decision-making with the result that the business is inhibited.

Corporate Governance of the SOEs is a well-documented and clear delegation of authority that endeavours to meet the requirements of corporate governance is in place that are necessary elements for managing any other business, but the actual execution or implementation remains to be desired. Governance within SOEs has been underscored by the mismanagement of resources. Resources have been channelled away from critical priority areas. On the other hand, stringent regulations have hampered the delivery of SOEs' key programmes. To mitigate these emerging risks, the shareholder should consider introducing new reforms that are balanced, realistic and geared to accelerate the delivery of SOE key programmes without compromising governance practices. However, governance is important and should be always adhered to.

There is a general view that Corporate Governance tends to be overemphasized to the extent of increased bureaucracy, protocol sensitivity and inefficiency. Besides the fact that corporate governance has not yet yielded much for SOE, in that they can be time-consuming, often ineffective and used as a blunt instrument to achieve far more nuanced goals. They are seen to constrain productivity. Policy documents and policies, external and internal to SOEs, are especially deserving of fresh thinking. Simplified governance and scrapping of the PFMA would greatly assist SOEs in being more efficient and agile.

5.4 Perceptions of the opportunities for management succession of SOEs?

Success management is key to SOEs' performance. Quite often there is embedded culture, systems, processes, and the SOEs' way of doing things which cannot be easily understood by leaders recruited from the outside to take the helm. Generally, for junior, middle, and senior management levels succession management is done well. At times the lack of a competitive work culture of hiring and retaining talented individuals through competitive compensation packages and performance-based bonuses needs to be addressed. Unfortunately, there is limited to no succession planning. If anything, Board and Executive appointments are made at the behest of the shareholder, without considering skills and merit. The lack of steady and ethical leadership impacts the productivity and sustainability of an Institution.

Succession planning in SOEs may remain a challenge. The intense public interest and short tenures may be creating a problem at the higher levels including the CEO level. In Eskom’s example, there have roughly on average been ten (10) CEOs in ten (10) years. This is not a good indicator for succession planning given the long-term nature of strategic management characteristics of an electricity utility company. Succession planning at levels lower than the CEO also does not provide confidence that Eskom is prioritizing replacement. For example, the Group Executive Generation position resignation was in May 2022, and 09 months later still have not filled the position, despite the challenge of load shedding and the criticality of this position. Despite that there could be reservations for candidates to take on the above roles, this shows that there are some huge challenges regarding opportunities for succession in some of the critical areas in Eskom and this certainly affects performance negatively. Challenges at the above levels would also cascade downwards to other executive positions at General Manager and Senior Manager levels regarding succession and performance. History has shown that this challenge of succession planning at the executive level together with historic moratoriums (also impacted by the head count cap) on executive recruitment has exacerbated the problem. The opportunity is in hiring the correct individuals and giving them contracts that allow quarterly reviews of critical milestones and more importantly, long enough tenure to deliver on strategic intent.

In Eskom, one would say succession planning is critical for executive management positions, especially the CEO, CFO, COO and Divisional Executives positions. As the need arises to replace such executives, adherence to the succession plan could help ensure business continuity and minimal disruption to Eskom's business operations. Unfortunately, despite the associated benefits of succession planning, until 2010, it seems the succession plan did exist and was thereafter disregarded because most of the CEOs (if not all) have been external appointments with little limited knowledge of the organisation and the sector in general. When the recent CEO resigned in December 2022, he was asked to stay until 31 March 2023 to give Eskom enough time for the appointment of his replacement, unfortunately, he did not stay until the end. It remains to be seen whether the appointment will be made internally or externally. Considering recent CEOs' appointment trends, the inclination is to assume that an external appointment is on its way, whose tenure might also be cut short for whatever reason.

The established view is that succession management in Eskom is very well in place through the succession plans, skills audits and Talent Boards that are in place. However, implementation is sometimes lacking. There are very low opportunities in terms of succession planning as the departmental mandates keep on changing which impacts the structures.

Adoption of an appropriate succession process is the most important human capital investment that can be made by SOEs. This process can be used to assure the continuity of leadership and to increase the leadership depth. Leadership instability and continuity may impact organizational performance. However, it may be difficult for SOEs to adequately deal with leadership changes unless they adopt appropriate attitudes to succession planning. Eskom has ample opportunities for succession or lateral staff movements. Practices are supposed to enable the organization to operate legally and ethically. It is relevant from the perspective of impact on employee morale. When people have sight of their career trajectory, it could lead to greater productivity and efficacy. However, lip service is paid to true succession planning, which is impacted by the fact that people cannot move into higher positions other than through a recruitment process. It creates the danger that circumstances, and eventual recruitment, can be manipulated so that certain potential incumbents are preferred. Succession is supposed to assist organizations with seamless continuity which should contribute to their sustainability.

5.5 How do you perceive the role of resource provision in the performance of the SOEs?

Resource provision in any company including SOEs remains one of the greatest assets together with the other three factors (capital, land, and entrepreneurship) of production to guarantee good performance of any company. Resource planning needs to be done within the company to ensure that there are enough resources (people and tools to do the work) to carry out the mandate of the company supported by a clear mandate and objectives for the sections.

SOEs are intended for monopolistic services provision and the public good. They hardly recover all their costs and are, therefore, dependent on state support/assistance to meet their objectives. Human, Logistics and Financial management are critical for Institutions, the failure to plan for current and future needs and the evolving trends and environments results in organisations losing scarce and critical resources or expanding in the incorrect areas. Eskom provides all the necessary resources (tools and latitude) for the business to perform. It is mostly the application and use of those tools that sometimes become problematic.

Given Eskom’s financial constraints, the divisions/ departments have been under-resourced for several years. It is well known that Eskom’s requests for electricity tariff increases are often rejected by NERSA, resulting in a huge funding gap, resulting in capital and operational expenditure budget cuts. Due to cut capex budgets, electricity infrastructure assets are not well maintained, and projects (new and refurbishment) get deferred. This in turn harms the reliability of the electricity supply value chain (generation, transmission, and distribution). Buildings, which accommodate some business operations, are also not well maintained, and projects thereof also get deferred. As a result, most Eskom buildings do not comply with applicable legislation such as the Occupational Health and Safety Act; therefore, posing health and safety risks to employees. Regarding cut opex budgets, amongst other things, one would say the impact that is felt by most of the Departments is concerning human resourcing; due to inadequate budget, mostly it is a challenge to appoint necessary human resources.

The optimism is that Eskom’s performance (financials, reliable power supply) will improve gradually, but this cannot be achieved without the shareholders’ support; For example, critical support will be to ensure that Eskom is adequately resourced: to enable servicing of its huge debt; to carry out maintenance of the ageing infrastructure and to carry-out critical infrastructure projects. Executive managers, especially the CEO should be supported and allowed to finish their contracts (unless there is justification for termination). With the limits set in terms of budget availability resource provision often has to be carefully prioritized and optimized. It is fundamental, and the process should be short, effective, and managed optimally with well-thought-out, enabling, monitoring systems. The unspoken tendency to punish people for not delivering, where they are constrained by policies governing resource provision, may need to be reconsidered.

The governance framework should be adhered to, ensuring the board performs its prescribed responsibilities ethically and allowing executive managers to do their jobs. Relevant Ministers should avoid interference and be aligned with one another. Furthermore, the organization should always try to improve its business processes, amongst other things, to ensure: that Eskom is well managed; it is efficient; processes are effective; and increased efforts to address corruption, which one would say is the main reason for the financial crisis that Eskom is going through; so there must be increased efforts to minimize occurrence thereof and if it occurs, those that are proven to have been involved should suffer serious consequences.

5.6 EMs' perceptions on the status of resource provision (tools and latitude to execute the work)?

Resource provision is adequate to the extent determined by government support. Such government support comes with management interference which has a negative bearing on performance. Very little thought is given to these aspects in SOEs- there is currently a serious lack of skills and resources to ensure the success of SOEs. There is also no pipelining, skills development programmes and capabilities are limited, little to no investment in tools and training.

As envisaged in the Just Energy Transition (JET) program, one would say green energy sources will provide more growth opportunities that Eskom could explore. Coupled with improved technologies that mitigate carbon emissions, coal can still provide growth opportunities for Eskom; hence, a balanced approach instead of the idea of abandoning coal-based power supply projects. Whether green or coal energy source, there is a need to think big again and pursue big-scale infrastructure projects. Such projects could also be used by the shareholder as a catalyst for sustainable economic/community/industry development. Opportunities (whether core or non-core to Eskom) that are likely to emerge because of such big-scale projects could be explored and optimized, the aim is to expand (and even diversify) Eskom’s business. Obviously, due to Eskom's financial constraints, sourcing funding from shareholders to pursue such opportunities will be a big challenge. Innovative funding approaches such as public-private partnerships or lease-to-buy should be considered. There are skilled and experienced resources within the SOE the issue might be the utilization of the resources – are they in the right place that is the question for consideration. The level of resource provision is at an adequate level in the organization. Some international studies on the ratio number of employees over energy generated show that Eskom has some room for improvement. There is a greater opportunity to optimize the placement of existing staff in certain critical roles. The organization will have to “step up the game” in terms of enhancing development, training, and capacitating employees in existing critical roles.

SOEs are shielded from failure and they often get financial support or bailouts from the shareholder. This approach often creates an accountability deficit and does not provide an opportunity to diagnose and remedy properly. Secondly, the mismanagement of resources has led to channelling resources away from critical priority areas. This had an impact on the financial performance of SOEs. Lastly, many SOEs have performed well in the past, this can still be achieved through reviewing and optimising internal operations. A lot of value can be unlocked. There are always opportunities for improvement across a wide spectrum of functions and Eskom tries hard to ensure that the right priorities get the right focus and attention. Organisations are supposed to be self-sustainable, and it is the responsibility of the executive to source and distribute resources accordingly. The overall impression is that resources are constrained and may be ineffective.

5.7 EMs' Perceptions of the Opportunities for Improvement in the Performance of SOE?

SOEs should not be treated with the same culture as government departments. They should not be subjected to the onerous PFMA and related legislation and yet expected to perform as competitive organisations/companies. The playing field is not level. The niche for SOEs needs to be clearly defined so as not to be taken advantage of by the government and the private sector.

There needs to be thorough consultation with the workforce, labour organisations, leadership, shareholders, investors, et to ensure that all opportunities for improvement and solid performance are exploited. Cultural change and 'tone at the top' must be positive, consistent and without contradiction. There must be room for continual improvement. Bureaucracy and administrative processes must be well-managed to enable high performance and need not be stumbling blocks. Ethical behaviour, integrity in decision-making, and due diligence are integral for the success of businesses.

We are over-governed (although Governance is important) but it seems as if there are just too many governance rules that do not make sense. To improve performance, the first step is to review all policies and procedures to determine which are adding value and which are depleting value.

Executive managers are bound to leave at any time for whatever reasons, but through management succession, business continuity can still be achieved. Through succession planning, key executive management positions can be filled from a pipeline of talented and high-performing individuals who would have been developed over the years and taken through the ranks along the career path that matches the organization's long-term strategies and culture. In Eskom, there are many examples of executive managers who followed the same path; unfortunately, most of them have left Eskom and other organizations are benefiting from the capabilities that Eskom contributed.

There are opportunities for improvement -alignment of strategic and operational outputs with the resources- communication of the objectives and management of the departments on the Key Performance Areas.

The greatest opportunities to improve performance in SOEs lie in the identification of stakeholders and the implementation as opposed to the planning. It feels like we spend a lot of time coming up with elaborate strategic plans that are revised often. It's the implementation of these strategic plans where the greatest opportunity lies for SOEs to achieve strategic intent. It is the best resources that will implement these strategic plans. Best-performing companies spend more time, effort, and emphasis on the implementation stage. This approach will benefit SOEs despite the contextual differences (political vulnerability and onerous regulation and oversight) that are a barrier when compared to private companies.

Improvements in SOEs would be achieved by taking care of people-related challenges. SOEs must strive to hire and retain talented individuals through competitive reward systems. Talented individuals currently prefer to work for private companies over SOEs because of competitive compensation packages, employee growth and minimal interferences. To improve operational performance, employee morale, employee development and a competitive reward system must be at the centre. Secondly, institute an independent oversight committee to conduct and share regular performance reports of SOEs. Lastly, the roles of stakeholders must be well-defined to avoid an accountability deficit in SOEs.

It is the role of the executives to manage the SOEs like any other business operations and strive for profitability and sustainability but unfortunately, there are practices imposed by the PFMA and other regulations that are prone to manipulation.

5.8 What are the perceptions of EMs in terms of the role of management succession of SOE?

Managers see the top echelons as more reserved for ministerial & political alignment and not so much about the sustainability or nurturing of winning companies among other players such as the private sector. Organisations that fail to plan, will fail. Middle to Senior Management roles are crucial in an organisation for effective command, control, and execution of tasks. The lack of incentive programmes, salary increases, development opportunities, etc, stifles the growth and development of the workforce.

Given the current state of the business and the direction that our leadership is taking, I think that there are excellent opportunities for growth (Promotion). However, employees need to understand that they have an important role to play in preparing themselves and ensuring they obtain the necessary skills and experience to be promoted. It seems to play a very limited role. There is talk of it, but in practice, little opportunity. That the appointments have been more external to the companies which lead to cultural changes and new strategies which will take time to implement. There is limited trust which affects the performance negatively.

5.9 EMs' perceptions of opportunities for promotion concerning the performance of SOE?

The established view by the executive managers is that Eskom always offers growth opportunities concerning the organisation's performance. Growth opportunities are strongly connected to the performance of the organisation. Employees wish to stay in organisations that are performing well with an increased probability of succeeding to the next level. Poor-performing organisations would struggle to create growth opportunities as well as attract and retain talent. Opportunities for learning and growth are in abundance in SOEs. Given the current state of the business and the direction that our leadership is taking, certainly, there are excellent opportunities for growth (Promotion).

However, employees need to understand that they have an important role to play in preparing themselves and ensuring they obtain the necessary skills and experience to be promoted. As employees move up the hierarchy there are fewer positions and fewer growth opportunities. Because of the high division of labour, it is also perceived to be harder to take up a position in another area with candidates having more experience in that area. Unfortunately, at the top, we have seen the imposition of external candidates. Continuous growth is an inherent requirement for survival and profitability Perhaps if SOEs were left to operate as true businesses, as intended, then there may be more opportunities for growth and unexpected, yet publicly useful directions.

5.10 How do EMs perceive the role of management succession?

Management succession is very important in any modern-day business. Management succession will ensure that the best and most appropriately skilled and experienced people are in leadership roles, to take the business forward successfully. Management succession tools are in place. Practices are well established but are not always meant or applied in earnest. Generally, succession management is good. Largely important to the success of an organisation and a lack of capability and capacity is a recipe for disaster. Failure to identify and manage risks effectively leads to organizational challenges and threatens workforce sustainability.

Succession planning is a business instrument crafted to mitigate the impact of leadership instability and talent scarcity. Succession planning helps to preserve institutional knowledge and corporate culture while embracing employee development. This process helps organisations to identify, assess and develop critical skills and competencies to meet the current and future staffing needs of the organisation and to assure the continuity of leadership. Eskom is blessed with abundant talent in most areas, and management succession plays a vital role in ensuring business continuity in unexpected losses due to natural attrition. It is the role of the executive managers to manage succession, it should therefore be viewed as an integral part of their role.

It is often lacking, where due to recruitment moratoria, key positions remain unfilled. Equally, managers are not trained in management when there is succession and often create autocratic environments which do not resonate with the modern-day employee.

Chapter 6: Observations & Recommendations

This chapter provides the overall findings emanating from the interviews, it is an interpretive consolidation of the expressed views by the participants on corporate governance practices that have a serious bearing on the overall performance of the utility. This constitutes the voice of the researcher on the outcome of the interviews.

6.1. Resource Allocation

The general view emanating from the interviews is that resources are available. Still, the allocation and decision-making for deployment are cumbersome especially the requirements of the Public Finance Management Act (PFMA) on state-owned enterprises, reducing the SOEs to almost a government department, not developmental enterprises set up to compete with the private sector. Resource provision refers to the function of ensuring that employees have the necessary resources, tools, and support to perform their jobs effectively (Davies *et al.*, 2009). This includes providing access to technology, training and development opportunities, adequate staffing levels, and a supportive work environment. In other words, Resource provision is the process of acquiring and allocating the resources needed by an organization to achieve its goals. These resources can be tangible, such as financial resources, physical assets, and human resources, or intangible, such as knowledge, skills, and capabilities (Barney, Ketchen & Wright, 2011; Jain & Jamali, 2016).

Resource provision is crucial for organizational performance as it directly impacts employee productivity, engagement, and overall job satisfaction. When employees have the resources they need to perform their tasks efficiently, they are more likely to meet or exceed performance expectations, leading to improved organizational outcomes. By providing employees with the right resources, organizations can enhance their skills and knowledge, enabling them to perform their jobs at a higher level. This can include training programs, workshops, and access to learning platforms that help employees develop new skills and stay updated with industry trends. When employees are equipped with the necessary resources for growth and development, they are more likely to contribute to the organization's success (Allen & Wright, 2009; Barney et al., 2011; Demerouti, Nachreiner, Bakker, et al., 2001).

Resource provision plays a significant role in fostering a positive work environment. When employees feel supported and have the tools they need to succeed, it boosts their morale and job satisfaction. This, in turn, leads to higher levels of employee engagement and retention. Employees who feel valued and supported are more likely to be motivated, committed, and loyal to the organization, resulting in improved organizational performance. Furthermore, resource provision helps to minimize obstacles and barriers that can hinder employee productivity. By ensuring that employees have access to the right technology, equipment, and support systems, organizations can streamline processes, reduce inefficiencies, and enhance overall operational effectiveness (Allen & Wright, 2009; Davies *et al.*, 2009).

When organizations have access to the right resources at the right time, they are better able to:

Firstly develop and implement their strategies: Organizations need resources to invest in new products and services, enter new markets, and improve their operational efficiency. Eskom used to do this successfully until the government decided otherwise. Secondly, meet the demands of their customers and clients: Organizations need resources to provide high-quality products and services, respond to customer inquiries promptly, and resolve customer issues effectively. Surely part of load-shedding and the Just Energy Transition requires resource provision and support of the shareholder without it becoming a problem. Thirdly compete effectively in the marketplace: Organizations need resources to stay ahead of the competition and maintain a competitive advantage. Adapt to change: The business environment is constantly changing, and organizations need resources to adapt to these changes and remain successful, there is a need to respond to global warming challenges and introduce green energy.

Some of the key research which has consistently shown that effective resource provision positively impacts organizational performance is a study by Huselid & Becker (2011) found that organizations that invest in employee training and development programs experience higher levels of productivity, profitability, and customer satisfaction. This observation was confirmed by other scholars who found that organizations with better resource provision had higher levels of employee satisfaction, productivity, and profitability (Barney, 1991; Barney et al., 2011).

Overall: resource provision is a critical factor in organizational performance. When organizations have access to the right resources at the right time, they are better able to achieve their goals, meet the demands of their customers and clients, compete effectively in the marketplace, and adapt to change Fields(Demerouti et al., 2001; Lee, 2009).

6.2. Management Succession

The policies and procedures are there for management succession in the form of talent boards but with the new legislation that requires specific targets to be met by SOEs, there is now a departure from the traditional succession and promotion which renders the policies obsolete. Management succession is the process of identifying, developing, and preparing individuals to replace key executives and managers. It is a critical process for ensuring the long-term success of any organization (Huang, 2001).

Management succession refers to a process of identifying and developing potential leaders within an organisation to ensure a smooth transition of key management positions. It involves identifying high-potential employees, providing them with the necessary training and development opportunities, and preparing them to take on leadership roles in the future (Huang, 2001; Taylor & McGraw, 2014).

Based on the outcome of the interviews one can conclude in line with the published papers that the role of management succession is crucial for the long-term success of an organization. It helps to ensure continuity in leadership, maintain organizational stability, and mitigate the risks associated with sudden leadership changes. In other words, A well-planned succession process can help to ensure continuity of leadership and direction, transfer knowledge and expertise to the next generation of leaders, promote internal talent and development, attract and retain top talent and improve organizational performance. By having a well-defined succession plan in place, organizations can minimize disruptions and maintain operational efficiency during leadership transitions (Gjerløv-Juel, 2019; Helmich & Gilroy, 2012; Rothwell, 2011; Taylor & McGraw, 2014).

Effective management succession has a positive impact on organizational performance in several ways:

Firstly it ensures a seamless transfer of knowledge, skills, and experience from outgoing leaders to their successors. This knowledge transfer helps to maintain organizational knowledge and expertise, preventing any loss of critical information. According to Rothwell (2011), a poorly planned succession can lead to disruption, uncertainty, and a decline in performance. However, when done well, management succession can be a powerful driver of organizational success.

Secondly, management succession promotes employee engagement and motivation. When employees see clear career progression opportunities and a well-defined path for advancement, they are more likely to be motivated and committed to their work. This, in turn, leads to increased productivity and improved organizational performance. According to Huang (2001) found that companies with well-planned succession programs outperformed their peers on several financial metrics, including return on assets, return on equity, and sales growth.

Furthermore: management succession contributes to the development of a strong leadership pipeline within the organization. By identifying and nurturing talented individuals, organizations can build a pool of potential leaders who are well-prepared to take on higher-level roles. This not only ensures a smooth transition but also fosters a culture of growth and development, attracting and retaining top talent. Studies show that companies with a higher proportion of internal successors in key executive positions had higher organizational performance. This suggests that internal successors may have a better understanding of the company's culture and strategy, and may be more likely to maintain continuity in the face of change (Helmich & Gilroy, 2012; Rothwell, 2011). This observation is so true for Eskom, in the past 10 years it has had more CEOs than the balance of 90 years.

In summary: It is important to consider that the impact of management succession on organizational performance may vary depending on the specific context and industry. However, research has consistently shown that organizations with effective succession planning and development programs tend to outperform their competitors in terms of financial performance, employee satisfaction, and overall organizational success (Rothwell, 2011; Rothwell & Kazanas, 2003). Therefore while there is a need to transform and inject new blood into the system, such mustn't be achieved at the expense of overall performance.

6.3. Objective Alignment

The overall view on objective alignment among the interviewees is that whenever a new Chief Executive or Board is appointed the goal changes which unimaginably affects the operations. At some point the focus was on new build, then powering the economy at all costs, then on fixing the ageing fleets, then on renewables. None of the leaders seems to have a composite vision that considers all these elements and is then manifest in budget allocation and investment decisions. Objective alignment refers to the process of aligning individual goals and objectives with the overall strategic objectives of the organization (Hough & Liebig, 2013). It involves ensuring that employees' goals and activities are directly linked to the broader goals and vision of the organization. The role of objective alignment is crucial for organizational performance as it helps to create a sense of purpose, clarity, and focus among employees. When employees understand how their individual goals contribute to the larger organizational objectives, they are more likely to be motivated, engaged, and committed to achieving those goals (Alkhatnai & Shawyun, 2022; Morrison, Ghose, Dam, *et al.*, 2012).

Objective alignment helps to prioritize and allocate resources effectively. When individual goals are aligned with organizational objectives, it becomes easier to identify and allocate resources to support those goals (Locke & Latham, 2002). This ensures that resources are utilized strategically and efficiently, maximizing their impact on organizational performance (Ulrich, Younger, Brockbank, *et al.*, 2012). Objective alignment also enables organizations to monitor and measure progress towards their goals. By aligning individual objectives with organizational objectives, it becomes easier to track performance, identify areas for improvement, and make necessary adjustments. This promotes accountability, transparency, and a results-oriented culture, all of which contribute to improved organizational performance (Hough & Liebig, 2013; Huselid & Becker, 2011; Locke & Latham, 2002).

By aligning objectives, organizations can foster a sense of unity and collaboration among employees. When everyone is working towards a common purpose, it promotes teamwork, cooperation, and effective communication (Wright, Dunford & Snell, 2001). This, in turn, leads to improved coordination, efficiency, and overall organizational performance.

In summary the detailed benefits of having an objective alignment in an organizational performance (Allen & Wright, 2009; Huselid & Becker, 2011; LSA Global, 2015):

- Increased efficiency and productivity: When everyone is aligned on the same goals, they can work together more effectively and avoid duplication of effort. This can lead to significant gains in efficiency and productivity. In the face of Just Energy Transition (JET), this is very important to ensure alignment between all key stakeholders.
- Improved decision-making: When everyone understands the organization's overall goals and objectives, they are better equipped to make decisions that are aligned with those goals. This can lead to better decision-making overall. Indecision is costing the SOEs a lot, the load shedding is a result of misalignment between the government as the shareholder and Eskom's executive management.
- Increased creativity and innovation: When everyone is working towards the same goals, they are more likely to share ideas and collaborate on new initiatives. This can lead to increased creativity

and innovation. Eskom's teams have come together to define the renewable energy strategy which will now ensure alignment.

- Improved financial performance: When an organization is aligned on its goals, it can better focus its resources and efforts on achieving those goals. This can lead to improved financial performance overall. Unfortunately, Eskom is the other way around, hence its financial status is challenging.
- Improved employee engagement and retention: When employees understand how their work contributes to the organization's overall goals, they are more likely to be engaged and motivated. This can lead to improved employee engagement and retention. This is what we witness at Eskom as well.

The outcome of the interview perfectly aligns with key research studies that support the positive impact of objective alignment on organizational performance.

- A study by LSA Global (2015) found that highly aligned companies grow revenue 58% faster, are 72% more profitable, and outperform unaligned peers in employee engagement, customer satisfaction, retention, and leadership.
- A study by the Ulrich, Younger, Brockbank, *et al.*, (2012) found that companies with high levels of objective alignment are more likely to achieve their strategic goals and experience higher financial performance.
- A study by Locke and Latham (2002) found that setting specific and challenging goals that are aligned with organizational objectives leads to higher levels of performance and motivation.

Therefore there is a link between the company's overall goal versus individual and team goals – this speaks to objective alignment. Individual employees and teams have their own goals that are aligned with their department's goals. By aligning individual and team goals with the company's overall goals, the company can ensure that everyone is working towards the same objectives (Huselid & Becker, 2011). This can lead to increased efficiency and productivity, improved decision-making, increased creativity and innovation, improved financial performance, and improved employee engagement and retention.

6.4. The overall frustration PFMA

There is a different emphasis depending on the period when the participants have been in the employ of the utility. An interesting observation is that those who joined the employ of the utility before the introduction of the Public Finance Management Act (PFMA) era would tell you that the problems are largely internal. However, those who joined the employ of the utility after the introduction of the PFMA would tell you the main problem is the shareholder or political interference. Where they all agree is the impact of the PFMA on procurement decision-making. The PFMA was only applicable to the utility from the 2011/12 financial year. Before this, its obligations were not required. Unfortunately, the type of machinery in the Power Stations is supposed to be negotiated with original equipment manufacturers (OEMs) but those aspects are left with the middleman who does not even have industry knowledge. This is open to corruption because the middleman is dependent on Eskom's employees to guide him to engage the OEM. So, the effect of PFMA both as a policy instrument and regulator at the same time is prohibitive to efficiency and effective procurement, and unnecessary compliance requirements. The OEM can only be engaged after the process is approved, therefore only then the OEM can start with manufacturing which adds to turnaround time. The transaction cost imposed on the day-to-day operations of the SOEs by the PFMA is unbelievable, which leads to the question of whether the PFMA is a good document for South Africa or not. The evidence and sentiments are that it does create room for the super-rich to continue amassing wealth at the expense of the state. The private sector is seen as being efficient in terms of turnaround simply because they are not subjected to the demands of the PFMA. Otherwise, the view is that SOEs would outperform the private sector by far if it were not for the PFMA which breeds corruption by design. It is the expressed view of the author that until proper focus is given to the impact of the PFMA, efficiency will not always be realized by SOEs due to embedded inefficiencies associated with it.

Chapter 7: Conclusions

In conclusion, it is indisputable that there is a direct impact of corporate governance practices on SOE's performance, the paper looks specifically at three areas of corporate governance practices i.e. Objective Alignment, Resource Provision and Management Succession. Starting with the literature review for the past 5 years on the subject or related concerns about the role of corporate governance practices and its impact on the performance of SOEs, while there was conclusive research on aspects of corporate governance practices that have a direct bearing on the overall performance, gaps were identified concerning the three areas ie. Objective Alignment, Resource Provision and Management Succession. It was evident that some gaps or areas needed to be understood in detail, especially corporate governance practices of the State-Owned Enterprises. Based on the literature review, and the interviews relating to corporate governance practices (Objective Alignment, Resource Provision & Management Succession) impact on SOE performance – governance has a direct bearing on overall performance especially when it comes to the 3 areas covered by this study. The impact of the PFMA on the overall performance of the SOEs is significant and has a negative bearing on decision-making and turnaround time.

It would be ideal to interview executives from more than one SOE and interview government officials responsible for the monitoring and evaluation of the performance of the SOEs, board members and union leaders operating in the public sector space to validate the findings broadly. Perhaps an area of study that can be done in the future.

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