DURBAN UNIVERSITY OF TECHNOLOGY

PUBLIC PERCEPTIONS REGARDING THE MANAGEMENT AND CORPORATE GOVERNANCE OF STATE-OWNED COMPANIES (SOCS) IN SOUTH AFRICA.

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MARCH 2025

PUBLIC PERCEPTIONS REGARDING THE MANAGEMENT AND CORPORATE GOVERNANCE OF STATE-OWNED COMPANIES (SOCS) IN SOUTH AFRICA.

Submitted in fulfilment of the requirements of the degree of

Doctor of Philosophy in Management Sciences

specialising in

Business Law

In the

Faculty of Management Sciences

At the Durban University of Technology

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March 2025

APPROVED FOR FINAL SUBMISSION

10 March 2024

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DECLARATION

I Thandiwe Euphronia Khumalo affirm that:

(i) The research report in this thesis has not been previously submitted for any degree and is not currently being considered for any other degree.

(ii) I confirm this submission reflects my own independent research, except where otherwise indicated.

(iii) Proper acknowledgement is given to all sources used, with explicit references provided in a bibliography attached to the document.

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ABSTRACT

State-owned companies (SOCs) play a crucial role in the economy of South Africa, serving as strategic assets and instruments of public policy. Statistics reflected that in 2023 South Africa had over 700 state-owned companies, which contributed approximately 17% to the country's GDP. These SOCs operated across a wide range of sectors, including utilities, transportation, finance, and strategic industries. However, many of these SOCs have been plagued by governance issues, financial mismanagement, and poor service delivery, leading to a growing public mistrust and negative perceptions.

The aim of this study was to investigate the public perception of corporate governance practices in state-owned companies and the role they play in contributing to socio- economic development in eThekwini Metropolitan area, KwaZulu-Natal, South Africa. By drawing on existing literature and analysing the current state of corporate governance in SOCs, the study sought to identify the key challenges and proposed a conceptual framework for enhancing governance practices and improving public trust. Furthermore, several theories have been proposed to understand the dynamics of corporate governance in SOCs, including the Agency theory, the System theory, the New Public Management theory and Stakeholder theory.

This study employed a mixed-methods approach, combining qualitative and quantitative data collection and analysis. The qualitative component involved in-depth interviews with key stakeholders, including 15 academics and experts in corporate governance. The interviews aimed to gather insights on the current state of corporate governance in SOCs, the key challenges, and potential solutions to enhance public perception and trust. The quantitative component involved a survey of the general public within the eThekwini municipal area to assess their perceptions of the corporate governance practices, service delivery, and overall performance of state-owned companies. The population of the study consisted of 400 respondents. The data collected from the interviews and survey were analysed using appropriate qualitative and quantitative techniques, including thematic analysis, descriptive and inferential statistics, and regression analysis.

The qualitative findings corroborated the quantitative survey results, which revealed that a significant proportion of the public were dissatisfied with the overall performance and service delivery of state-owned companies. This was done through convergence analysis of the qualitative and quantitative data. This study has contributed to the existing literature on corporate governance in state-owned enterprises, particularly in the context of developing economies like South Africa. The proposed strategic corporate governance framework provides a comprehensive approach to enhance transparency, accountability, and efficiency in the management of state-owned companies, ultimately improving public perception and trust.

Keywords: Business Environments, Corporate Governance, Public Perception and State-Owned Companies

DEDICATION

I dedicate this research to God the Father, the Son, and the Holy Spirit for providing me with patience, wisdom, and understanding throughout this study.

I also dedicate this study to my husband Sipho Khumalo, my sons Bongani, Sandile, and Sphelele, as well as my late mother, Doli Doris Ntuli. Their constant encouragement and support have reminded me of the significance of hard work, commitment, courage, strength, love for family and turning dreams into reality.

ACKNOWLEDGEMENTS

I would like to acknowledge the guidance and support of my supervisors, Dr. Lawrence Lekhanya and Prof. Emem Anwana, whose expertise and guidance were remarkable, as well as Professor Karunanidhi Reddy, for invaluable mentorship throughout this research process.

I am also grateful to the participants and respondents who took part in this study and generously shared their insights and experiences. I would like to thank my colleagues and friends for their encouragement and support, the staff members in the department of Applied Law, as well as the University at large, who provided resources and assistance during the research process. Lastly, I express my deep appreciation to the funding agencies that supported this research project, without whom this study would not have been possible.

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ACRONYMS AND ABBREVIATIONS

ASGISA	Accelerated and Shared Growth Initiative for South Africa
CEO	Chief Executive Officer
CG	Corporate Governance
CPI	Corruption Perceptions Index
CSR	Corporate Social Responsibility
DPE	Department of Public Enterprises
Eskom	Electricity Supply Commission
ETC	Estimated total cost
4IR	Fourth Industrial Revolution
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
ICASA	Independent Communications Authority of South Africa
IDP	Integrated Development Plan
IMF	International Monetary Fund
IR	Integrated reporting
IT	Information Technology
JSE	Johannesburg Stock Exchange
KZN	KwaZulu-Natal
NDP	National Development Plan
NPC	National Planning Commission
NPM	New Public Management
OECD	Organization for Economic Co-operation and Development
PFMA	Public Finance Management Act
PPP	Public-Private Partnership
Prasa	Passenger Rail Agency of South Africa
PRC	Presidential Review Committee
SA	South Africa
SAA	South African Airways
SABC	South African Broadcasting Corporation
Sanral	South African National Roads Agency
SAPO	South African Post Office
SOC	State-owned Company

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CHAPTER ONE
INTRODUCTION AND OVERVIEW OF THE STUDY

1.1 Introduction

The study focuses on the public perception regarding the management of corporate governance (CG) of State-Owned Companies (SOCs). It seeks to identify factors that affect the effective management of CG of these enterprises within the eThekwini municipal area, as well as the influence of public perception on the operation of these companies. Furthermore, the study seeks to design a framework that provides structure and guidance for CG practises that consider public perception on how these companies should deal with issues around service delivery and maintaining their sustainability. This framework aims to address the need for transparency and accountability in the management of SOCs, considering public perception and expectations regarding the quality and efficiency of services provided. Nevertheless, this framework should also align with international best practices, such as the “OECD Guidelines on Corporate Governance of State-Owned Enterprises” (SOEs) to ensure SOCs are operating at par with global CG standards.

CG is usually a fragment between processes and principle-based approaches to regulate in eccentric institutional contexts. The types of institutional compliances, their influences, often inform this division and are interrelated (Muhammad and Ahmad 2020). There is an on-going concern regarding CG issues in various organisations, in addition to tremendous development of and progress in this concept in South Africa; hence, the new international realities are testing organisations on such issues.

Controversies and challenges of CG application in SOCs remain a phenomenon that needs distinct responsiveness. Numerous research findings suggest SOCs encounter a range of challenges (Lin 2000, Sajid, Nazira and Afzab 2018, Muthivha 2022). These difficulties include the lack of clearly defined regulatory frameworks, politically influenced appointments to executive boards, ambiguous goals and objectives, and excessive political interference, as well as insufficient managerial accountability and leadership effectiveness issues. In addition to these factors, mismanagement practices are often observed in the form of malfeasance activities within the organisations.

SOC operations may also be marred by disharmony among stakeholders and conflicts arising from infringements on governance principles, with Corrigan (2014) finding that SOCs, furthermore, often struggle with inadequate financial reporting systems, which hinder timely decision-making processes. This inadequacy is compounded by languishing performance levels, resulting from overwhelming debt obligations that burden the companies' operational sustainability. Moreover, monitoring mechanisms for their activities tend to be insufficiently robust, thus compromising overall transparency and accountability standards (Corrigan 2014). What remains as a great disappointment, is CG practice appears to have lost adhesion in many South African organisations. The high failure rate among South African SOCs is a major concern for policy makers. CG plays a vital role in ensuring investors obtain satisfactory returns on their investments, as stated by Mrabure and Abhulimhen-Iyoha (2020). In the absence of effective CG, companies may encounter difficulties in attracting external investors or raising funds through equity securities.

Stakeholders thus play an important role in the development and implementation of CG in various companies. This includes, but is not limited to, review of internal procedures, norms, and policies applied to run and administer a company. It encompasses factors such as the organisation's strategy, planning, values, and ethics, as well as risk management and pay. Constant engagement with stakeholders is, consequently, highly encouraged, because that reflects effective CG within the South African context, which involves the establishment of mechanisms that ensure companies are directed and controlled in a manner that serves the best interests of all stakeholders. These includes but are not limited to the variety within the stakeholder group, such as investors, employees, customers, and broader society. Additionally, recognition of stakeholders' forces companies to publish their sustainability performance using environmental, social, and governance (ESG) indicators (Nkwadi and Matemane 2022).

To effectively manage stakeholders, organisations need to actively recognise, engage with, and understand their viewpoints on important issues. By incorporating these steps into decision-making processes, companies have the opportunity to enhance their operations and ensure long-term success for both shareholders and stakeholders. However, mishandling stakeholder governance can significantly harm

company reputation, while increasing financial and non-financial risks (Hara and Backeberg 2014; Khoza, Makina and Makoni 2024).

In an organisation, the term “stakeholders” refers to groups that have a vested interest in the organisation’s actions or whose own actions can impact its operations or business model. To ensure efficient management of stakeholders, it is crucial to dedicate time to identify and prioritise all invested parties, while evaluating their interests. This process should remain adaptable, as stakeholder groups and their priorities may change with time. Boards and management must regularly utilise different mechanisms, such as clearly defining roles and responsibilities for directors, upholding decision-making process transparency, implementing risk management strategies that are effective, and establishing independent oversight bodies, for example, audit committees and boards of directors. Additionally, corporate governance within South Africa’s eThekwini municipality area needs to address historical imbalances, while economic transformation is promoted (Nkwadi and Matemane 2022).

This can be seen in contemporary CG in South Africa, as confirmed by the King Reports (Lephakga 2016; Van Zyl and Mans-Kemp 2020). For instance, the King Reports emphasise the importance of addressing economic inequality related to apartheid and colonialism.

Accordingly, this study examines the public perception of CG in SOCs. This will involve a detailed explanation of the background, context and study rationale, followed by the problem statement; research aims and objectives, as well as methodology selected to explore and determine different variables within the study.

1.2 Background to the study

The eThekwini Municipality is situated in the KwaZulu-Natal (KZN) province of South Africa and encompasses a land area of approximately 2 297km2, with a population comprising roughly four million individuals (eThekwini Municipality 2020). The gender disparity is approximately equal, with males comprising 49.9% and females 50.1%, as depicted in figure 1.1.

From 1998, the municplaity experienced rapid economic growth and an increase in its GDP (See Figure 1.2). In 2012, its gross domestic product (GDP) amounted to R210 billion (at constant 2005 prices), accounting for 65.5 per cent of ’ZN's GDP and 10.7 per cent of South Africa's overall GDP (eThekwini Municipality 2013). However, from 2020 there was a notable decline, where the municipality has been averaging under 3% GDP growth. According to the IDP (2020) there is a need for growth between 4-7.5% to meet targets set by the NDP (IDP 2020). Furthermore, by 2032, the population is expected to increase by half a million more (See Table 1.1), hence making service deliveries in the municipality by SOCs of utmost importance.

Table 1.1: Population Forecast eThekwini

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Population Total	4080930	4122885	4167531	4212570	4258383	4304140	4349821	4395584	4441621	4480834

Source: Mid-Year Population Estimates (StatsSA 2022)

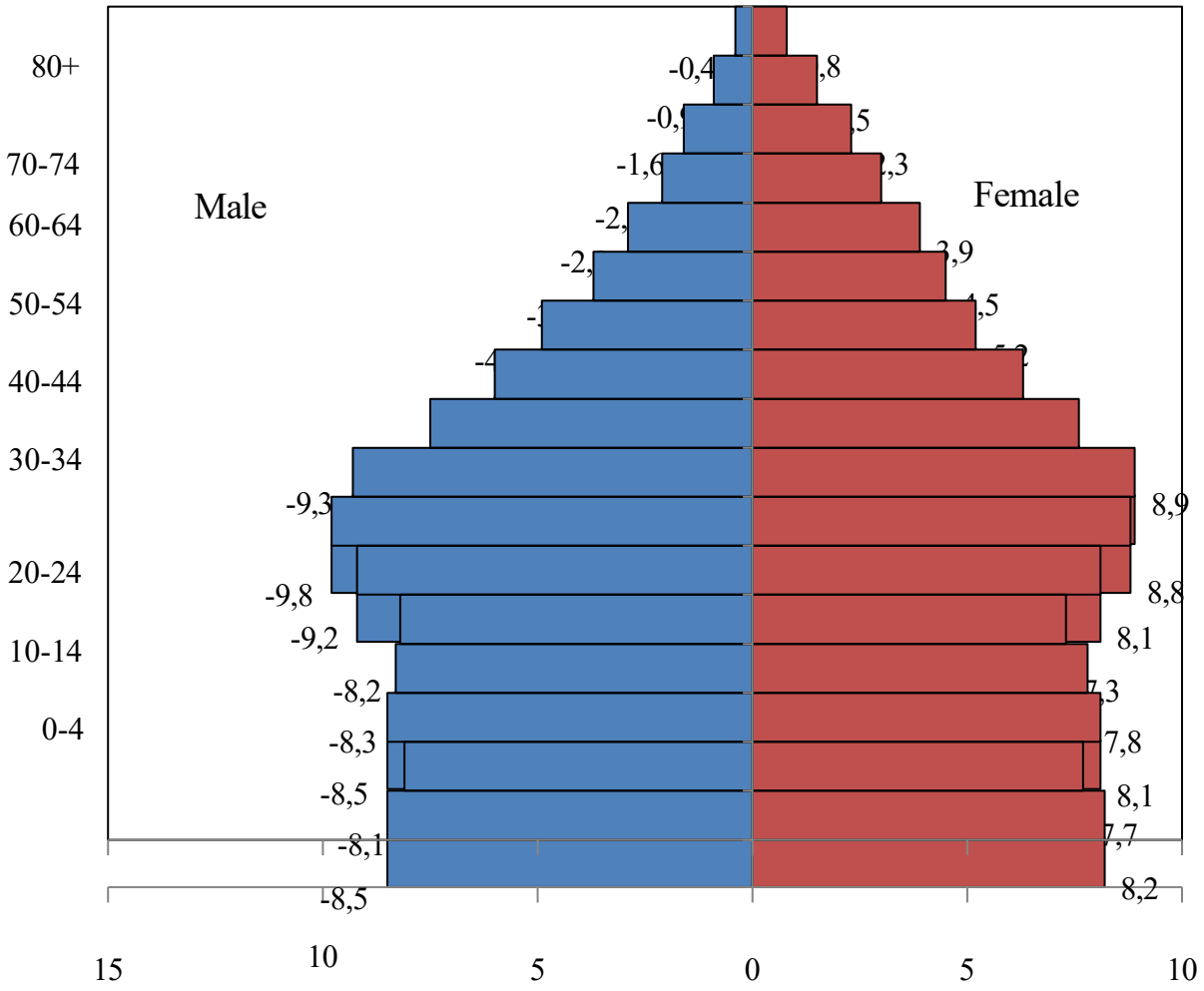

Figure 1.1: eThekwini population pyramid

Source: Population Estimates (StatsSA 2022)

Approximately 55 percent of KZN's GDP is contributed by Durban metro or roughly 15.9 percent of the entire South African GDP (StatsSA 2023). eThekwini metropolitan area acts as a vital link between the regional economies of Pietermaritzburg (and beyond to Gauteng), Richards Bay (and onward to Gauteng), Richards Bay, and the Southern African Development Community. It also holds the distinction of being the third largest economic centre, with the second most significant industrial region in the country.

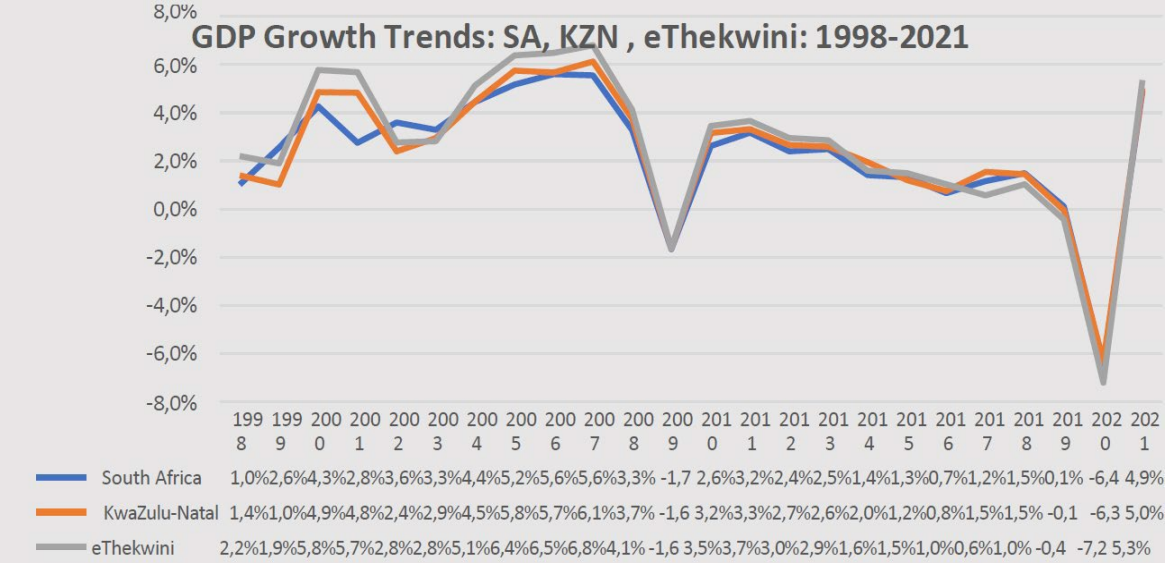

Figure 1.2: ***GDP Growth Trends, eThekwini 1998-2021***

Source: IHS Markit 2022

The data presented in Figure 1.2 above clearly demonstrates the volatility and vulnerability of economic growth in KwaZulu-Natal and the nation as a whole. Furthermore, it emphasizes the need for effective measures and policies to mitigate the negative effects of global crises and ensure sustainable economic development.

Durban metro is, therefore, a key economic hub in South Africa, contributing significantly to both provincial and national GDP. Furthermore, it is estimated more than one-fifth of Durban's total economic output comes from the port and its associated industries. Moreover, sustainability of the Durban economy relies heavily on effective water management and the protection of its water reserves, particularly in the Umgeni River catchment area. Sustainable development and growth of Durban's economy, in addition, heavily depend on effective governance, strategic planning, and the protection of its Umgeni basin water reserves. The economic significance of the metro is intertwined with its environmental sustainability, as the protection of its water resources in the Umgeni basin plays a crucial role in ensuring the long-term viability of industries and economic activities in the region. Thus, addressing the challenges of industrial expansion in South Durban and implementing sustainable water management strategies are crucial for maintaining the metro's economic significance and promoting a healthy and thriving economy.

The unsatisfactory performance of SOCs has a direct impact on the economic growth and development of South Africa. Consequently, there is growing concern among the public regarding corruption and inadequate service delivery by these entities, leading to extensive academic research in this area (Manyaka and Nkuna 2014). Reports alleging corrupt practices are received from various regions across the country, with the majority originating from four provinces - Gauteng (43 percent), Western Cape (nine percent), and KZN and Limpopo each accounting for eight percent (Ncala 2022). To gauge levels of perceived corruption within its public sector, South Africa receives a Corruption Perceptions Index (CPI) ranking score, placing the country at 44/100.

Measures in fighting corruption are, however, not the only aspects that need to be addressed. The National Development 'Plan (NDP) sets out an overarching objective to eradicate poverty and reduce inequality by the year 2030 (NPD 2023). In order to attain these goals, the nation can strive to create an inclusive economy, enhance capacity-building efforts, and fortify governmental institutions. Additionally, fostering collaborations and nurturing strong leadership across all sectors of society play crucial roles in driving the desired progress.

SOCs are regarded as key drivers for this type of advancement. The eThekwini metropolitan area in South Africa is currently confronted with a variety of obstacles and possibilities. Nevertheless, by efficiently utilising its resources, focusing on essential projects, and encouraging cooperative relationships between different parties involved, the municipality can effectively address these challenges and capitalise on its complete potential for sustainable development and inclusive economic advancement for its inhabitants.

SOCs were originally created to promote effective and efficient service delivery in the country (Kim and Zulfiqar 2017). Despite a series of privatisation in the last three decades, SOCs are continuously contributing enormously to economic growth of both developed and developing countries. Global experience shows when SOCs are well-managed and good governance is adhered to, that can enhance provision of essential commodities and services to the public at affordable cost. The public will, therefore, be adversely affected when these SOCs are not properly managed. Furthermore, the majority stakeholders are the most vulnerable to failure by the state and its entities,

since poor performance can manifest itself through incompetence, corruption and generally poor delivery of public services.

Stakeholders have a vested interest in the success of these companies. Similarly, stakeholders in the eThekwini metropolitan area also rely on SOC success, because these entities are intended to provide effective service delivery and contribute to the overall well-being of the municipality. Additionally, the involvement of academic institutions, experts, and private sector organisations in research, mapping, and green initiatives, demonstrates the importance of collaboration and knowledge-sharing in addressing climate change and promoting sustainable practices.

According to Parmar *et al.* (2010), stakeholders refer to individuals or groups who can influence or be affected by an organisation's achievements (Stevens 2021). These stakeholders comprise a diverse range of entities, including community members, government bodies, investors, and suppliers, as well as international interest groups and non-governmental organisations (NGOs). They also encompass customer associations and employees within businesses, as well as regulatory authorities and industry competitors. Embracing a stakeholder approach in strategic management involves actively considering the values and interests of these various stakeholders in everyday business practices.

The purpose of this study is to examine the influence of public perception, when considering SOC management in the eThekwini metropolitan area. This will be done by examining official codes, advice and hard law in South African CG that encourage SOCs to look beyond the interests of their shareholders, more particularly seeking the opinion of the public through survey, as well as an inquiry, regarding how far these companies can operate effectively to accomplish deep socio-economic challenges. The study also intends to investigate the challenges facing SOCs in achieving national developments goals, as stated in the NDP 2030. Furthermore, the root causes of these challenges need to be established, and suggestions made that might help in minimising the occurrence of the perceived causes. Although South Africa’s economy has managed to generate some economic growth since 1994, this growth has fallen far short of what it is required to attain, according to the NDP 2030.

There is an urgent need to accelerate the country's economic growth, development and socio-economic transformation (CCRED 2018). This is important, not only to address the crippled economy and apartheid discrepancies but also to align South Africa with fundamental global economic trends, dynamics and debates that will shape the future. There is growing recognition by governments of the importance of enhancing transparency, disclosure, and accountability within SOCs. In South Africa, it is necessary to have competent boards of directors that can effectively manage these SOCs with forward-looking leadership. It is expected ethical leaders will contribute to economic growth and fulfil their obligations (Matsiliza 2017). Governance concepts represent a shift away from state control and interventionist government models, towards a more minimalist approach, focused on providing essential goods and services such as defence, education, and healthcare (Mothusi and Dipholo 2008; Asaduzzaman and Virtanen 2023).

CG is a developing issue in South Africa, where the practice of governance has been built up and methodologies created to increase best performance. Mongalo (2010) describes South Africa as having a mixture of CG systems, because CG enforcement obligation consists of the combination of guidelines for good governance practice codes, rules and regulations (Areneke, Khlif, Kimani and Soobaroyen 2022). Good governance obligations from developmental documents such as King 1, II, III and now King IV, are intended to set appropriate conduct of standards for directors regarding how they should direct the company and take decisions. Furthermore, legal obligation in legislations set frameworks in which companies should operate and sanctions for non-compliance, with the legislation including the Constitution of the Republic of South Africa (RSA), Act 108 of 1996, Public Services Financial Management Act (PFMA), Act 1 of 1999, the Companies Act 71 of 2008, and the Johannesburg Stock Exchange (JSE) listing requirements, in addition to applicable policy documents. All these documents are excellent. Challenges SOCs face are highlighted by McGregor (2014) to include CG implementation and management, crucial for improving their performance. However, this issue remains a serious concern in South Africa that needs investigation.

The stakeholders in the eThekwini metropolitan area have a vested interest in the success of SOCs, since these organisations are crucial for delivering effective services

and promoting the municipality's well-being on the whole. When there are insufficient governance and accountability within these entities, it can greatly hinder the 'ability of the municipality to achieve its development goals and provide essential services to residents (Mkhize 2018), (Mudzusi, Munzhedzi and Mahole 2024). Hence, the eThekwini municipality must establish strong oversight and monitoring mechanisms that ensure transparent and efficient SOC management, while prioritising both municipal interests and resident welfare.

Many cities in South Africa, including Cape Town and Durban, have extensive spatial divisions created through apartheid-era planning. This planning system segregated settlements and limited access to resources and green spaces based on racial groups, which continue to shape the urban landscape today (Stålhammar 2021). Unfortunately, this historical approach has perpetuated segregation and hindered underprivileged communities' ability to access conservation areas (Turok 2001; Stålhammar 2021).

To address these challenges, it is essential for municipalities such as eThekwini to prioritise inclusive and equitable urban planning. This includes reducing spatial divisions, improving access to resources and green spaces for all residents, and addressing the historical inequities caused by apartheid-era planning. Additionally, the eThekwini municipality should also consider the unique governance structures in the region and the role of traditional leaders. As set out in the Integrated Development Plan (IDP), by acknowledging and engaging with traditional leaders, the municipality can tap into their local knowledge and expertise, fostering a more holistic and inclusive approach to urban development (IDP 2023).

According to a report by the Presidential Review Committee (PRC) on SOCs, established in 2010, there was a total of 715 SOCs listed in the South African PFMA (Kane-Berman 2016). The PFMA includes approximately 300 public organisations, comprising nine constitutional institutions, 21 significant public entities, 153 national public entities, and various other categories, such as national government business enterprises, provincial public entities, and provincial government business enterprises.

In South Africa, public organisations are divided into different categories. These include constitutional institutions as Schedule 1 organisations, major public entities as

Schedule 2 organisations, and those remaining as Schedule 3 organisations. Public entities such as Transnet, South African Airways (SAA), the South African Post Office (SAPO), Passenger Rail Agency of South Africa (Prasa), and South African National Roads Agency (Sanral), as well as Eskom, the Central Energy Fund, Trans-Caledon Tunnel Authority, and Denel, along with the South African Broadcasting Corporation (SABC), Alexkor, Industrial Development Corporation (IDC), Airports Company of South Africa (ACSA) and Telkom (Kane-Berman *et al*. 2016). These entities have a significant role in effectively managing and transparently utilising public funds.

To promote the efficient and effective use of public funds in eThekwini Municipality, it is essential to adhere to the regulations and guidelines outlined in the Public Finance Management Act. This will ensure proper financial governance, uphold public trust, and achieve development objectives. Additionally, prioritizing the needs and aspirations of the diverse population' when implementing development initiatives is crucial. The IDP serves as a roadmap for addressing 'economic growth and social development priorities within the city.

The oversight responsibility of these SOCs is entrusted to the DPE, which provides strategic direction and align their priorities to national growth (McGregor 2014). The management of SOCs is at the moment spread across various shareholder departments on behalf of government. Line ministries manage some SOCs in central government and local government manages some, which have the ownership rights (Marrez 2015). Each ministry has a shareholder department overseeing the SOCs under its responsibility. With such a management structure, it is therefore imperative to identify both external and internal factors that affect the corporate governance application in such companies. In the year 2020, Minister Pravin Gordhan informed parliament that the Shareholder Management Bill would soon be implemented. This proposed legislation seeks to enhance governmental supervision of SOCs. Currently, the status of this bill remains pending as it undergoes further review and deliberation.

The National Planning Commission (NPC) designed the NDP to address nine significant challenges faced by many South Africans. These challenges include high levels of unemployment, inadequate education quality, insufficient and unmaintained infrastructure, spatial segregation, an unsustainable resource-based economy, a subpar public healthcare system, poor-quality public services, widespread corruption,

and racial disparities (Alexander 2017). The primary goal of the NDP is to alleviate poverty and inequality by the specified target year of 2030 (The Presidency 2012). Therefore, in estimating economic growth, the NPC in the NDP (2023) stated the economy in South Africa would have to grow by approximately 5.4 percent on an annual average and the employment rate would have to be reduced by six percent by 2030.

To attain long-term economic growth, there must be a cooperative effort between government and private sector organisations to establish an environment that promotes investment. This collaboration has the potential to enhance access to financial resources for aspiring entrepreneurs, while also facilitating development of local economies (Meyer 2019). Moreover, nurturing an entrepreneurial mindset among individuals and offering mentorship initiatives can significantly contribute to the overall effectiveness and continuity of economic development endeavours.

Currently, the main question is whether these SOCs should be preserved or repurposed for other economic development activities. In conclusion, it is evident the legislative framework governing SOCs aims to strike a balance between political accountability and managerial autonomy. Also, evident, is the legislative framework governing SOCs that aims to strike a balance between political accountability and managerial autonomy, however, further reforms and collaboration with other stakeholders are needed to optimise their contribution to sustainable economic growth. Considering the increasing financial pressures faced by SOCs in South Africa, there have been warnings with regard to potential insolvency risk, as highlighted in the 2017 Medium-Term Budget Policy Statement.

The importance of enhancing cash flows and governance to mitigate the looming threat of insolvency is emphasised in this statement. Furthermore, recent developments such as placing South African Airways Ltd. under business rescue further underscored the urgency to address these financial challenges and prevent insolvency. The OECD (2015) to develop guidelines for the governance of SOCs as the first international benchmark used to evaluate and improve government`s ownership role as the major shareholder in these companies (OECD 2015). The unifying legal framework for sub-national finance in South Africa was developed after the fall of apartheid, with the government identifying a lack of insolvency procedures

as a hindrance to the growth of competitive and diversified credit markets for municipal finance (Keriki 2018).

The introduction of business rescue in South Africa aligns the country with international insolvency practices and aims to protect financially distressed businesses (Jombe and Pretorius 2022). SOCs have a significant impact on economic growth and development in South Africa (Khoza and Adams 2007), providing essential services, creating employment opportunities, and supporting key sectors such as transportation, energy, and telecommunications (Kikeri 2018). However, there are concerns regarding the mismanagement and financial troubles faced by certain SOCs, which raise questions regarding their ability to fulfil their mandates sustainably (Thabane and Van Deventer 2018). To ensure long-term viability and continued contribution to the economy, effective governance and financial management practices must be implemented within SOCs (Ateba, Prinsloo and Gawlik 2019).

The South African Constitution, Act 108 of 1996 (the Constitution) includes specific rights that directly impact SOC CG. The PFMA of 1999, as amended, was enacted as a direct response to Chapter 13 of the South African Constitution, aiming to update financial management in the public sector and establish a strong corporate governance structure (Madue 2007). The PFMA plays a crucial role in ensuring transparency, accountability, and effective financial management within the public sector.

At present, public entities can, as per the PFMA, be categorised into schedules based on their level of independence and nature. The various schedules for public entities are as follows:

Schedule 1: contains entities fully owned by the government with limited financial and operational autonomy. Examples of these entities include the Public Protector, Human Rights Commission, Public Investment Corporation, and the Independent Electoral Commission IEC). These particular organisations answer directly to government departments and adhere to stringent financial regulations.

Schedule 2: entities are characterized by their ability to operate independently in terms of finances and operations, yet they are obligated to generate income to fund their activities. These entities encompass notable organisations such as the IDC,

South African Revenue Service (SARS), SABC, and Eskom, as well as development finance institutions such as the Development Bank of South Africa and the Land Bank.

Schedule 3: entities are primarily financed by government grants and do not operate to generate profits. Examples of such entities include the South African National Parks (SANParks), the South African Social Security Agency (SASSA), the Umsobomvu Youth Fund, and the South African Weather Service.

Schedule 3A and 3C: are typically established as extensions of government departments to effectively carry out specific economic or social duties. Examples include the Accounting Standards Board, the Council for Medical Schemes, and the National Gambling Board.

The Department of Public Enterprises (DPE) oversees the operations of various SOCs, including Transnet, Denel, SAA, and Eskom, as well as others (Thabane and Van Deventer 2018). The DPE role entails providing strategic direction and monitoring the financial and operational performance of these entities by regularly reporting to both the Auditor General of South Africa (AGSA) and the National Treasury. However, there have been concerns raised about the effectiveness of the Department in fulfilling its oversight responsibilities.

1.3 Aim of the study

The aim of this study is to investigate public perceptions on the management and corporate governance within state owned companies (SOCs) and the role they play in contributing to socio- economic development in eThekwini Metropolitan area, South Africa.

1.3.1 The objectives of the study

- Objective 1: To provide a comprehensive literature review on the management and CG of SOCs in South Africa;
- Objective 2: To examine the nexus between the CG of SOCs and the role they play in contributing to socio-economic development in eThekwini Metropolitan area, South Africa;

- Objective 3: To identify the public attitudes and opinions about CG in SOCs and the role they can play in contributing to socio-economic development in eThekwini Metropolitan area, South Africa;
- Objective 4: To ascertain internal and external factors influencing public perceptions on SOC CG and management in eThekwini Metropolitan area, South Africa; and
- Objective 5: To propose a framework that could be adopted by SOCs to improve and enhance CG within SOCs in South Africa.

1.3.2 Research Questions

- What is the state of management and SOC CG in South Africa?
- What role does SOC CG play in the contribution to socio-economic development in eThekwini Metropolitan area, South Africa?
- What are the public attitudes and opinions about CG in SOCs and the role it can play in contributing to socio-economic development in eThekwini Metropolitan area, South Africa?
- What are the factors influencing public perceptions on SOC CG and management in eThekwini Metropolitan area, South Africa?
- How can CG within SOCs in South Africa be enhanced?

1.4 Context of the study

Promoting stakeholder engagement and ensuring accountability in the management of SOCs is crucial for building public trust, attracting investors, and achieving sustainable growth in the eThekwini metropolitan area (Mkhize 2018). It is important to address both the provincial and national crippled economy and the disparities caused by apartheid, as well as align with basic global economic trends, dynamics, and discussions that will determine future goals (Leibbrandt, Woolard, McEwen and Koep 2010). Corruption is, nevertheless, a widespread problem and particularly acute in developing nations such as South Africa (Mantzaris and Pillay 2019). This stems from the realisation that corruption not only jeopardises the nation's development objectives but also disproportionately affects the poor, when resources designed to alleviate their anxiety are diverted to the advantage of a small number of corrupt elites.

Hence, there has been an increase in public apprehension and attention towards corruption and inadequate service delivery by SOCs. This has resulted in a substantial amount of academic investigation into this topic (Manyaka and Nkuna 2014; Thusi and Selepe 2023; Bolatito 2023).

Allegations of corruption are reported from various regions in the country, with the majority from Gauteng (43 percent), then the Western Cape (9 percent), followed by KZN and Limpopo provinces (both with eight percent) according to Analysis of Corruption Trends (Ncala, 2022). The high prevalence of corruption in the eThekwini Metropolitan area, as reported by Naidoo, Zondi, and Reddy (2019), has raised concerns about the ethical conduct and integrity of local government. The gravity of the corruption issue in the eThekwini Metropolitan area is evident through the high percentage of reports received and its ranking as the second highest ranking municipality in the country for corruption, responsible for 27% of reports. The types of corruption reported include bribery and extortion (21%), procurement irregularities (20%), dereliction of duty (19%), abuse of power (17%) and embezzlement of funds (8%) (Naidoo, Zondi and Reddy 2023). This issue has been ongoing since 2012, and the Manase report in 2013 highlighted the extent of corruption in the area, emphasizing the need for immediate action to address governance issues and curb corruption (Mlambo, Ngema and Mpanza 2023). The report further revealed that corruption in this area is primarily manifested through bribery, extortion, procurement irregularities, dereliction of duty, abuse of power, and embezzlement of funds. This widespread corruption has raised serious concerns and is a direct result of bad governance and a lack of accountability, openness, and transparency in local government (Maharaj and Karodia 2013). The Mayor of eThekwini Municipality, Councilor Kaunda, acknowledging that corruption robs citizens of access to basic services (Naidoo, Zondi and Reddy 2023).

The local government in South Africa is an independent sphere of governance with its own constitutionally mandated service delivery goals. These include providing water, sanitation, electricity connections, refuse removal, and municipal roads to promote inclusive service delivery and socioeconomic development while ensuring safe and healthy communities (Naidoo, Zondi and Reddy 2023). Kim and Zulfiqar (2017) state the original purpose in creating SOCs was to advance operative and proficient service

delivery in South Africa. Notwithstanding the last three decades' privatisation of these companies owned by the state, their continued contribution to growth of both developed and developing countries has a tremendous economic impact. The existing evidence suggests that when state-owned companies are effectively managed and adopt sound corporate governance practices, this can lead to enhanced provision of affordable essential goods and services to the public. In addition, the majority stakeholders are mainly susceptible to the inabilities of the state and its entities, with incompetence, corruption and generally poor public service delivery deemed as signs of poor performance. Stakeholders in an organisation include community members, municipalities, investors, and suppliers, along with interest groups, NGOs, associations, and its customers, employees, suppliers, as well as regulators, critics and competitors. A stakeholder approach to strategic management seeks the serious inclusion of these various stakeholders' values and interests into the everyday workings of organisations.

The purpose of this study is to examine the influence of public perception towards the state of management and the CG of SOCs in South Africa. This will be done by examining official codes, advice and hard law in South African CG that encourage SOCs to look beyond the interests of their shareholders, more particularly seeking the opinion of the public through survey, as well as an inquiry regarding how far these companies can operate effectively to address deep socio-economic challenges.

Governments worldwide, including South Africa, are acknowledging the importance of better disclosure, transparency, and accountability in SOCs. This highlights the need for competent and efficient boards of directors to provide visionary leadership in managing these SOCs. They must prioritise the interests of stakeholders and ensure adherence to good CG practices. Additionally, strong governance structures and mechanisms are necessary to ensure the interests of the public and communities are safeguarded, and decisions regarding urban development prioritise the well-being and needs of the people. By doing so, local governments can foster a sense of shared responsibility and ownership among stakeholders, leading to the successful implementation of urban integration-compaction policies and the achievement of inclusive and sustainable urban development.

Ethical leaders are expected to encourage economic growth and deliver on their promises (Kgobe and Chauke 2021). The corrupt practices that divest stakeholders of

access to public services are a significant ethical issue in the public sector. For decades, SOCs have been entrusted to deliver vital services such as electricity, natural gas, water, and transport (trail, airlines, and buses), as well as communications (telephone, telegraph, and postal services). Furthermore, sectors such as agriculture, manufacturing, finance and even large-scale development, also contribute to such delivery. The highlighted dominant companies are Eskom, Transnet, Denel, and Broadband Infraco, as well as Telkom, SAPO, Petro SA, and Sentach (Tsheola, Ledwaba and Maphatane 2013; Owen 2013; Sutherland 2021).

In South Africa, CG is a developing issue where, to increase best performance, governance practice has been built up and methodologies created, with Mongalo (2010) describing the CG systems in South Africa as a mixture. The main reason for this description is attributed to the obligations of CG enforcement combining guidelines regarding practice codes, rules and regulations for good governance. In developmental documents, for example, King 1, II, III and IV, these good governance obligations detail the most suited standards of conduct for directors, with regard to how the company should be directed and decisions taken.

Legal obligations set frameworks in which companies should operate, together with sanctions for non-compliance, where this legislation includes the Constitution of the country, the PFMA, the Companies Act, JSE listing requirements and relevant policy documents, which are all found to be excellent. Nonetheless, challenges facing SOCs are highlighted by McGregor (2012) to comprise implementation and management of CG, among others, which can improve their performance when addressed. However, this issue remains a serious concern in South Africa, after a decade of raising this awareness, requiring investigation.

According to Hilb (2004), companies must have a strategic direction and effective management that aligns with ethical standards within a specific context. This approach aims to consider the interests of both shareholders and stakeholders in terms of value orientation. Most public protests have been a demonstration that expresses citizens' great dissatisfaction with the current administration of the public sector and its dubious actions that are at odds with the principles of the Constitution of the country. The Zondo commission of inquiry into state capture, corruption, and fraud in South Africa found evidence of erroneous public appointments, improper behaviour on the part of the

national executive and public officials, a concerted effort on the part of the Gupta enterprise to gain control over governance and procurement in SOCs and government agencies, as well as general corruption in public entities and government at all levels.

The Commission conducted investigations on various SOCs, including Eskom, Transnet, SAA, and along with Denel, Alexkor, the SABC, and Prasa. The findings of these investigations revealed widespread corruption and mismanagement within these SOCs, highlighting the urgent need for reform and improved governance practices (Madumi 2018). Furthermore, the investigations exposed the extent to which state capture and corrupt practices had infiltrated various sectors of the public sector, undermining the country's economy and its prospects for growth (Mulenga and Mulenga 2018). The findings of these investigations stressed the pressing need for comprehensive reform and enhanced governance practices within SOCs.

There are numerous socio-economic challenges in South Africa, including issues with service delivery, financial mismanagement, weak business confidence, and slow economic growth, as well as high unemployment rates, widespread corruption and state capture (Madumi 2018). These obstacles pose a threat to the overall financial sustainability of the country's economy (Mathebula and Masiya 2022).

The lack of coherence between legislation and moral standards is also identified as an issue that contributes to non-compliance and a culture lacking deterrence (Mathebula 2016), (Manyaka and Nkuna 2014). Furthermore, unstable political leadership is highlighted as a root cause for these challenges (Nyatsumba and Pooe 2023). Therefore, it is crucial for South Africa to not only deal with the issue of a struggling economy and inequality stemming from apartheid, but also to position itself in line with significant worldwide economic trends, dynamics, and discussions that will impact the future.'

The unemployment rate in South Africa experienced a small rise in 2019, reaching 28.7 percent, compared to 27.1 percent in the previous year. The Covid-19 pandemic has had a devastating effect on global poverty levels, with an estimated increase of 35.3 percent in 2020 and a slight decrease to 34.1 percent in 2021, according to projections from the International Monetary Fund (IMF) (2022). The pandemic has resulted in widespread job losses, reduced economic activity, and increased poverty

rates in the eThekwini metropolitan area. Efforts to address this impact and promote inclusive urban development are thus crucial, in order to mitigate the negative effects of the pandemic on vulnerable communities. The PRC proposed government should “occasionally evaluate and balance the social, political and economic priorities of SOCs” (PRC 2013).

The study aims to shed light on public perception regarding the management and CG of SOCs in South Africa, particularly in the eThekwini metropolitan area. This will be done by identifying attitudes and opinions regarding the management and CG of SOCs, in addition to how these perceptions influenced the socio-economic growth and development within the country.

Examination of different legislation applicable to SOCs will be imperative to enable the assessment of discrepancies in compliance with those legislations. The existing legal framework governing SOCs in South Africa is widely considered excessively complex, requiring simplification for improved effectiveness and efficiency (Thabane and Van Deventer 2018).

Consequently, there is a need to generate new insights on the management of CG within SOCs. Additionally, it is important to consult with the public, including CG experts who may be academics in the field. Supervisors, managers, directors, and other stakeholders in various SOCs will assist in providing valuable input on CG practices.

1.5 Rationale for the study

The purpose of this research is to examine the role and impact of SOCs in achieving the government’s vision for a capable and transformative public service aligned with the NDP 2030 goals. It is essential to examine the role and impact of SOCs in achieving national development goals. Khoza and Adams (2007) emphasise the crucial role SOCs play in the growth, development, and stability of the South African economy (Robb and Mondliwa 2018). Application of good CG in SOCs can also assist these companies to increase the country's international market influence and capability to magnetise foreign investment (Thabane and Van Deventer 2018).

The apartheid legacy inherited by the South African government from the previous dispensation is these underperforming SOCs. Different opposing views have been

proposed to deal with these challenges, with some in favour of privatisation or nationalisation of SOCs. Currently, the government proposes to repurpose these failing SOCs, in order to improve their performance and address the social and economic disparities inherited from the apartheid era (Nair, Montmasson-Clair and Ryan 2014).

This study aims to investigate the state of corporate governance in SOCs, as well as identify the challenges these entities face in implementing sound corporate governance principles. To fulfill this objective, the research will focus on addressing the gap in the literature regarding the effective application of corporate governance principles in SOCs.

It will further discuss the relevant legal framework applicable to SOCs, with data collected in this study to examine how CG can be effectively managed in selected SOCs. The survey used will also investigate the causes and suggest possible solutions, as well as measures, used in the selected companies to reduce CG non-compliance.

The findings acquired from the results of this research will assist in ascertaining a more objective understanding and knowledge on the application extent of good CG principles in SOCs. The study will also focus on determining the adequacy or relevancy of all legal frameworks applicable to the selected SOCs. Should there be a need for more governmental intervention, such proposed intervention will be recommended, in order to ensure SOCs play their role in advancing economic growth and development in South Africa.

South Africa SOCs reflect continuous CG challenges, despite the existence of well-established theoretical and legal frameworks (Lipton and Lorsch 1992). is, therefore, imperative to search beyond these frameworks and consider the possibility of effective CG management, for optimum results in achieving their goals. This study motivates the utilisation of different management tools in linking CG of SOCs and its performance (World Bank 2014).

China provides an impeccable example of a market effectively constructed on the strength of SOCs. In the process of contrasting such markets, China has successfully

liquidated those entities that demonstrated some signs of economically instability (Bhatta 2018). It has been noted South Africa has also initiated a move to a similar direction, where a giant SOC such as SAA, is tested through a business rescue process. Considering South Africa has a combination of an influential private and public sector financial system, SOCs continue to be an active driver of service delivery and job creation, as well as a financial value contributor. Subsequently, efficiency in management and compliance to good CG principles of SOCs will always be an agenda into the future. This research also aims to add value to the existing body of knowledge on government methods regarding the management of its financial affairs through SOCs.

1.6 Problem statement

SOCs play a critical role in the South African economy, providing essential goods and services to the public. However, there are persistent concerns regarding the corporate governance and overall performance of these entities, often characterized by inefficiency, corruption, and poor service delivery (Masenya 2024; Matloga *et al*. 2024). When corporations are effectively governed, managed, and fulfil their intended goals, they can have a positive impact on the communities they serve. It is crucial to prioritise stakeholder perspectives as a foundation for these companies to promote job growth, improve economic stability through higher incomes, and contribute to social and political harmony (Mophethe 2023). Additionally, this can, indirectly, over time, lead to public advantages such as decreased reliance on government aid programmes, reduced need for regulatory interventions, enhanced investor assurance, and the development of an environment where entrepreneurialism flourishes, due to the state's active role in promoting progress (Ngoepe-Ntsoane 2023).

Recently, numerous South African SOCs have been shown to be deeply involved in most fiscal difficulties, experiencing bad publicity that negatively impacted their performances and profitability (Qhobosheane 2018). The significant economic impact of SOCs is evident, as they contribute approximately 10 percent to the country's GDP (StatsSA 2023). SOC operations span various sectors, including energy, telecommunications, transport, and mining, making them key drivers of economic

growth and development. Furthermore, the underperformance and financial struggles of these SOCs have a direct effect on the overall economy. Therefore, it is imperative to address the issues surrounding their governance practices, in order to safeguard the economy and ensure sustainable growth.

The financial and operational performance of significant SOCs in South Africa has, however, progressively worsened over time (National Treasury 2023). This decline can be attributed to several factors, including weak CG practices, outdated business models, and inefficient cost structures. It is evident addressing SOC governance practices in South Africa is crucial to improve their financial and operational performance. South Africa is grappling with the challenge of providing financial support and guarantees for its numerous SOCs, particularly those that are financially unsustainable (PRC 2013), which places the government under pressure to secure funding for approximately 700 SOCs (Mondliwa and Robb 2018).

There are more than 700 SOCs in South Africa, ranging from constitutional organisations to SOCs where the state is the partial or sole shareholder (Mondliwa and Robb 2018). These SOCs place the country's economy under enormous pressure, as they require regular state funding and guarantees to remain financially viable (PRC 2013). The national budget for 2020 projected the SOC borrowing requirement at approximately 1.3 percent of overall GDP, where in 2021 this was reduced to one percent, seemingly an unrealistic target, considering the current poor financial status (National treasury report 2020)

The eThekwini metropolitan area is a hub for SOCs, with numerous companies operating across various sectors, including transportation, utilities and infrastructure (Bux, Anderson and O'Farrell 2021). The problem is that there is a perceived lack of transparency and accountability around how these companies are being managed, raising concerns among the public and stakeholders. (Grossi *et al.* 2015). Furthermore, Manyaka and Nkuna (2014) contends that the challenges of combating corruption and ensuring good governance have significant implications for service delivery and public trust (Fourie and Poggenpoel 2016; Mophethe 2023). As a result, the increased visibility of these factors leads to a reduction in negative publicity that could harm both the reputation and growth in SOCs. The concerns on governance have prompted many creditors to halt the extension of existing facilities to SOCs,

causing liquidity pressures. This issue was also raised by the Minister of Finance during his budget speech in 2021, emphasising the need for government efforts towards finding a solution.

Allegations regarding the underperformance of SOCs being directly associated with inadequate governance needs to also be investigated (McGregor 2012; Mwaura 2007; Loliwe 2023). This issue is exacerbated by reports of political interference, nepotism, and self-enrichment by politically connected individuals in key positions of these companies (Ntsebeza 2007; Manyaka and Nkuna 2014; Thabane and Van Deventer 2018). Manase report has further revealed the extent of corruption and incompetence in the administration of state-owned companies in South Africa. (Manyaka and Nkuna 2014). This has left the public sceptical about the ability of the government to effectively manage SOCs.

In conclusion, the challenge of improving public perceptions of SOC management and governance in South Africa is a multifaceted one that requires a comprehensive approach. In doing so the study had to delve deeper into the root causes that give rise to these issues, as opposed to solely focusing on the symptoms (Fourie & Poggenpoel, 2016).

This study sought to investigate the root causes underlying the poor performance and governance of state-owned companies (SOCs) in South Africa, with the aim of identifying solutions to help these entities better fulfill their mandate of driving socio-economic transformation and promoting corporate responsibility within the broader South African society. Given that the key challenges facing SOCs are largely attributed to deficiencies in corporate governance (McGregor 2014; Mwaura 2007; Stevens 2021) the research also examined strategies for mitigating corporate failures and factors that influence SOC governance practices.

1.7 Significance of the study

The study contributed to the existing knowledge on the governance and management of state-owned enterprises in emerging economies, with a specific focus on the South African context. It provided insights into the public's perceptions of how SOCs are being run and the extent to which they are serving the broader public interest.

Furthermore, the study identified the underlying causes of poor SOC governance, moving beyond a narrow focus on symptoms to consider the complex political, institutional and cultural factors that enable these challenges to persist. The findings have important implications for policymakers, SOC leadership and the general public in terms of developing more effective strategies for enhancing accountability, transparency and performance within state-owned companies.

1.8 Research methodology and design

The research methodology outlines the systematic process of data collection, analysis, and presentation in research investigations. The study employed a mixed-methods approach. Creswell (2015), suggests that a mixed-methods design is appropriate when the research question requires both quantitative and qualitative forms of data to provide a more complete understanding of the phenomenon under investigation. Therefore, convergent parallel mixed methods design was employed, where the quantitative and qualitative data were collected concurrently, analysed separately, and then integrated to provide a comprehensive understanding of the research problem.

The quantitative component of the study involved a survey of a representative sample of the public in the eThekwini metropolitan area of South Africa. The survey instrument was designed to capture perceptions on various aspects of the management and corporate governance of state-owned companies, including transparency, accountability, board composition, and overall performance.

The qualitative component consisted of in-depth interviews with key stakeholders, including government officials, industry experts, and representatives of civil society organisations. These interviews provided deeper insights into the contextual factors and underlying dynamics shaping public perceptions. The data from both the survey and interviews were analysed using a combination of statistical techniques and thematic analysis. The sampling approach and data collection methods are consistent with prior studies on public perceptions and governance in the South African context.

The research especially concentrated on the eThekwini Metropolitan area situated in KwaZulu-Natal. Due to its significance as one of the major economic hubs in South Africa with a substantial number of state-owned enterprises (Govender and Reddy

2019; Sibanda and Solms 2018). The eThekwini municipality offers a range of essential services to its residents, despite the diverse spatial distribution across the metropolitan area. These key services encompass the provision of water and sanitation, electricity, solid waste management, transportation and communication networks, as well as the development of social facilities and infrastructure (eThekwini Integrated Development Plan 2019). The study specifically examined the population of the eThekwini metropolitan area, which as from 2023 is approximately estimated at 3.9 million people residing within the municipal boundaries. The population refers to all individuals within the group that the researcher is interested in. The sample size was determined using a confidence level of 95% and a margin of error of 5%, resulting in a minimum sample size of 384 participants for the quantitative survey component of the study. The target population used to calculate the sample frame for this study is estimated at 2 145 000. The sample frame provides a reasonably accurate representation of a target population possessing homogenous characteristics. According to Krejcie and Morgan (1970) a guide in determining sample size is provided. A sample size of 400 was used for the questionnaire. The study intended to improve the accuracy and consistency of business surveys by using a well-organised questionnaire with limited response options.

Quantitative validity and reliability were ensured through pilot testing and statistical analysis, while the qualitative component incorporated well-established techniques for ensuring trustworthiness, such as member checking and peer debriefing. Member checking involved Cohen, Miller, Saban and Bayeta (2022) presenting the findings to a subset of the interview participants to confirm the accuracy of the interpretations. (Dailiati *et al.* 2018; Govender and Reddy 2019). Peer debriefing sessions included discussions with other researchers familiar with the topic to challenge assumptions and enhance the credibility of the qualitative analysis.

Bless et al. (2006) identified four key types of quantitative research validity: content, criterion-related, concept, and face validity. Internal validity ensures cause-and-effect relationships between variables. External validity is ensured through principal component analysis and pre-tests. Factor analysis is used to assess questionnaire ambiguity and ensure the authenticity of data collection instruments.

The instrument's reliability used in accordance with quantitative research design was assessed using Cronbach's alpha using SPSS version 28.0, ensuring consistent and stable questions over time, with an acceptable range of 0.7 and above.

Qualitative sampling procedure utilised by the researchers was judgmental sampling was used for qualitative research, involving expert assistance for comprehensive information collection. The interviews were conducted with 15 corporate governance experts, ensuring a representative subset of the broader population. Semi-structured interviews were conducted with open-ended questions, lasting approximately 30 minutes each, either at the DUT boardroom or at a convenient location. Furthermore, this method emphasises credibility and quality, requiring consistency and careful implementation of research practices. It acknowledges limitations and biases and acknowledges context and subjective understanding. Content analysis and Structural Equation Modelling (SEM) were used to assess the reliability of measurement instruments. The first phase examined the links between observable variables and latent constructs, while the second phase evaluated structural relationships between latent constructs. This comprehensive approach ensured consistent and accurate results in qualitative research. Therefore, its important to note that the quantitative data was analysed using descriptive statistics, correlation analysis, and regression modeling to identify significant relationships and trends. The qualitative data was analyzed using an iterative coding process to identify emerging themes and patterns. The researcher then integrated the findings from both the quantitative and qualitative components to develop a holistic understanding of the research problem. Thereafter, a narrative integration approach was employed, wherein the quantitative and qualitative findings were presented together in a coherent and complementary manner to provide a comprehensive understanding of public perceptions regarding the management and corporate governance of state-owned companies in South Africa.

The researchers encountered challenges in scheduling interviews with certain key stakeholders, particularly senior government officials who are experts in corporate governance. This was attributed to their busy schedules and concerns regarding the sensitive nature of the research topic. To mitigate this limitation, the researchers employed online methods to facilitate the interview process. Specifically, they utilized Microsoft Forms and Microsoft Teams to conduct virtual interviews and surveys, which

enabled them to reach a broader range of participants at their convenience. Additionally, the researchers faced another limitation, which was the reluctance of some participants to provide certain sensitive information due to the political nature of the topic. This was addressed by emphasising the confidentiality of the research and the anonymity of the participants' responses.

Ethical considerations were paramount throughout the research process, with procedures in place to ensure the confidentiality and anonymity of participants. The research followed four principles: informed consent, deception, privacy and confidentiality, and cross-cultural representation. Participants were required to provide their signature on informed consent forms, and their data was securely saved on a USB device that is protected by a password. The finalised hard copies of questionnaires were securely stored in the supervisor's office for a duration of five years to ensure that unauthorised individuals cannot gain access to them.

The study complied with South Africa's Constitution, which ensures fundamental human rights. Additionally, it guaranteed that the consent of the participants was acquired prior to taking their viewpoint into account, and that the questionnaires and interviews were translated into a language that they can comprehend. Ensuring privacy, anonymity, and secrecy was of utmost importance in the ethical conduct of online survey research.

To maintain the integrity of the ethical principles, it was necessary to remove IP addresses and unique tracking links from the dataset due to the potential negative impact caused by the growing capabilities of survey tools. The researcher ensured the protection of participants and institutions, aiming to address discrepancies in ethical attitudes and foster a lasting culture of integrity. The data collected was only utilised for the research study, without any inclusion of participants' or subjects' names. The interviews were conducted in a confidential manner, and the data recorded using dictaphones was securely stored on the researcher's personal laptop.

1.9 Limitations of the study

The study will not seek to understand public perception on all SOCs in South Africa but only of a limited number within the eThekwini metropolitan area, which might limit

the outcome. The lack of time and unwillingness of participants to agree to interviews may create problems in collecting data. The study will focus only on SOCs not any other type of company, as well as members of the general public over the age of 20 to 59 years, who are directly affected by services provided by SOCs within the area. However, to mitigate this limitation, sufficient time will be allocated for fieldwork allowing surveys to be clarified in depth to the targeted sample.

1.10 Structure of dissertation /Chapter breakdown

The dissertation is structured into the following six chapters

Chapter One: Introduction and overview of the study

This chapter provided an overview of the governance challenges faced by social organisations regarding the research problem, aim/purpose, objectives, and research questions, as well as the methodology. It also discussed the study limitations and the contribution it makes to the dialogue on collective governance of social organs.

Chapter Two: Literature Review – An overview of CG in South Africa

This chapter will review the available literature on the background and development of CG, as along with the theoretical framework within the concept. Furthermore, the environment in which these SOCs operates will be examined, as well as public perception regarding the CG of SOCs in South Africa, which includes the identification of their attitudes and opinions with regard to their governance.

Chapter Three: Literature Review – Overview of the SOC role in promoting economic growth and development in South Africa

The chapter will further discuss the literature context of CG, by taking into cognisance the overview on restructuring of SOCs, regulatory framework of SOCs, as well as challenges associated with the application of CG principles. The last section within the chapter will focus on role of SOCs in promoting economic growth and development in South Africa. This will include a literature review on CG of SOCs both locally and internationally, in addition to trends involved.

Chapter Four: Research design and methodology

This chapter will present the research questions to be answered and data collection, interviews, questionnaires, and analysis presentation, along with the interpretation based on both qualitative and quantitative methods, or mixed-methods research. The

reason for selecting this approach will help in justifying slanted information and assist in increasing the validation and reliability of the study.

Chapter Five: Data analysis, interpretation and presentation of data

This chapter will use the conceptual framework discussed in chapter 2 and chapter 3 to assimilate the findings of data collected from surveys. Presentation, interpretation and analyses of this data will be considered to highlight common trends. The results are presented using tables, pie charts and bar graphs. The results of the analysis using inferential statistics to indicate a significant relationship between CG practices and sustainability outcomes in SOCs in South Africa. Triangulation of data and merge of multiple data sources can further enhance the robustness and reliability of the findings. Furthermore, the findings on each of the themes will be compared with the research questions, in order to ascertain the extent to which the research questions were answered and the inference regarding CG of SOCs.

This chapter presents an analysis and interpretation of the results from interviews on management of CG in SOCs. The results are presented using tables, pie charts and bar graphs. The results of the analysis, using inferential statistics to indicate a significant relationship between CG practices and sustainability outcomes in SOCs in South Africa. Triangulation of data and merge of multiple data sources can further enhance the robustness and reliability of the findings. Furthermore, the findings on each of the themes will be compared with the research questions in order to ascertain the extent to which the research questions were answered and the inference in reference to CG of SOCs.

Chapter Six: Discussion, Conclusions and recommendations

The comprehensive last chapter will consist of the conclusions drawn from the findings in chapter 4, 5 and 6. Moreover, the main findings will be summarised, along with the study limitations and constraints, with various recommendations made for further future research in CG of SOCs. The chapter, in addition, highlights the model that will assist SOCs improve their CG. Finally, the chapter concludes by summarising its contributions to the body of knowledge, in terms of theory, methodology, practice, and policy, while also acknowledging the study limitations and suggesting areas for further research.

1.11 Conclusion/summary of the chapter

This chapter explained the background and motivation of the research by providing a detailed highlight of the historical challenges SOCs face to fulfil their mandate of accelerating economic growth and development in South Africa. The chapter also pointed out the expected role of CG in assisting SOCs to create job opportunities and reduce inequalities within the country.

The next chapters cover literature review. The literature review for this study is structured in two distinct chapters, Chapter 2 and Chapter 3. Chapter 2 offers a comprehensive examination of the background and contextual factors surrounding corporate governance in state-owned enterprises. In contrast, Chapter 3 delves deeper into the theoretical perspectives that provide the conceptual foundation for the study.

CHAPTER TWO
LITERATURE REVIEW: BACKGROUND AND INTRODUCTION TO CORPORATE GOVERNANCE AND MANAGEMENT OF STATE-OWNED COMPANIES IN SOUTH AFRICA

2.1. Introduction

This chapter reviews existing literature on important philosophies underpinning CG and discuss the challenges faced by SOCs in implementing CG. For the purposes of developing the research framework and evaluation of the discoveries of the study with previous findings, a pragmatic literature review of preceding studies is included. The chapter provides an overview of the historical context and evolution of CG in South Africa, with a particular focus on the eThekwini metropolitan area and its unique challenges and approaches to CG. Furthermore, this chapter emphasises the fundamental principles and theoretical viewpoints that have surfaced in the literature concerning corporate governance. It also addresses the particular difficulties encountered by government-owned enterprises when enacting successful corporate governance measures. In addition, it explores the involvement of stakeholders in corporate governance procedures and examine how regulatory structures influence these practices, while assessing the contribution of state-owned companies to economic growth, development, and sustainability in South Africa.

Literature on CG outlines the framework for establishing, executing, and supervising a company's goals and objectives, while also ensuring responsibility by relevant stakeholders (World Bank 2014). Most sources suggest that state-owned companies face specific governance challenges compared to private sector firms, which directly influence their performance (Fourie 2001; Mbo 2017; Mashamaite and Raseala 2018; Kikeri 2018). This section delves deeper into examining these differences by analysing the relationship between a company's owner (principal) and its managers (agents). Additionally, stakeholder theory and stewardship theory are considered as conceptual frameworks for comprehending the challenges and opportunities of corporate governance in SOCs. Given that SOCs operate within a public sector environment with both economic and social objectives, this literature review will also investigate the unique challenges presented by this context in relation to corporate governance (Thabane and van Deventer 2018). Furthermore, an exploration of new public

management as a theoretical foundation for understanding the operations of these companies is essential. Systems Theory will also be explored as a potential lens to understand the complex dynamics and interdependencies within state-owned companies and their governance structures.

The concept of "corporate governance" became significant following a series of corporate scandals in the late 1980s and the subsequent release of the Cadbury Committee report in the early 1990s (Boyd 1996; Pye 2000; Steyn 2018). In recent years, South Africa has experienced numerous unprecedented corporate challenges and failures that have prompted government action to strengthen systems, promoting higher ethical standards aligned with principles of CG (Moyo 2010). Additionally, this chapter will discuss how SOCs can implement a robust legal and regulatory framework to enhance good CG. These measures are crucial for rebuilding trust and accountability within the business sector, while also preventing future occurrences of such scandals.

The CG concept has different connotations and interpretations ascribed to it. Therefore, different countries have different ideas regarding what good CG constitutes. CG encompasses a range of connections between a ’corporation's management, board of directors, shareholders, and other interested parties.

The World Bank description of governance is pertinent to this research, as it considers important elements such as transparency, accountability, and citizen involvement (Mophethe 2023). These factors play a critical role in enhancing the dialogue on social justice and are essential for the success of service delivery strategies. In addition, good corporate governance practices not only promote transparency and ethical behaviour but also help to mitigate the risk of fraud and mismanagement (Calista and Febrianto 2023). Furthermore, it fosters trust and confidence among investors, employees, customers, and other stakeholders. Depending on the adopted angle, different authors define this concept in different ways. The next section focuses on analysis of various definitions of CG, in consideration of the South African, as well as global contexts.

2.2 Defining corporate governance (CG)

The concept “governance” is widely used in various fields of study, requiring an explanation due to its lack of a singular definition (Edon 2015). Additionally, different individuals perceive governance differently depending on their respective business environments (Rhodes 1996; Stoker 1997). In this section, we aim to establish a commonly accepted definition that many organisations adhere to. A general and comprehensive understanding defines governance as the process through which a public authority organises and regulates a group, community or society, with the overall goals of maintaining law and order, protecting against external threats, and promoting well-being within the said group (Fox and Meyer 1996). The Cadbury Report (1992) emphasises the importance of maintaining a balance between social, environmental and economic objectives in corporate governance, while Klievink, Janssen and Tan (2012) highlight the blurring of boundaries between public and private sectors in governance, characterised by inter-organisational networks of collaboration and interdependence. In this study, governance encompasses more than merely following formal rules and regulations. It also includes informal relationships, power dynamics, and interactions between stakeholders. Therefore, it is important to incorporate the King Code IV definition of corporate governance, as it recognises compliance with regulations is not enough and emphasises the broader aspects of stakeholder relationships and power dynamics. In this study, governance encompasses more than following formal rules and regulations; it also includes informal relationships, power dynamics, and stakeholder interactions.

Good corporate governance practices assist in promoting transparency, accountability, and ethical behaviour, and aid in reducing the risk of fraud, mismanagement, and other types of corporate misconduct (Mathebula 2022). The World Bank definition of governance in 1992 refers to the exercise of political power for managing a nation's affairs (Lateef 2016). Good governance is seen as having a transparent policy-making process, influenced by professional organisations, accountable management, and active community participation in public matters, within the framework of the rule of law.

According to Peters (2004), CG is based on relationships. In effect, this relationship will include a reciprocal understanding between government as a shareholder in

SOCs, the company, as well as other stakeholders. The relationship will inclusively cater for political, social, economic, as well as environmental governance. All these activities are complex in nature and compel the definition to be wide enough to encompass it all. A number of CG approaches have been adopted throughout the years in an attempt to unpack the meaning of the concept.

CG also varies across nations and is influenced by their unique historical backgrounds, legal systems, regulations, and policies. One of the major global concerns in this regard, is the presence of inadequate governance measures. Notably, countries such as Italy, with issues created by the Parmalat company, and the United States of America (USA), with the Enron and World Com scandals, have faced significant challenges. Similarly, South Africa experienced its corporate scandal involving Steinhoff. As a result of these incidents, countries are revaluating their approach to company management and control (Mensah and Bein 2023).

In line with this trend for reforming CG practices, South Africa underwent a political transition in the early 1990s that culminated in its first fully democratic election in 1994. During this period of political reform, foreign financial institutions started investing in South Africa and played a crucial role in demanding CG reforms. In exchange for their infusion of capital, these investors required South Africa to implement changes in both corporate structures and CG practices (Abdo and Fisher 2007). In response, South Africa recognised the importance of high-quality CG for the development of the country.

During this period, the inefficiencies created and tolerated by the traditional corporate structures were blatantly discovered (Malherbe and Segal 2001). There was a need for a new method of corporate construction that obligated the country to focus on cultivating its CG principles. Fast-forward to King IV (2016), introduced as a constructive step in South African CG, which aims for a more practical approach in the governance of “organisations” driven by an outcome-based approach (KPMG 2016).

An important objective of King IV is to promote the adoption and practical implementation of CG As a result, it has been extended to various sectors, such as small and medium enterprises (SMEs), non-profit organisations (NPOs), SOCs, municipalities, and retirement funds, through separate sector supplements (IOD

2016). The next section will focus on examining how the post-apartheid government's economic growth and development polices have informed CG development in Africa but with a specific focus on South Africa.

2.3 Background and introduction to CG and management of SOC in South Africa

This evolution has helped establish a framework of regulations and ethical practices that have contributed to the success of entrepreneurial activities and the overall development of the economy. Furthermore, the implementation of strong CG systems has played a key role in fostering investor confidence and attracting both domestic and foreign investment. These achievements have positioned South Africa as a leader in corporate governance practices within Africa and have garnered global recognition for its commitment to responsible business conduct (Thompson and Buertey 2023). Evolution of CG in South Africa can be attributed to the pioneering efforts of the King Reports and the country's commitment to ethical and effective leadership. The King Reports and South Africa's dedication to ethical and effective leadership have played a crucial role in the evolution of CG in the country. For more than three decades, South Africa has been unable to achieve the expected rates of economic growth adequately enough to reduce the level of unemployment. The ANC drafted economic policy, based on the Reconstruction and Development Programme (RDP), which serves as an integrated, coherent socio-economic policy framework, used to remedy the inconsistency caused by apartheid (RDP 1994; Mathebula 2015; Mosala 2016). Its focus was on economic prudence and the restructuring of the existing country income. Policy coordination and implementation, unfortunately, did not meet expectations.

Subsequently, in 1996, the Government introduced a macroeconomic strategy known as Growth, Employment and Redistribution (GEAR) (Mathebula 2015; Mosala 2016). GEAR played a pivotal role in stimulating accelerated economic growth to address societal investment requirements (Naidoo and Maré 2015). This policy encompassed many of the objectives outlined in the RDP and aimed to mitigate economic deficiencies, inflation pressures, and trade obstacles (Maloyi 2016). South Africa's transition to democracy has resulted in increased attention to stakeholder issues and a growing emphasis on the social responsibilities of businesses, including state-owned

enterprises. Yet the legacy of apartheid has left deep socioeconomic divides, with extreme inequality and poverty persisting. This creates a complex backdrop against which the public assesses the performance and priorities of SOC management (Maloyi 2016). Factors such as executive compensation, service delivery, and transparency are likely to shape public perceptions.

Seemingly, this policy was also inadequate to address social challenges of the country, particularly poverty elimination and job creation (Mathebula 2015; Mosala 2016). The Accelerated and Shared Growth Initiative for South Africa (ASGISA) was subsequently replaced by the Growth, Employment and Redistribution (GEAR) macroeconomic strategy in 2005 (Moyo and Mamobolo 2014). ASGISA involved interventions intended to serve as catalysts for accelerating growth and development in South Africa. ASGISA was, in turn, replaced with the New Growth Path policy framework. Later, the South African government introduced the National Development Plan (NDP) 2030 as a long-term socio-economic development plan for the country, aimed at increasing economic growth and addressing issues such as poverty, unemployment, and inequality (Moyo and Mamobolo 2014). These policy shifts highlight the ongoing challenges in reconciling the conflicting priorities of economic stability, social progress, and societal transformation. Ultimately, the public's assessment of the governance and performance of state-owned companies shapes their perceptions of the government's wider economic and social policy agenda. A key inquiry is whether the effectiveness of corporate governance and management practices are therefore pivotal factors in rebuilding public trust. Various studies have examined the challenges of corporate governance and management in South African state-owned enterprises (Wyk & Custy 2004; Madzivhandila 2014; Mathebula 2014; Chikasha *et al.* 2021).

Since the 1990`s, CG application has developed a new approach internationally due to the high-rate of corporate failures (Thabane 2021). The collapse of both Enron and WorldCom in the USA and Saambou Bank and Fidentia in South Africa, has created a sharp focus on CG challenges, specifically on issues relating to accountability, transparency and control (Stevens 2021). The old approached focused on shareholder interest as paramount and other stakeholders' interests were only important should they have a direct positive influence in maximising the profit for dividend (Philip 2007).

The integrated approach is a new model, considered by different authors as a tool that will enhance CG standards in various countries, including South Africa (Mashamaite and Raseala 2018; Nkemele 2019; Stevens 2021). This approach suggests all stakeholders should be engaged in the strategic decision-making processes of an organisation.

According to Van Tulder and Van der Zwart (2006), there is gradual recognition both management and stakeholders can affect the financial viability of a business. It is important to consider South Africa is a developing country. The first King report on CG (King 1) was drafted in 1994, during the historical changes in South Africa's government from apartheid to democracy; for the first time, it offered coherent guiding principles to both the private and public sector.

During that new democratic dispensation, there it was realised there would be a shift of a country from limited involvement in the economy, to open, normal, economic freedom. King 1 served as a CG awareness document. For the first time, a triple bottom line was introduced and focus on balancing financial, social and environmental issues around the country (King 1 2004). This report has brought the breadth and sophistication that elevated the South African economy to the top rank of emerging market economies.

Different pieces of legislation were promulgated with the aim of complimenting CG application. These legislations were: The Labour Relations Act (1995), the Basic Conditions of Employment Act (1997), the Employment Equity Act and the National Environmental Management Act (1998). In the year 1995 and then later in 2000, JSE listing requirements were comprehensively revised, to align the rules with global best practise. The Insider Trading Act, introduced in 1998, provides for laborious supervision and monitoring of insider trading, which allowed instituting both criminal and civil action. Concurrently running with these reforms, was the introduction of the PFMA in 1999, which regulated financial management in public sector institutions. Lastly, around 2002, the Protocol on CG in the Public Sector was introduced to govern the accountability and management of SOCs in South Africa.

Later, in 2004, King II was developed to detail the good corporate practices that extend beyond legal and policy parameters that are principle-based. All these developments

were to stimulate the market to respond positively and balance the fragmented South African legal system. That is why further engagement on issues of equality became pertinent, making it imperative for government to design measures that would assist in addressing past historical socio-economic imbalances.

Empowerment statutory interventions were, therefore, necessary in the form of the Broad-based Black Economic Empowerment Act (BEE) (RSA 2003), unique and effective in the South African business landscape but not well implicit in global markets. This became a setback and regressive in constructing an even platform for global trade. Different scholars and business leaders consider the BEE act as antithesis racism (Babarinde 2009). Later, this initiative was considered an artificial structure that assisted in building capitalist class, resulting in business ventures with shareholding constructions not in compliance with good governance principles.

A new democratic dispensation in 2008, when President Mbeki was recalled from parliament, marked an era of drastic political changes that ignited the resignation of as many as 11 ministers. That indicated a huge crisis in the South African Government when the excitement and euphoria had slowed down and the African National Congress (ANC) government encountered an assessment of its first two terms in power and the reality hits the ground.

The process of developing the Companies Act, No. 71 of 2008 started around the year 2003, as there was a need to prepare South African Company Law for the 21st Century. Guidelines for Corporate Law Reform (May 2004), a policy document developed by the Department of Trade and Industry (the dti) was meant to repeal the Companies Act, No. 61 of 1973, to ensure the legislation framework for types of business enterprises promotes growth, employment, innovation, and stability, along with good governance, confidence and global competitiveness.

The King Code of Governance Principles and the King Report on Governance (King III) were introduced by the IoDs in Southern Africa. This report is aligned with the Companies Act no 71 of 2008, which came into effect on 1 May 2011. According to Meyer (2009), the IoDs, and Price Waterhouse Coopers (PWC) highlighted the King III code serves as a guideline for implementing an effective international CG

framework. It promotes a principle-based approach to governance that focuses on application and explanation.

The King III code not only sets standards for CG practices but also emphasises the importance of transparency and accountability (Langeni 2018). Implementation of a distinctive CG regime in the Netherlands and now in South Africa has raised concerns regarding South Africa's institutional capacity to meet high governance standards. This study aims to examine whether the country possesses adequate structures and financial resources to fulfil this mandate effectively.

The NDP 2030 embodies a new approach of governance, one eventually defined through goals (Biermann, Kanie and Kim 2017). Governance by goals embraces great prospects, but its potential will depend on several factors, including how government plans to make it effective. What seems to be a significant focus, is to strengthen global governance arrangements and translate global ambitions into their national context.

The start of the new era in South Africa in 2017 began with a situation where cabinet ministers were being restricted, leading to the appointment of several new ministers (SONA 2017). This period was notable for the implementation of the King IV Code on CG in April 2017. The introduction of this code once again emphasises the significance of CG within any organisation including SOCs (Aluchna and Kuszewski 2022).

While previous King Reports defined CG as a system for controlling companies, King IV now provides a more thoughtful definition, where CG concerns ethical and effective leadership practiced by governing bodies to achieve four desired outcomes an ethical culture, strong performance, effective control, and legitimacy (IoDSA 2018).

As indicated by Armstrong, Segal and Davis (2005), CG in South Africa was officially introduced with the publication of the first King Code in 1994. The King codes utilise the voluntary 'complain or explain' principle, encouraging organisations to expand beyond traditional financial and regulatory reporting and consider the interests of various stakeholders, such as local communities, employees, and customers (Wanyama, Burton, and Helliar 2013). The latest iteration of these codes is known as the King IV code, which took effect in 2017. It takes a holistic approach that incorporates economic, societal, and environmental aspects. The main aim of the King

IV Report is to widen the understanding of CG by making it available and applicable in all different sectors and companies.

Local government in South Africa has a constitutional mandate to provide democratic and accountable governance for local communities (Mnguni 2022). The Public Audit Act (PAA) of 2004 further promotes accountability, granting authority to the AG to verify whether municipalities are accurately reporting on their constitutional and legislative responsibilities. According to Section 20 of the PAA, the audit report must include an opinion or conclusion on whether the annual financial statements provide a true and fair view, in accordance with accounting standards. Additionally, it should address compliance with laws and assess performance information related to public resource management and accountable governance.

The inception of Operation Clean Audit in 2009 aimed to ensure all municipalities would obtain a clean audit by 2014. However, despite its introduction, most municipalities did not achieve the target by that year, with only a meagre 14 percent accomplishing the Operation Clean Audit target (Mnguni and Subban 2022). The lack of clean audits in local municipalities, including metros and district municipalities, is a pressing issue that raises concerns regarding accountability and effective governance at the local level. The eThekwini metropolitan area, for example, is one such municipality that has struggled to obtain a clean audit. This further highlights the need for improved financial management and service delivery in these local government entities. Overall, the evolution of corporate governance in South Africa has been instrumental in promoting economic growth, sustainability, and social equality (Molokwu, Barreria and Urban 2013). Before engaging in discussion that deals with the examination of CG in SOCs, the following section will discuss the theoretical background of the South African CG system. This will assist in providing a basis for understanding legal developments adopted by the government in trying to explore CG principles.

2.4 Theoretical background of corporate governance (CG) and management of state-owned companies

This section provides a description of the various CG theories as well as those theories that applies in the management of SOCs. These theories set foundations on which the

practice of CG has been based. Each of the separate theoretical basis of CG enable an understanding on some but not all governance aspects. Due to the complexity of the subject of CG, it is difficult to generate one theory that embraces it all. This complexity necessitates a nuanced approach to corporate governance that considers how SOCs operates. It is important to recognize the unique challenges faced by mixed ownership enterprises, particularly state-owned companies that have dual economic and social roles (Dai, Li, and Li 2022). These companies use mixed corporate governance structure. A mixed corporate governance structure refers to a combination of different ownership types within a company such as state ownership and private shareholders (Adebayo and Ackers 2022). Moreover, when deciding which theories to apply in analysing corporate governance practices of SOCs, cognisance must be given in understanding the diverse interests and concerns associated with mixed ownership enterprises as well as the need to address the potential conflicts of interest and power imbalances that may arise in mixed ownership enterprises. Although there are various theories that can be applied but for the purposes of this study only five theories were selected to examine the corporate governance practices of mixed ownership enterprises: These theories are: stakeholder theory, agency theory, resource dependence theory, transaction cost economics, and stewardship theory (Klepczarek 2017). Additionally, new public management theory and systems theories can also provide valuable insights into the complexities of mixed ownership enterprises and their governance practices (Sedibe 2021). By considering and applying these theories, companies with mixed ownership structures can navigate the complexities and challenges they face and improve their corporate governance practices (George, Corbishley, Khayesi, Haas and Tihanyi 2016).

These theories are critical for understanding the principles and practices that underpin corporate governance in state-owned companies in South Africa. They provide frameworks for decision-making, accountability, and the allocation of responsibilities among corporate stakeholders.

2.4.1 Agency Theory

The CG landscape in different countries is shaped by economic, political, and legal factors, as well as sources of finance and historical and cultural contexts (Aluchna and Kuszewski 2022). To gain a comprehensive understanding of CG, it is crucial to

define its core principles that form the foundation for further study. Furthermore, it is important to examine the impact of different CG structures on company performance. As highlighted, CG is as a set of processes and structures for controlling and directing companies. Through this definition, various fundamental theories underline CG, such as agency and stakeholder theory and much more (Abdullah and Valentine 2009).

There are numerous definitions of agency theory. Jensen and Meckling (1976) provided a classical definition of the agency relationship as: a contract in which one or more individuals (the principal(s)) engage another individual (the agent) to perform services on their behalf, involving the delegation of decision-making authority to the agent. This delegation of decision-making authority can lead to conflicts of interest between the principal(s) and the agent, as the agent may act in their own self-interest rather than in the best interest of the principal(s). Therefore, the role of CG is to mitigate these conflicts and align the interests of owners (principals) with those of managers (agents), through various mechanisms such as performance incentives, monitoring systems, and transparent reporting.

Agency theory emphasises the principal-agent relationship in corporate governance, where shareholders (principals) delegate authority to managers (agents) to run the company on their behalf (Sarwoko 2017). The aim is to align the interests of shareholders and managers to minimise agency costs and ensure that managers act in the best interest of the company. According to Keay (2017), this theory was developed to expound on and conceptualise the role and behaviour of agents, which include managers and directors of corporations. The theory seeks to address agency problems, which exist because of the appointment of boards and directors in companies, and the separation of ownership (Purwanto 2020). Agency theory also holds directors and senior managers accountable for CG activities (Filatotchev *et al.* 2007). Moreover, according to the theory, the key challenge is to determine how shareholders can ensure agents (directors of a company) act in the best interest of the organisation, rather than in their own interest (Keay 2017).

The assumption in agency theory is that both principal and agent have a certain amount of self–interest in fulfilling each of their prospective roles (Pande and Ansari 2014). Because of the self-interest between these two parties, a high possibility of

conflict can easily be raised among them. Agents may demand a certain rate of remuneration, while the principal disagrees, because of the expected return for their investment. The agency has a duty to act in the best interest of the principal through fiduciary duties. However, the interests of shareholders and the company may coincide, in respect of material aspects of company activities. Maximising profit is a common goal between the parties, but utilisation and priorities differ in each organisation.

The King IV report recommends shareholders must be given an opportunity to review the director's remuneration against the performance of the company. The report also provides for shareholders to vote on the remuneration policy and the implementation practise of the company. Although it is a non-binding vote, when more than 25 percent of the shareholders vote against the company`s remuneration practises, the company must engage with shareholders on their concerns (IoDSA 2016). Agency theory is commonly used to examine how ownership and management structure impact the alignment of goals between managers and owners. This study explores how CG can address these conflicting interests.

Jensen and Meckling (1976) present a comprehensive perspective on the relationship between agency theory and CG. He argued agency theory alone cannot explain the complexity of CG and its impact on sustainability and performance. As indicated above, a multi-theoretical approach will be used for the purpose of this study. By incorporating multiple theoretical perspectives, researchers and practitioners can gain a more comprehensive understanding of CG. These theories can further be categorised into two groups: 'value creation' (revisionist) and 'value destruction' (traditionalist) (Benson and Ganda 2022). As organisations aim to create, maximise, and sustain value, it is crucial to establish good CG. This ensures the primary objectives of organisations align with the principles of value creation. The theories of CG provide valuable insights into the allocation of power and control within corporations, as well as the relationships between different stakeholders.

The fundamental assumption that shareholders can best take care of their own interests, as long as they have clearly articulated rights and access to information (Armour, Enriques, Hansmann and Kraakman 2017). Shareholder activism, evident from the emerging of large institutional investors in the last decade, raised the

probability of a new type of highly skilled and knowledgeable shareholder that would make informed use of their rights, elevating good CG in companies they invest. According to Mbo and Adjasi (2013), this theory remains influential amongst most recent scholars, more specifically when clarifying and examining the interdependency between investors and directors in an organisation. Agency theory will not be considered in isolation, to enable a comprehensive understanding of CG application in different organisations.

2.4.2 Stakeholder Theory

This section will explore various interpretations of stakeholder theory, examining its dynamics, benefits, and influences. The fundamental understanding of this theory hinges on its objective: to provide a comprehensive explanation of how managers conduct themselves in business operations. There are several definitions available for stakeholder theory. However, at its core, the theory suggests, in order for managers to effectively serve corporate strategies, they must consider and prioritise the interests of all relevant stakeholders, including shareholders, employees, customers, and suppliers, as well as the community, and other external parties (Freeman 1984). Furthermore, stakeholder-agency theory emphasises the importance of recognising and incorporating the interests of various stakeholders beyond just owners and management in CG practices.

By adopting a stakeholder-agency theory perspective, this study recognises the limitations of traditional views on CG and aims to provide a broader understanding that includes the interests and perspectives of all stakeholders involved in a corporation (Abdullah and Valentine 2009). This theory posits that companies have a responsibility to not only shareholders but also to other stakeholders such as employees, customers, communities, and the environment. By considering the interests and needs of all stakeholders, state-owned companies can promote long-term value creation and sustainable development. Additionally, the King reports have played a significant role in shaping corporate governance in South African state-owned companies. The King reports have emphasized the importance of inclusive stakeholder-centered corporate governance, which aligns with the principles of both Agency Theory and Stakeholder Theory. By adopting an inclusive stakeholder-centered approach to corporate governance, state-owned companies in South Africa can effectively address the

interests and needs of all stakeholders, including employees, customers, communities, and the environment (Harris 2021). Therefore, by doing so, these companies can enhance trust and confidence among stakeholders, improve decision-making processes, and ultimately contribute to the overall success and well-being of the society they operate in (Crane 2020).

2.4.3 Stewardship Theory

This theory emphasises the responsibility of managers as stewards of the company and its resources (Davis, Schoorman and Donaldson 2018). They are entrusted with the task of protecting and nurturing the company's assets and acting in the best interest of all stakeholders. By applying the principles of stewardship theory in the corporate governance practices of state-owned companies in South Africa, managers can focus on long-term value creation and sustainable growth (Nkemele 2019). This approach encourages a collaborative and cooperative mindset among managers, promoting trust and ensuring that decision-making is guided by the well-being of the company as a whole well as the interests of all stakeholders involved (Bula and Makhamara 2022). The importance of this theory is that it promotes a sense of responsibility and accountability among managers in state-owned companies, leading to more ethical and transparent practices (Matsiliza 2017). This sense of responsibility and accountability can help prevent self-interested strategies by managers and ensure that decisions are made in the best interest of shareholders and other stakeholders (Nel 2023).

Although this section discusses steward ship theory but is also important to highlight some of the theories as well as their differences. The difference between stewardship theory and resource dependency theory, transaction cost theory, and political theory lies in their focus and assumptions. Stewardship theory focuses on the responsibility of managers as stewards and assumes that managers are credible and trustworthy, attaching significant value to their own personal reputations (Sarikas, Tipton, Fodor and Djatej 2023) of which resource dependency theory seeks to understand and manage the interdependencies between organisations and their external resources (Madhani 2017), transaction cost theory focuses on the costs associated with transactions and contracting (Njiraini, Thiam and Coggan 2017), and political theory

analyses the power dynamics and political influences within organisations (Fine 2018). All these theories assist in understanding different aspects of corporate governance and management practices.

2.4.4 Systems Theory

Systems theory is a conceptual framework that views organisations and systems as interconnected entities composed of various components or subsystems (Ramogayane and Jarbandhan 2018). These components or subsystems interact with each other and with the external environment, affecting and being affected by each other. Systems theory proposes that state-owned companies operate within a larger system, with interdependent parts and relationships (Moletsane 2023). This theory can be used as a guide to understand the complex dynamics and interactions within the system, and how they can impact the governance of state-owned companies in South Africa (Mbele 2015).

In conclusion applying all these theories mentioned above can help identify the potential challenges and opportunities that arise from the interdependencies between state-owned companies, government entities, stakeholders, and the wider society (Mbo 2017). Therefore, incorporating these theories into the corporate governance practices of state-owned companies in South Africa can enable a more holistic and systemic approach to decision-making, ensuring that the interests of all stakeholders are adequately considered and aligned with the overall well-being of the company and society as a whole (Mbo 2017).

2.4.5 New Public Management and New Public Governance theory

These theories emphasise the need for public sector organisations, including state-owned companies, to adopt management practices that mirror those of the private sector. This can include implementing performance-based evaluation systems, promoting efficiency and cost-effectiveness, and embracing market-oriented principles. The adoption of the New Public Management theory in the corporate governance practices of state-owned companies in South Africa can help enhance

their efficiency, effectiveness, and accountability, ultimately leading to better performance and outcomes for both the companies themselves and their stakeholders.

The introduction of a new public governance theory has changed the focus (Dickinson 2016). New Public Governance theory is a theoretical framework that focuses on the collaboration between public and private actors in the governance of public organisations and services (Ndevu 2021). It suggests that traditional hierarchical and bureaucratic models of governance are no longer sufficient in addressing complex societal challenges, and that effective governance requires the involvement of a diverse range of stakeholders, including citizens, businesses, and civil society organisations. The difference between New Public Management theory and New Public Governance theory lies in their approach to governance. New Public Management theory focuses on applying private sector management principles to the public sector, emphasizing efficiency, performance measurement, and market-oriented approaches.On the other hand, New Public Governance theory emphasizes collaborative and participatory approaches to governance, recognizing the importance of involving a wide range of stakeholders in decision making and service delivery (Pereira and Ckagnazaroff 2021).Therefore currently in South African state owned companies there is a shift towards embracing the principles of New Public Governance, which emphasize collaboration, stakeholder engagement, and sustainable decision-making, rather than solely adopting the principles of New Public Management, which primarily focus on efficiency and performance measurement. This study will focus on how South African companies can navigate the challenges of implementing inclusive corporate governance guidelines and aligning with the principles of New Public Governance.By adopting the principles of new public governance, state-owned companies can move away from a purely top-down management approach and instead embrace a more participatory and collectivist approach to decision-making and service delivery.

Laupuente and Van De Walle (2020) emphasised three primary elements of NPM, as outlined by Dunleavy *et al*. (2006) in their scholarly work. The components under consideration include disaggregation, competition, and incentivisation. Disaggregation pertains to the division of provision, such as the public financing of healthcare, and

production, which involves the delivery of health services by either public or private institutions. The implementation of purchaser/provider separation within public organisations aims to facilitate the emergence of diverse kinds of provision and foster more competition among possible suppliers.

Competition can be facilitated by the delegation of tasks and obligations to external entities, whether they be private or public in nature. Incentivization pertains to the act of providing rewards to public workers, management, or external suppliers who are responsible for delivering services on behalf of the government, as a means of acknowledging and encouraging specific performance. This particular component necessitates additional investigation into the potential utilisation of outsourcing and public-private partnerships (PPPs) as viable options for reforming state-owned corporations.

2.4.5.1 Outsourcing

Outsourcing refers to the procurement of goods or services from an external source based on specified requirements, which were previously produced internally (Mol 2004). The practise of outsourcing can encompass the whole transfer of a corporate function to an external provider, or alternatively, it may comprise the delegation of some activities related with the function while retaining others within the organisation (McIvor 2005).

According to the Guidelines for PPPs, as outlined by South Africa in 2000, there are five distinct categories of contracts. These include service contracts, which typically span a duration of 1-3 years and encompass various support services such as maintenance, laundry, cafeteria operations, and similar functions. There are four main types of contractual arrangements commonly used in various sectors: management contracts, leases, building, and operations, as well as transfer agreements, and concessions. The duration of these contracts may vary depending on the specific context. For instance, management contracts typically span from 3-8 years and are often utilised in regional water supply management. Leases, on the other hand, tend to last between 8 -15 years and are commonly employed for facilities such as airports or port facilities.

2.4.5.2 Public Private Partnership (PPP)

The period after the establishment of democracy in South Africa is characterised by a significant shift in attention from the concept of "government" to the concept of "governance." Consequently, there has been an increasing use of several methods, including concessions, PPPs, and privatisations (Burger 2006). As a result, in the year 2000, the government implemented a PPP Unit, following approval of a Strategic Framework for PPPs in 1999. As stated by the International Bank for RDP (IBRD 2013), this specific entity was tasked with the oversight of the procurement and management of PPPs in South Africa. In addition, the implementation of this mechanism was utilised to facilitate the effective allocation of infrastructure throughout the country (PPP Unit – National Treasury 2007), thereby promoting the progress of the economy as a whole and the enhancement of both social and economic infrastructure (Department of Economic Development – Kaiser Associates 2005). As stated by Nel (2018), the prevailing definitions of PPPs often cover the participation of the private sector in the provision of services that were historically the responsibility of public sector entities.

Public-Private Partnerships have emerged as an effective solution for addressing the infrastructure and service delivery challenges faced by State-Owned Companies in South Africa (Sebitlo, Mbara and Luke 2022). By leveraging the expertise and resources of both the public and private sectors, PPPs in SOCs have the potential to enhance efficiency, attract investment, and improve the quality of services provided (Boting 2021). Through PPPs, State-Owned Companies in South Africa can tap into the private sector's knowledge and financial resources to overcome budget restrictions and ensure sustainable long-term revenues (Viljoen 2019). Therefore, this collaborative approach enables responsible stakeholders to work together towards achieving common goals and benefiting the entire country (Leigland 2018).

One significant obstacle that hinders the successful execution of PPPs, is the insufficient institutional capability to effectively oversee and optimise the opportunities presented by a collaborative partnership. Public sector companies have the capacity to effectively adapt to changes and to foster innovation by striking a harmonious equilibrium between risk and opportunity (King IV 2016).

The next section will focus more on identifying successful PPP projects within various SOCs. This requires consideration of factors such as aligning goals strategically, ensuring financial sustainability, implementing effective risk management, and maintaining transparency in decision-making processes (Li and Wang 2023). Evaluating the performance and outcomes of previous PPP projects in SOCs can offer valuable insights and lessons for future partnerships. In 2009, ESKOM collaborated with the South African government to initiate an inquiry into strategies aimed at facilitating sustainable private investment in renewable energy (Mkhize 2019). This initiative led to the successful implementation of the Renewable Energy Independent Power Producer Procurement Program, resulting in significant investments and advancements within South Africa's renewable energy sector (Mkhize 2019). Furthermore, PRASA's Gautrain Rapid Rail Link Project serves as a noteworthy example of a successful PPP within South Africa's transport infrastructure sector. The project has not only enhanced transportation efficiency and connectivity but has also contributed to economic growth and job creation."

In relation to PPP's, it is worth mentioning the World Bank (2012) has observed certain challenges in the efforts made by South African SOCs. These enterprises tend to exhibit reluctance in engaging in PPPs, particularly where valuable assets are concerned. This preference stems from their desire to maintain the capacity to offset losses incurred by unprofitable activities through the profits generated by more lucrative ventures.

2.4.6 Various South African SOCs: Lesson learnt

South African SOCs provided a valuable insight into the effectiveness of corporate governance reforms in the country. By examining the outcomes and impact of these reforms in different state-owned companies, researchers can gain a deeper understanding of the challenges and success factors involved in implementing corporate governance practices in South Africa (Isukul and Chizea 2017). The following selected SOCs are:

2.4.6.1 ESKOM

Eskom possesses a total of 13 power units that are fuelled by coal, contributing to approximately 85 percent of Eskom's overall net capacity. The power plants in question are Arnot, Camden, Duvha, Grootvlei, Hendrina, Kendal, Komati, Kriel, Matla, Tutuka, Majuba, Lethabo, and Matimba. According to the Development Bank of Southern Africa (DBSA 2012) and Eskom (2018b), with the exception of Lethabo and Matimba, which are situated in the Free State and Limpopo provinces respectively, all the stations are situated in Mpumalanga.

The conclusion of apartheid and the initiation of democratic elections in 1994 represent a significant turning point in the economic and political framework of South Africa (Nnadozie 2013). The nation had difficulties in expanding access to electrical services for a significant portion of its people, who had previously been marginalised and deprived of such services (Winkler 2007).

Nnadozie (2013) noted many sources have shown a significant surge in service delivery demonstrations in South Africa, with an increase of more than 100 percent noted between 2007 and 2009. These protests escalated from an average of roughly nine occurrences per month in 2007, to 19 per month in 2009. The Eskom Conversion Act 13 of 2001 is a significant piece of law that established the framework for the transformation of Eskom from a SOC into a publicly traded enterprise. Eskom is, therefore, formed in accordance with the provisions of the Companies Act 71 of 2008, and all its share capital is owned by the state.

Based on the legislative framework provided by the PFMA of 1999, as modified by Act 29 of 1999, Eskom is designated as a public organisation classified under Schedule 2. The board of directors serves as the accounting authority of the

company within the framework of the PFMA. Its primary responsibilities include formulating the organisation's strategic direction, providing leadership, and maintaining adherence to corporate governance principles and ethical standards.

The concepts of corporate governance relevant to Eskom are not primarily derived from its foundation law. Instead, they are encompassed within the Companies Act, the PFMA, King IV, and the Protocol on CG in the Public Sector, as stated by Sadiki (2015: 6-7). The legislative framework governing electricity in South Africa, in addition,

includes a range of statutes, regulations, and norms. The primary legislative measures encompass:

- The National Energy Regulator Act of 2004 (NERA) was enacted to establish the National Energy Regulator (NERSA) with the purpose of regulating the electricity, piped-gas, and petroleum pipeline industries;
- The Electricity Regulation Act of 2006 (ERA) is a legislative measure that sets forth a comprehensive regulatory framework for the electricity supply industry in the country. It designates NERSA as the authority responsible for overseeing and enforcing the national electricity regulatory framework. The ERA also outlines the requirements for obtaining licences and registration for various activities within the electricity sector.

The National Energy Act of 2008 mandates the Department of Energy (DoE) to guarantee the availability of a wide range of energy resources to the South African economy. These resources should be sustainable in terms of quantity and affordability, with the aim of fostering economic growth and reducing poverty. Additionally, the Act emphasises the need to take into account environmental management standards. According to Eberbach (2013:26), Eskom emerged as a prominent energy provider, with around 79% of electrical capacity being constructed by the year 2010. The General Household Survey, as reported by Statistics South Africa, reveals a notable rise in the availability of electricity, with a growth from 76.7% in 2002 to 84.7% in 2018 (StatsSA).

The South African government has historically used measures to protect and advance monopolies in the energy sector (Sadiki 2015), with the aim of enhancing the overall welfare of its populace (Kajee 2013). The absence of competition allows it to persist, resulting in a detrimental impact on both tax revenues and the overall economy of the nation. According to the NPC (2020), although power costs in South Africa are relatively affordable, compared to global standards, the consistent and efficient supply of electricity by Eskom is hindered by the challenges of load shedding and distributional losses. The impact of power supply inconsistency has had significant repercussions across all sectors of the business industry.

Over the course of the last decade, the electrical industry in South Africa has encountered a multitude of issues (Makgetla 2017). Although Eskom has seen some relief from its immediate operational issues, it is important to note another catastrophe loom ahead. The global economic landscape and demand are undergoing significant transformations due to technical advancements in the electrical sector (Makgetla 2017).

Simultaneously, the pace of economic expansion in South Africa is diminishing, accompanied by an upward trajectory in energy rates. These developments have adverse implications for both the competitiveness of businesses and the well-being of households, thus leading to a shift in demand away from the conventional power system. Additional issues in the electrical sector encompass deficient power planning procedures, absence of agreement regarding the significance of competition within the electricity market, and delays in infrastructure investment (Eberhard 2016).

The governance and reputation of Eskom have been adversely impacted by the publicly known instances of state capture and mishandling of cash. There is also notable worry regarding ongoing challenges faced by the board and top management in attaining organisational stability. By examining the specific challenges faced by the population of eThekwini Metropolitan in relation to ESKOM and its corporate governance practices, researchers can gain insights into the direct impact of corporate governance on the daily lives of individuals and communities. This understanding can inform policy and decision-making processes that aim to address the issues and improve the accessibility and affordability of electricity for all residents in South Africa. Loadshedding schedules, power outages, and electricity pricing are all examples of the challenges that can arise as a result of poor corporate governance in the energy sector of South Africa.

This study seeks to ascertain the strategy that can be used by the government as well as these SOCs to utilise and align the entire existing regulatory framework that affects them to improve sound socioeconomically justification as well as their economic viability. It is clear that an Eskom that fulfils its mandate under the NDP would "provide a reliable electricity supply in a sustainable and efficient manner in order to assist in lowering the cost of doing business in South Africa. Therefore, this can be done by enabling economic growth, by being well governed and remaining financially viable,

while meeting a developmental mandate and transitioning to a low-carbon economy" (Genesis-Analytics 2019).

2.4.6.2 South African Broadcasting Corporation (SABC)

The SABC, is a public broadcaster which is mandated to play a developmental and nation-building role in the South African society (Fourrie 2003). The media environment has transformed and is now characterised by different reforms such as privatisation, internationalisation and digitisation, all leading to increased competition and commercialisation (Fourie 2003). The establishment of the SABC is stipulated in the Broadcasting Act 4 of 1999 (Broadcasting Act). The SABC has undergone a transformation under this legislation, resulting in its conversion into a limited liability company with a share capital. Consequently, it is now subject to regulation in accordance with the provisions outlined in the Companies Act 71 of 2008. Section 7 of the Companies Act acknowledges the necessity of modifying the standard regulations applicable to corporations in order to accommodate the distinctive nature of the SABC.

The primary objectives of the Broadcasting Act are the establishment and advancement of a broadcasting policy in South Africa that prioritises the public interest. To achieve this, the Act seeks to construct a robust and dedicated public broadcasting service that effectively caters to the requirements of the South African society.

Section five of the Act pertains specially to matters concerning the governance of the SABC. According to the provision, the composition of the board is stipulated to include two executive directors and twelve non-executive directors, who are nominated by the president based on the suggestion of the National Assembly. Additionally, Thabane and Van Deventer (2018) argue that this arrangement facilitates examination of the SABC's financial records. The CG of the SABC is regulated by King IV (2016), particularly with regard to the public sector supplement. This is due to the firm being classified as a state institution, according to the Companies Act and the PMFA.

During the era of apartheid, the SABC held a significant position as a SOC, due to its function as a platform for government propaganda. The advent of democracy necessitated an expansion of the corporation's mandate to encompass the principles

outlined in the new Constitution, leading to the establishment of the "public broadcaster" mandate. This mandate serves as a preventive measure to ensure the company does not become a tool used by a specific political party or segment of society. However, it is imperative it operates in a manner that caters to the needs of the entire nation, while maintaining a high level of openness and transparency.

Considering the significance of news dissemination and its impact on political perspectives within a community, politicians have shown a keen interest in the business of news and the many methods employed to transfer information. Consequently, the SABC has seen substantial political interference from a wide range of political ideologies. The broadcaster is now facing corruption due to many concerns, including controversies related to board and executive nominations and removal, executive salaries, content and editorial policies, as well as tenders.

Regarding the Broadcasting Amendment Act 64 of 2002, it is incumbent upon the SABC to provide a broadcasting service that embodies principles of impartiality and cohesion. In addition, it is imperative for the SABC to adhere to the licence requirements placed upon it by the Independent Communications Authority of South Africa (ICASA). In order to effectively regulate the telecommunications and broadcasting industries in the best interest of the public, the Government of South Africa formed ICASA as an autonomous regulatory body in the year 2000.

ICASA is entrusted with the important responsibility of overseeing and ensuring adherence to the SABC Charter by the SABC. According to the provisions of the Electronic Communication Act of 2005, it is stipulated ICASA is entrusted with the responsibility of preserving the integrity and sustainability of the SABC, as well as ensuring it caters to the unique requirements of its audience. According to the Act, ICASA is prohibited from intervening in the commercial operations of the SABC throughout the course of its regulatory functions. ICASA also mandates the issuance of regulatory papers that necessitate the SABC to adhere to them in the course of their operations.

The aforementioned papers encompass the South African music content laws, the South African television content, and the local content quotas. The monitoring of the SABC television and radio licence is carried out by ICASA in order to fulfil these

responsibilities. ICASA has the authority to examine and address grievances pertaining to the SABC’s failure to adhere to the stipulations and requirements outlined in its licences. Therefore, it is imperative for the SABC to deliver a comprehensive broadcasting service that encompasses a wide range of programmes, catering to the diverse population of South Africa. This programming should adhere to principles of fairness, balance, and integrity.

The significance lies in acknowledging the governance problems faced by the SABC may be attributed to the Broadcasting Act 4 of 1999, mostly due to its lack of uniformity (Qobosheane 2018). First, it is stipulated the SABC is wholly owned by the government, although it lacks clarity in explicitly stating that the government assumes this ownership role on behalf of the general public. Furthermore, according to the legislation, the Minister holds the responsibility of establishing the SABC's constitution, without the obligatory consultation of the general public, as mandated.

In addition to the aforementioned statement, it should be noted that the Act does not address the existence of a Shareholders' Compact, a document signed by the Minister without public involvement. The aforementioned papers grant the Minister an excessive amount of authority in regards to the selection of executive directors to the Board, as well as influence over company strategy and other matters. Consequently, the independence and efficacy of the SABC may be jeopardised.

The Broadcasting Act exhibits significant deficiencies with regard to the process of appointing executive Board members. Another issue arises in relation to the Broadcasting White Paper, which proposes the establishment of "public" and "public-commercial" sectors within the SABC. The purpose of the split is to ensure the financial sustainability of the organisation, with the commercial sector providing funds for the public sector. There seems to be a notable lack of adequate safeguards to ensure the independence of the SABC from both commercial and government influences.

The SABC has proposed the amendment of the Broadcasting Act (1999) specifically the regulations regarding television licence fees to accommodate the usage new technology devices. The aspects of the regulatory regime to which the SABC ties its future and reputation are ambiguous, if not archaic more especial when it comes to the definition of television set and distribution of power. The Act is outpaced by the

technological developments. Therefore, it is clear all these highlighted pathological CG deficiencies at the SABC are eminent, including failure by the SABC Board to provide strategic oversight to the National Broadcaster as provided for in the SABC Board Charter and the King Reports. All these regulatory discrepancies are a clear indication of much work ahead to align the application of these legislations to find a suitable management tool for SOCs in coping with high-level CG implementation.

2.4.6.3 Transnet and Passenger Rail Agency of South Africa (PRASA)

Commercial transportation plays a pivotal role in facilitating the advancement, adaptation, and exchange of goods and services. According to the NDP (2012), the NDP proposed a transportation system characterised by reliability, cost-effectiveness, and the seamless integration of different means of transportation such as roads, railways, airports, seaports, and pipelines. One of the prevailing obstacles is to routes primarily characterised by antiquated and unreliable railway equipment, as well as inadequate intermodal connections. The primary objective of transitioning the emphasis to rail transport was to alleviate strain on the road network and mitigate carbon emissions, so establishing a restructured transport system that facilitates a change away from an apartheid spatial economy and enables the development of future industries (Rikhotso 2023).

i. Transnet

According to Mayedwa (2018), Transnet is comprised of five sections. The initial division is known as the Transnet National Ports Authority (TNPA), which has the responsibility for the entire operation of the national port system. The operational division in question provides port infrastructure and maritime services in the eight commercial seaports located in South Africa, specifically Richards Bay, Durban, Saldanha, Cape Town, Port Elizabeth, East London, Mossel Bay, and Ngqura. The legislative framework governing the sector of Transnet is the National Ports Act (Act 12 of 2005).

The second branch of Transnet is known as Transnet Port Terminal (TPT). This division is tasked with providing commercial handling services for sea-route freight, encompassing imports, exports, and transhipments in various forms such as containers, bulk, break-bulk, and automobile cargo. The operations of the company encompass the transportation of goods through the import and export of containers,

as well as the handling of mineral bulk and agricultural bulk. Furthermore, it is worth noting that this entity operates throughout a wide range of sectors within the economy, encompassing shipping lines, the container business, and the general shipping industry, as well as cargo agents. It is important to highlight that these operations are subject to regulation by legal bodies. According to current reports, the division attained a level two rating in Broad Based Black Economic Empowerment (BBBEE) in the year 2015.

Transnet Engineering (TRE) is the third division of Transnet, serving as a fundamental component of South Africa's railway sector. It has eight businesses that are dedicated to certain products and operates across the nation with a network of 150 depots, seven factories, and a workforce of 15 000 workers (Transnet 2015). The organisation has a lengthy historical record of aggressively promoting the growth and technical administration of railroads inside the nation, and it remains a crucial component of South Africa’s economy.

The fourth division, known as Transnet Pipeline (TPL), has been entrusted with the responsibility of overseeing the nation's crucial pipeline assets. Its primary function is to facilitate the transportation of petroleum and gas, therefore catering to the needs of two significant sectors. The petroleum liquid products encompass a range of substances, such as crude oil, diesel, leaded petrol, and unleaded petrol. The pipeline infrastructure encompasses a tank farm that possesses a volumetric capacity of 30 million litres, serving as a pivotal hub for the storage and subsequent transportation of liquid substances to adjacent nations, including Botswana.

Transnet Freight Rail (TFR) stands as the foremost division within Transnet, being its fifth subsidiary. The organisation is responsible for the management of the expansive railway system in South Africa, which is interconnected with other railway networks in the sub-Saharan area and accounts for 80 percent of Africa's overall railway network (Cawe 2014). The establishment of this subsidiary has strategically positioned Transnet as a financially viable and environmentally responsible freight railway enterprise, therefore contributing to the overall competitiveness of the South African economy. During the early 2000s, Transnet was able to contribute positively to societal reform in South Africa, considering the country's historical context.

According to Transnet (2015), the firm is fully owned by the government of the Republic of South Africa. It operates as a goods transport and logistics entity, holding ownership of the nation's railway, ports, and pipelines. Transnet is intended to serve as a significant contributor to the NDP objective for the year 2030. In the previous decade, Transnet has consistently made a favourable impact on the old heavy commodity export routes. Transnet SOC Ltd, a SOC with the Minister of Public Enterprise acting as the Shareholder representative, is dedicated to upholding the utmost standards of corporate governance. To this end, it has implemented the King Report on CG for South Africa, 2016 (King IV) principles, in conjunction with regulatory provisions, to effectively adhere to the fundamental principles of sound governance. The organisation now possesses efficient procedures that adhere to the standards outlined in King IV, to the extent that is feasible for a government body. These processes are also governed by the principles of the PMFA, which take precedence over the Companies Act of 2008. The PFMA necessitates that the Company, as it has done previously, enter into a Shareholder Compact with the Shareholder Representative.

The Shareholder Compact encompasses specified objectives and key performance metrics that reflect the expectations of shareholders. Its purpose is to establish alignment between the Board and the Shareholder Representative. The Board consistently evaluates progress regarding the performance metrics and provides quarterly reports to the Shareholder Representative. Furthermore, it should be noted that this data undergoes an annual audit and is subsequently disclosed in the company's annual financial statements. Transnet, being a SOC, operates under the governance of a board of directors that has responsibility for its actions and is answerable to the Minister of Public Enterprises. The Minister bears the responsibility of being answerable to the South African Parliament, which serves as the representative body for the citizens of South Africa.

The objective of this section is to analyse the extent to which the aforementioned regulatory framework, which governs SOCs such as Transnet, supports the corporation in fulfilling its developmental purpose in accordance with the NDP 2030. Emwanu (2014) conducted a study that specifically examined the topic at hand, with a primary emphasis on the procurement aspect. Emwanu contends that a divergence

in intent exists, citing the presence of ambiguity and insufficiency within government policy that permits opposing interests.

Transnet, a government parastatal, operates under the procurement policy dictated by the South African government (Mayedwa 2018). However, it has failed to fulfil its primary objective with regards to the transportation of general cargo. Consequently, the initiative has failed to effectively divert goods from road transport to rail, and it has not provided adequate assistance to agricultural goods in terms of competitiveness. The port rates for coal and minerals exhibit worldwide competitiveness, however, the charges for containers are significantly higher, approximately 200 percent over the international average. The intermodal links exhibit a significant increase of 130 percent, compared to the benchmark aim.

In addition, Transnet is utilising a compliance framework as a starting point, which includes its founding legislation, namely the Legal Succession to the South African Transport Services Act 9 of 1989. Examples of regulatory requirements that Transnet Freight Rail ("TFR") must adhere to include the National Railway Safety Regulator Act, 2002, National Environmental Management Act, 1998, and Basic Conditions of Employment Act, 1998. A comprehensive adherence to 101 regulatory requirements is necessary for TFR.

However, Transnet has encountered notable deficiencies in leadership, governance, and accountability, characterised by frequent changes in executive leadership and an unstable board. There is an expectation that the newly appointed CEO would be afforded the chance to establish and consolidate the executive leadership team, while also ensuring the establishment of a robust and steadfast board of directors. This board should be equipped with clear responsibilities aimed at effectively implementing the vision outlined in the NDP. According to the NDP (2012), the establishment of a public transportation system was proposed that would effectively connect different geographical areas at an affordable cost. The objective was to provide reliable and safe transportation, therefore enabling all South Africans to access economic opportunities, social spaces, and services that were previously unavailable.

In the approximate timeframe of March 2011, Brian Molefe, serving as the CEO of Transnet, became entangled in the state capture controversy. The Gupta family faced

charges of engaging in the manipulation of the selection process pertaining to Molefe, however they vehemently disputed these accusations. Based on the media source, the announcement of the vacancy for the CEO role at Transnet was made on January 16, 2011. Prospective applicants were given until February 2011 to submit their applications in response to this opportunity. The nomination of Mr. Molefe was announced by Mr. Malusi Gigaba, the former Minister of Public Enterprise, on 16 March.

Consequently, the occurrence of these many incidents has generated apprehension over the organisational framework of Transnet, which ideally should be underpinned by a well-defined regulatory structure. In recent times, there has been notable advancement in addressing the aforementioned issues. This necessitates a study of how governance might serve as a fundamental element for the progressive management and long-term viability of state-owned corporations (SOCs).

ii. PRASA

Prasa is an acronym for the SOC known as the Passenger Rail Agency of South Africa. It was founded in accordance with the provisions outlined in section 22 of the Legal Succession Act, namely the South African Transport Services Act 9 of 1989. The primary aim and core function of Prasa is to ensure the provision of rail commuter services within, to, and from the Republic, as requested by the National Department of Transport, in the public interest. Additionally, Prasa is responsible for offering long haul passenger rail and bus services within, to, and from the Republic, in accordance with the principles outlined in section 4 of the National Land Transport Act (2000) (Act no 22 of 2000, as amended), in consultation with the National Department of Transport.

The year 2021 signified the twelfth anniversary of Prasa's inception. During its initial years, the organisation exhibited its dedication to fulfilling its mandate by achieving notable milestones. These accomplishments included the successful stabilisation of a rail system that was on the verge of collapse, the effective execution of the objectives set for the 2010 World Cup, the procurement of funding to modernise a rail system that had suffered from years of inadequate investment, and the continuous production of Modern Commuter Rail trains by a local factory. In recent times, the business has

encountered many obstacles that have hindered its capacity to properly fulfil its purpose (Prasa Corporate Plan 2021).

Prasa is included in the roster of entities governed by the PFMA, 1999 (No.1 of 1999), specifically falling under Schedule 3 Part B, which pertains to National Government Business Enterprises. This legal organisation is only established under the provisions of the Legal Succession Act, rather than the Companies Act. There are two primary legislative frameworks that govern the operations of Prasa, namely the Companies Act and the PFMA.

According to Section 24 of the Legal Succession Act, the governance of Prasa is entrusted to a Board of directors of 11 individuals, one of whom serves as the chairwoman. The individual referred to as "the mister" is granted the authority to both appoint and remove the aforementioned board members. There is a lack of public participation in the processes of board appointment, firing, and nomination.

Commuter transport is facilitated by various means within an integrated transport system, wherein Prasa serves as a fundamental component by offering rail transport services that are both cost-effective and of high quality. These services cater to the demands of rail users, as well as households seeking intercity and international travel options, with a particular focus on lower-income households.

The New Democratic Party (NDP) has established a range of special priority projects for Prasa. These projects encompass the renewal of the commuter train fleet, renovations to stations, and the enhancement of infrastructure to provide better connectivity with road-based services. The implementation of this concept necessitates a significant technological overhaul. According to the NDP (2012), the anticipated timeframe for the total renewal of the fleet was estimated to be up to 15 years. Commuter transit remains a significant expenditure within low-income households, lacking adequate levels of safety, affordability, and efficiency.

Prasa has made a substantial investment of around R80 billion in capital spending over the course of the last decade. However, it is noteworthy that only half of its coaches are now operational. Approximately 66 percent of the public expenditure allocated to urban transport is directed towards Prasa. However, it is noteworthy that Prasa’s proportionate contribution to the overall number of trips undertaken has been

declining at a rapid pace, presently standing at a mere 17 percent. The financial viability of Prasa is questionable, as it has been plagued by governance issues.

Prasa has been implicated in many instances of corporate governance misconduct, as documented by various sources (Bhorat *et al.* 2017; Magubane 2018a; Public Protector 2015; Nkemele 2019). A notable controversy that underwent investigation by the Public Protector and resulted in a report titled "Derailed" (Gqirana 2015: 1) can be identified. The investigation conducted by the Public Protector on PRASA was initiated in response to a complaint filed by the South African Transport and Allied Workers Union (SATAWU) in the year 2012 (Public Protector 2015; Madonsela 2015).

The presence of uncertainty and inconsistency surrounding the existence of boards poses challenges to anticipating the seamless operation of their effective functionality. The board is anticipated to facilitate the formulation and implementation of the organisation's strategic plan and provide guidance. The objective of this study is to assess and analyse the implementation of CG in state enterprises, notwithstanding the presence of significant gaps in their founding legislations pertaining to crucial aspects.

2.4.6.4 The South African Post Office (SAPO)

The Department of Telecommunications and Postal Services is tasked with the responsibility of formulating information and communication technology (ICT) policies that facilitate an improved and enduring mutual growth of the South African economy. Additionally, the department aims to guarantee the establishment of comprehensive, reliable, secure, and cost-effective ICT infrastructure. The SAPO serves as one of the mechanisms employed to promote this expansion. The regulatory framework for operators in the postal industry is established by the Postal Services Act No. 124 of 1998, commonly referred to as the Postal Services Act. The legislation establishes provisions for the oversight and management of postal services in the best interest of the public, as well as for the regulation of postal services, including the Universal Service Obligations (USO). SAPO functioned as a government-owned corporate entity with the purpose of providing postal services and related offerings to the general populace. The organisation has many divisions and companies that operate in the

domains of mail, financial services, logistics, property, internet commerce, and retail services.

The aforementioned divisions consist of the following entities: Postbank (SOC) Ltd, The Document Exchange (Pty) Ltd (DOCEX), The Courier Freight Group (Pty) Ltd (CFG), and five property businesses known as the Post Office Properties businesses (Pty's) Ltd. These property firms are located in Bloemfontein, Cape Town, East Rand, Port Elizabeth, and Rossburgh. The core commercial activity of the group is the traditional collecting, sorting, and delivery of letters and packages, which accounted for approximately 65 percent of the organisation's income in the fiscal year 2010/12. The SAPO organisation plays a facilitating role in several government programmes, including but not limited to the Broadcasting Digital Migration (BDM) Programme and the disbursement of Social Grants.

When analysing the SAPO statutory framework, it is crucial to acknowledge that this SOC was founded on October 1, 1991, in adherence to the Companies Act, No. 61 of 1973, which has since been superseded by the Companies Act No. 71 of 2008 (as modified). The entity in question was officially classified as a SOC, in accordance with the South African Post Office Limited Act No. 22 of 2011, which has undergone further amendments. According to Schedule 2 of the PFMA No. 1 of 1999 (as amended), the SAPO holds substantial importance as a government entity.

ICASA is charged with the role of preserving the provision of universal service through the reserved postal services licensee, as mandated by the Postal Services Act of 1998. The SAPO operates in accordance with the norms and legislation governing SOCs. It abides by a variety of postal, courier, and financial requirements set out by regulatory bodies. Currently, SAPO operates as the exclusive licensee for limited postal services. The application for an unreserved postal service certificate can be submitted to ICASA at any given moment by duly completing the provided form. The topic under consideration pertains to the SAPO SOC Limited Amendment Bill [B24B-2013]. The main purpose of the Bill was to propose modifications to the SA Post Office SOC Ltd Act in order to improve governance provisions and establish a stronger link between the Boards of the SA Post Office SOC Ltd and the SA Postbank Limited.

The aforementioned revisions were explicitly discussed and outlined in clauses 1 to 4 of the Bill. Furthermore, the proposed revisions to the 1958 Posts and Telecommunications-related Matters Act (PTMA) encompass Clause 5 and 6 of the Bill. The purpose of this amendment is to expedite the timely distribution of pension benefits to a former spouse of a pension fund participant following divorce or the dissolution of a customary marriage, aligning with the legally acknowledged idea of a "clean break."

Considering all of the above-mentioned legal landscape that regulates SAPO, this study seeks to examine this regulatory environment to ascertain whether it can be considered as a hindrance or an opportunity for SAPO's growth and development. Perhaps there is a need to formulate a strategy as to how these legislations can be implemented seamlessly for the benefits of this entity. The focus will be on the current progress for SAPO to meet its intended governmental objective.

The Minister of Finance in his 2018 Mid-term Budget Policy Statement indicated a need for SAPO to receive a financial injection of R2, 9 billion to allow the company to achieve desired growth that will match international standard. Internationally, the postal business is undertaking an ultimate transformation process more specially to issues that deals with technological advancement. Some scholars indicated a need for SOCs such as SAPO to focus on diversification of activities, necessitating the launch of new business and product lines vastly different from historic business activities. Furthermore, that will entail shifting focus and taking advantage of the growing e-commerce trend and optimise the fourth industrial revolution (4IR).

The greatest development was achieved in the 2016/17 financial year where the Post Office was granted approval in terms of the Banks Act to establish a bank. Currently, there is a review of comments around the content on the South African Postbank Amendment Bill, which is facilitating the establishment of the South African Postbank Holding Company, known as the Bank Controlling Company (BCC), in terms of the Banks Act. The last outstanding stage for this bank to become a fully-fledged bank and attain its license is the registration with South African Reserve Bank. This company will provide will give access to banking facilities to financially disadvantage members of the public to participate meaningfully in economic activities (Ovens 2013).

It will also play a crucial role in addressing the economic inequalities in our society, which is a key component of the NDP 2030 Vision.

The Post Office was commercialised in 1991, with a prediction of it functioning similarly to the private sector by generating sufficient funds to meets its functioning costs obligations and avoiding relying on government bailouts. Currently, SAPO, as with most SOCs, is facing fundamental profitability and sustainability challenges. In November 2019, parliamentary presentation was made and reflected the SAPO has not been profitable over the last 13 years, except in 2006 when it made a profit of R276 million. Long-serving committee members alluded to the board having continuously indicated the existing turnaround strategy that has not yet materialised.

There is a need to seriously consider restructuring and streamline SAPO activity allow desired growth. Various authors that SAPO is facing an uphill battle to reposition itself to overcome one of its greatest obstacles, which is an effective governance compliance, highlight it. In fast-tracking service delivery, SAPO signed contracts with Avis and Fleet Africa in 2019 to enable its fleet to be brought up to speed. Therefore, it is important for every business to be effective to improve on people, processes as well as systems (Syed *et al.* 2019).

SAPO had struggled to stay afloat and received R8bn in bailout from government and they have decided to default on their on their debt's payment. The AG in his pronouncement, indicated SAPO's financial statements showed the group incurred losses of nearly R1.8 billion, with its current liabilities exceeding its current assets by nearly R1.5 billion for the year ending 31 March 2020. Nomkhita Mona, group CEO of SAPO, indicated the SOC is now commercially insolvent, according to the above AG report. Several contributory factors to challenges were highlighted, which include but are not limited to an obsolete business model, exacerbated by the Covid-19 pandemic.

There is a need for SAPO to navigate the economic environment to ensure its own survival and sustainability, since the postal service sector is an essential component of the South African economy, with an estimated 3.16 GDP contribution (Department of communication 2015). In addition, the global postal service industry consistently plays a role in facilitating the exchange of information and commodities among individuals, enterprises, and institutions on a worldwide scale. Despite the persistent

structural upheaval resulting from the fast advancement of digital technology, it is anticipated that the global postal sector will continue to have consistent growth until 2020. This growth may be attributed to the adoption of more diverse business models that will, in turn, provide further market possibilities.

2.4.6.5 Selected SOCs at eThekwini metropolitan area

The abovementioned SOCs operates nationwide, with the additional eThekwini metropolitan based SOCs. The state-owned companies in the eThekwini metropolitan area play a crucial role in driving economic growth and development within the region. These state-owned companies not only create job opportunities but also contribute significantly to the overall economy through their various operations and investments. They serve as major contributors to the local economy, attracting investments, promoting innovation, and fostering collaboration with other businesses in the area. Additionally, the presence of state-owned companies in eThekwini helps to maintain a stable and sustainable business environment by providing essential services and infrastructure. Their presence also helps to attract foreign investment and stimulate economic growth in the region. For the purpose of this study only the following mentioned companies are highlighted for discussion. These companies are:

i. The Durban Port Authority:

Responsible for managing and operating the ports in the eThekwini metropolitan area, including the Port of Durban, which is the busiest port in South Africa and serves as a critical gateway for international trade.

ii. The Durban Marine Theme Park Soc.Ltd

The Durban Marine Theme Park Soc. Ltd, also known as uShaka Marine World, is a Municipal Entity defined in section 86B of the Municipal Systems Act (Act 32 of 2000) and is a company duly registered in compliance with the Companies Act (Act 71 of 2008 as amended). The eThekwini Municipality has complete control over the company, making it a municipal entity with 100% ownership. uShaka Marine World includes:

- Sea World

- Wet ‘n Wild
- uShaka Kids World
- Sea Animal Encounter Island
- Dangerous Creatures and Village Walk

uShaka Marine World generates a significant amount of revenue through visitor admissions, retail sales, as well as food and beverage services and is located along the city’s main beachfront and was conceived as part of the redevelopment of the waterfront in 2003. The objectives for the creation of uShaka Marine was for it to serve as a catalyst for urban renewal around the Point Precinct, and strategic tourism facility for the City of Durban as well as the Province of KwaZulu-Natal as a whole.

iii. Umngeni water

The majority of eThekwini Municipality's water comes from Umgeni Water, with a small amount being provided by water treatment facilities owned and managed by eThekwini Water and Sanitation (Gumbi and Rangongo 2018). Collaboration between the municipality, Umgeni Water, and eThekwini Water and Sanitation is essential for ensuring that the residents of Durban have a dependable and sustainable water supply (Mutsaa 2019). Furthermore, the implementation of proper water management practices and the conservation of water resources are crucial in ensuring the long-term availability and quality of water for both present and future generations. Ensuring effective service delivery is crucial for meeting the water needs of the residents and supporting the economic activities in the region.

By leveraging the resources and expertise of these state-owned companies, the eThekwini metropolitan area can effectively stimulate economic growth and development. To optimize the impact of these state-owned companies on economic growth and development in the eThekwini metropolitan area, it is crucial to have a comprehensive understanding of their roles, responsibilities, and public perception. Municipal Systems Act 32 of 2000, requires municipalities to formulate an intergrated development plan (IDP) that allows the community to be actively involved in budget processes and planning that addresses the needs of all residents (Nene 2019:165).

The study seeks to understand the level of public engagement where their perception is considered in descion making process.

2.5 Effect of Corporate Governance in South Africa: overview with focus on role of state-owned companies in promoting economic growth and development

2.5.1 Introduction

The purpose of this chapter is to highlight further insights into empirical research on corporate governance of state-owned companies (SOCs) by focusing on the current knowledge that explore different definitions employed by scholars in describing the concept of corporate governance with reference to its application in SOCs. Corporate governance is a dynamic concept with many components. Furthermore, SOCs operates in a complex environment where myriads of overlapping regulations and laws that hinders the effective application of good CG. For the purpose of this study the selected angle is to focus on CG of South African SOCs and the examination of the level of the application of the concept. This will be achieved by discussing the historical and developmental phases of CG in South Africa with emphasises on regulatory framework and codes that supports CG of SOCs in South Africa. Furthermore, the challenges experienced by these companies when complying with corporate governance legislation and voluntary codes will be highlighted.

CG of SOCs has developed to such an extent that there is an increasing need to stabilise its implementation. The ongoing agenda on Zondo commission hearing reflects the current status of SOCs. These firms have faced public criticism due to their inability to fulfil their mandate of sustaining their operations through sufficient revenue generation and provision of services to their clientele (Matsiliza 2017). This study therefore seeks to identify attitudes and opinions about the corporate governance in SOCs. The King Report on Corporate Governance for South Africa 2016 (referred to as King IV) is the fourth iteration of the code of corporate governance that is applicable to all organisations operating within South Africa, with adherence being optional in nature. This document has developed an interesting approach to CG of apply and explain as well as the process of promoting stakeholder- inclusive approach, in which the board of directors are expected to consider the interests and the needs of all significant stakeholders when executing their duties. The factors that influence the application of CG in Southern Africa and governance

challenges faced by SOCs in implementing principles of governance are identified and described. While CG cannot be considered a panacea for resolving all difficulties and maximising all possibilities, it is an essential component for promoting the long-term and sustainable growth of robust economies and communities. This chapter will further provide a comprehensive literature review of the state of CG of SOCs in South Africa and what role they may have to play in promoting socio-economic transformation.

The necessity to stabilise the application of CG of SOCs is growing as a result of its development. The continuing proceedings of the Zondo commission hearing serve as a reflection of the present state of SOCs. These firms have faced public criticism due to their inability to fulfil their mandate of sustaining their operations through sufficient revenue generation and provision of services to their clientele (Matsiliza 2017). This study aims to ascertain attitudes and opinions about CG in SOCs. The King IV, also known as the King Report on CG for South Africa 2016, represents the fourth version of the CG code. It applies on a voluntary basis to all companies engaged in economic activities within the South African setting.

This study presents a compelling perspective on CG, specifically focusing on the application and explanation of a stakeholder-inclusive approach. It emphasises the importance of board members considering the interests and demands of all relevant stakeholders while fulfilling their responsibilities. This study identifies and describes the elements that impact the application of CG in Southern Africa, as well as the governance issues faced by SOCs in adopting principles of governance. While corporate governance does not possess the ability to effortlessly resolve difficulties and fully exploit opportunities, it remains an essential component in fostering the sustainable growth of robust economies and societies. This chapter aims to present a thorough literature analysis of the current condition of CG in SOCs in South Africa, as well as explore their potential role in facilitating socio-economic development.

In light of the above, it is recognised by different scholars that the establishment of an effective CG systems is a channel to each country`s economic growth and development (Chanda, Burton and Dunne 2017). Therefore, any attempt to eliminate poverty and address financial challenges faced by the country will need to focus on policies that will raise South Africa’s potential growth (NDP 2030). SOCs are

considered as a significant tool form of business for addressing such growth and infrastructure service delivery. The literature reviewed indicated the significance of prioritising compliance with CG principles to ignite the effectiveness of SOCs, more specifically in respect of the competing epitomes between their ownership and control. This study will focus on how legislation and regulation are designed to safeguard and implement the separation of ownership and control in the public SOCs sector.

The next section will explore different definitions related to the CG of SOCs, followed by the evolution of these companies' CG, identification of factors that contributes to these company's ineffectiveness as well as challenges they face in implementation principles of CG. Thereafter, both theoretical and regulatory framework of CG of SOCs will be discussed. The focus intended by the study is to identify the role that can be played by SOCs in facilitating socio economic transformation in South Africa when they are effectively managed. This will be done by comparing both international developed and local content.

2.5.2 Historical background of state-owned companies

In South Africa the definition of SOCs is based on the listing of the Public Finance Management Act, 1999 (Act 1 of 1999) and is derived from the explanation provided by Bronstein (2011). The annexure highlighted that the legislative definition of SOCs is not comprehensively covered in any statute book. Mamaile (2020) and Matsiliza (2017) refer to SOCs as legal entities or government owned corporations pursuing both commercial and developmental growth with most of their operations and infrastructure owned by the state. These enterprises are at national, provincial as well as municipality level as governed by the PFMA and the Companies Act.

SOCs have been recognised as part of South African national economies since the 1930s (Mutamba 2020); magnetising various perceptions from the public more especially their importance and economic impacts. Globally, the public sector is regarded as a dominant engine of economic growth and sustainable development. Mainly, the developing countries view public corporations and SOCs as an instrumental device to stimulate and accelerate GDP, job creation and infrastructure development. (Madumi 2018). Good governance of SOCs is of paramount important for any country that wants to effectively achieve economic growth and development

(OECD 2015). Majority industrial economies in several states SOCs are the main providers of key public services, including public utilities. Therefore, their operations have an impact on citizens' daily lives. Mohale (2015) mentioned collaborative effort and intervention from the government is needed to assist in reducing the world economic uncertainty. The developmental states government is increasingly focusing on SOC growth in countries such as Botswana, Mauritius and now South Africa are strengthening restructuring programmes to facilitate enhanced performance and success (Mayedwa 2018).

The lesson can be learnt from successful international SOCs below (Chang 2007). The following SOCs are:

- Singapore Airlines, which is frequently recognised as the top airline globally, operates as a state-owned enterprise (SOC) with the government holding company, Temasek Holdings, owning a majority stake of 57 percent. Temasek Holdings, in turn, is wholly controlled by the Singapore Ministry of Finance.
- The Bombay Transport Authority of India, which is well regarded for its high level of respect and reputation.
- World-renowned corporations such as EMBRAER, a Brazilian manufacturer specialising in regional jets,
- The automobile manufacturer Renault, originating from France,
- The Korean steel manufacturer POSCO had initial success as an SOC.
- Taiwan, officially known as the Province of China, attained its remarkable economic growth sometimes referred to as the "miracle" on the foundation of a substantial SOC sector with limited privatisation.

2.5.4.1 International SOCs

The phenomenon of the globalisation of SOCs and the diverse tactics adopted by different nations in their foreign investment has emerged as a noteworthy trend. Socially oriented companies (SOCs) originating from emerging countries, including Brazil, China, India, Russia, and Saudi Arabia, as well as progressive economies such as Denmark, France, Norway, and South Korea, have significantly expanded their worldwide presence (Economist 2012).

While SOCs in industries reliant on natural resources, such as mining, oil and gas, began expanding internationally in the mid-20th century, other SOCs focused on technology-based sectors such as nuclear power generation, automobile manufacturing, and telecommunication equipment, as well as service sectors such as banking, transportation, and construction, have only recently started venturing beyond their domestic markets (Cuerro-Cazurra *et al*. 2014). In the year 2000, the Fortune Global 500 (FG500) consisted of 27 SOCs. By 2017, this figure had risen to 102, representing almost 20 percent of the total number of firms included in the FG500.In the year 2017, the SOCs listed in the FG500 achieved a combined revenue of $6.1 trillion, which accounted for about 22% of the overall income generated by all firms listed in the FG500, amounting to $27.7 trillion. SOCs from China constitute a substantial proportion of the SOCs listed in the Fortune Global 500 (FG500) rankings. The statistics presented in this study indicate that SOCs in China play a crucial role not only in the home market but also in the global market. The primary attention of academic scholars has been directed towards Chinese SOCs. The aforementioned research has shown a range of data about the impact of Chinese SOCs on the overall economic growth of the country (Lin *et al.* 2020). The subsequent section will analyse the evolution of SOCs in China, with the objective of contrasting the theories and models employed to support their development.

i. Evolution of Chinese SOCs

Chinese SOCs have undergone a series of transformations over a period of years, with the sector having developed remarkably since China's launch of marketisation reform in 1978. According to Lin *et al*. (2020), prior to the 1978 reform, the below attributes were identified in Chinese SOCs:

(1) the state had both ownership and functional rights in these entities;

(2) their operational strategies were developed by the state, SOCs only implemented what and as instructed; and

(3) the government was involved in formulating and taking strategic decisions on behalf of these entities. This was done by appointing their managers and allocation of operating funds. Therefore, all profit generated was transferred to the state and

any deficit was covered by the state. Performance of these entities was not measured and encouraged. These SOCs were not fulfilling any government mandate.

From 1978 to 2018 China has undergone different phases of reform. Each phase had significant consequences on the country's economic growth.

Phase 1: Expanding SOC operating rights under the planned economic system (1978–1984)

The primary characteristic that set this stage apart was the augmentation of SOC authority in operational decision-making. During this phase of the reform, the state began to acknowledge SOCs as autonomous entities. This led to the promulgation of Interim Ordinances on State-operated Enterprises which defined SOCs as separate legal persons. The primary characteristic of this stage was the augmentation of SOC authority in decision-making processes pertaining to their operations. During this phase of the reform, the state began to acknowledge SOCs as autonomous entities. As a consequence, the adoption of Interim Ordinances on State-operated Enterprises ensued, wherein SOCs were officially designated as distinct legal entities. Chinese SOCs reform at that period started to flourish and have a limited impact without penetrating the controlled economy.

Phase 2: The contract responsibility system (CRS): Separation of ownership and operating rights based on public ownership (1984–1992)

In 1984, the third plenary session of the 12th Central Committee of the Communist Party of China (CPC) introduced a shift mainly in Chinese agricultural sector (Anthony and Koo 1990). Consequently, the Contract Responsibility System (CRS) was then implemented as a mechanism wherein government-appointed managers were granted operational authority over SOCs via employment agreements. Under this system, the farmers produce and sell their harvest at a reasonable contracted price to the state. Around the period of 1988 most SOCs utilised CRS system effectively but it was not completely free from inadequacies. Some of these shortcomings were the fact that these contracts were only up to three to five years term and that affected managers plan to maintain the secure assets, capitalise in new ventures, and elevate production facilities. Another disadvantage of these contracts was that it prompted SOCs property excavating behaviours by managers which resulted from

Substantial destruction of state-owned assets.

Phase 3: Establishing a modern enterprise system based on the market economy (1992–2002)

During this period, it was evidenced that although CRS was seemingly effective but still lack free market system to facilitate the segregation of ownership and operations within the country. As a result**,** corporatization system was introduced to deal with reforming the internal governance system of SOCs. A literature on remodelling SOCs through corporatisation has become well-developed and evidenced by at least three important SOC reforms, namely the establishment of the Shanghai and Shenzhen Stock Exchanges, the enactment of the 1994 *Company Law* as well as the codification of Securities Law (1999). According to Jean Jinghan Chen (2004) the corporatisation strategy was aimed at reducing monopolised controlled of these entities by various government department agencies. Therefore, these entities developments significantly enhanced their functional efficiency. However, at that moment their assets were apprehended by the private sector due to feeble compliance. The challenges emanated throughout caused social dissatisfaction which led to the introduction of the next phase of reform, which emanated around the year 2002.

Phase 4: The reform of the state-owned assets management system (2003–2012)

The report of the 16th National Congress of the CPC issued in November 2002 indicated the need for the government to shift its reform focus to large SOCs and establish an effective system that will assist in the management of these entities assets. The role and responsibility of both central and local governments in terms of managing different SOCs were clearly defined. The State-owned Assets Supervision and Administration Commission (SASAC) was established in March 2003 to supervised central SOCs. This commission compelled all central SOCs to appoint independent and external directors so that all their corporate operations will be upgraded to strengthen its monitoring role.

Phase 5: Extensive SOC reform (2012-2018)

In November 2012, the 18th Congress of the CPC marked an unprecedent period which was followed by various guiding policy documents such as “Guiding Opinions on Deepening the Reform of State-owned Enterprises,” that was published in 2015. Throughout this period characterised by a significant surge in corporate consolidations, the quantity of central SOCs in China saw a notable decline, decreasing from 189 in 2002 to 96 at the conclusion of 2018. Even though China’s SOCs were growing but there was no clear indication of their economic impact (Hong Yu 2019).

According to IMF projections in 2017, China’s SOCs have witnessed a significant decline in income compared to the private sector. This decline may be attributed mostly to issues such as congestion and inadequate CG. The mergers initiated by the state have thus far been ineffective in enhancing the performance and efficiency of the ailing public sector. The subsequent session will thereafter focus on the evolutionary trajectory of SOCs in the African context.

2.5.4.2 African SOCs

Following independence from former colonisers in the majority of African countries after 1980, their new administrations were under pressure to address inequalities, prevent destitution, improve the economic conditions of their populations, and alter the fortunes of their people. During the period of privatisation, it was observed the majority governments opted to retain control over enterprises operating in crucial areas such as electricity, rail transport, broadcasting services, and telecommunications (Estrin and Pelletier 2018). The rationale for the economic approach of maintaining some enterprises as SOCs was to aid the disadvantaged segments of the population. Nevertheless, it is worth noting that a significant proportion of state-owned firms (SOCs) have failed to effectively fulfil its economic function, mostly owing to their underperformance in comparison to privately-owned enterprises, as highlighted by the Organisation for Economic Co-operation and Development (OECD) in 2018.

In addition to their perceived shortcomings, SOCs in Africa have been subject to allegations of engaging in monopolistic practises within certain sectors, impeding the progress of structural reform initiatives, exhibiting significant inefficiencies, displaying inadequate CG practices, becoming arenas for political manoeuvring, and serving as channels for corrupt activities. Based on the findings of the World Bank Systematic Country Diagnostic (2019), inadequate governance and a reluctance to implement structural reforms have undermined several areas of viability, resulting in a majority of them experiencing financial losses. Governments, as crucial economic institutions, are compelled to provide financial assistance, a circumstance that has placed a burden on fiscal matters while concurrently increasing government debt (Balbuena 2014).

i. Evolution of African SOCs: Case study in Nigeria

This study will focus on the corporate governance of state-owned enterprises in Africa, with a specific focus on Nigerian state-owned companies. This will allow the researcher to gain an understanding into the role and impact of corporate governance on the performance and accountability of state-owned enterprises in the African context. Nigeria is a major economy in Africa and is known for its abundant human and material resources. Despite this, it has a high poverty rate, with an estimated 86.9 million out of its 180 million citizens living in extreme poverty (Fagbadebo 2022). This stark contrast between Nigeria's economic potential and its high poverty rate highlights the complex challenges that the country faces (Adebayo 2018; Kazeem 2018). Therefore, Nigeria is one of the most populous and economically influential countries in Africa, making it an important case study for examining the effectiveness of corporate governance in state-owned enterprises across the continent.

The governance structure of SOCs in Nigeria is established by the Companies and Allied Matters Act of 1990, which outlines the legal framework for corporate governance in the country (Oraegbunam and Ubanyionwu 2019). By analysing the governance structures of state-owned enterprises in Nigeria, this study aims to assess the extent to which they adhere to international best practices and identify any areas where improvements can be made. This study will also examine the

impact of effective corporate governance on the performance and accountability of state-owned enterprises in Nigeria.

Nigeria was once a country with successful state-owned companies that met the needs of its people (Mutize and Tefera 2020). These included Nigeria Airways, the national carrier; Nigerian Telecommunications Limited (NITEL); National Electric Power Authority (NEPA) later termed the Power Holding Corporation of Nigeria (PHCN), in charge of electricity supply; and Nigerian National Shipping Line, representing maritime interests (Fagbadebo 2022). Unfortunately, due to mismanagement, corruption, and insufficient investment over time these public enterprises have declined (Ifenayi 2016). This has resulted in Nigeria struggling with inadequate infrastructure and essential services like electricity and transportation (Onokala and Olajide 2020). Consequently, it has significantly hindered the economic growth and development of the country while also contributing to high levels of poverty and inequality faced by Nigeria today (Onokala and Olajide 2020). To address Nigeria's poverty challenges and unlock its economic potential, it is crucial for the government to prioritize investment in infrastructure and essential services (Osakwe 2018). Additionally, improving human capital through investments in education and healthcare is essential for sustainable poverty reduction and economic development (Adekoya 2018). According to Caro and Caro (2021) addressing the security and social developmental challenges in Nigeria is paramount. The government must take proactive measures to address these challenges, such as tackling corruption, improving governance systems, and implementing effective urban planning strategies

However, incessant corruption had halted the operations of these state-owned enterprises. Government investments in these SOCs could no longer be justified due to mounting debts and inadequate service delivery (Michoud and Hafner 2021). Decreased revenues and loss of capital indicated their imminent collapse while employees faced unemployment. As a result, services provided by these SOCs were at risk and public access to previous benefits ceased. Even the privatization of NEPA and NITEL failed to revive them - instead, they became burdens on the public sector (Unuigbokhai, Unuigbokhai and Iregha 2023). The privatization of NITEL led to further corruption, while power generation under the privatized NEPA was not only unreliable but also remained controlled by politicians who tarnished the company's reputation. In

addition, maintenance of public infrastructure such as hospitals, roads, water supply has also suffered from corruption. This has resulted in a precarious state for infrastructural facilities and services in Nigeria.

Therefore, it is imperative for the Nigerian government to tackle corruption head-on and implement effective governance systems in order to restore trust and efficiency in the management of these essential services and infrastructure (Bolatito 2018). This will not only attract domestic investment but also create a conducive environment for foreign direct investment, ultimately promoting economic growth and poverty reduction. Overall, improving infrastructure, addressing corruption, and implementing effective governance systems are crucial steps towards reducing poverty and promoting economic development in Nigeria. Furthermore, it is important to focus on inclusive and sustainable development that benefits all segments of society, especially the marginalized and vulnerable populations. Ezeudu (2023) indicated that, it is necessary for the Nigerian government to prioritise anti-corruption measures and implement effective governance systems in order to restore public trust, attract investment, and promote inclusive and sustainable development in the country.

2.5.4.3 South African SOCs

SOCs were established and acknowledged in South Africa during the pre-apartheid era and have played a crucial role in the nation's economy. According to Fourie (2014), there is a connection between the history of SOCs and their role as a means for growth in South Africa. The origin of this may be traced back to the late 1700s, at a period when the Governor of the Cape Colony had the role of establishing and managing the postal services.

During the 20th century, the government established many SOCs, including Eskom, the SABC, Armscor (now known as Denel), SAA, and Transnet. In South Africa, two SOCs were initially established. The first was the Electricity Supply Commission (ESCOM), which came into existence in 1922 with the enactment of the Electricity Act of 1922. The second SOC, known as the Iron and Steel Corporation (Iscor), was subsequently established in 1928 (Fourie 2014).

The involvement of these groups has contributed to the country's ability to offer public goods, limit private and foreign influence over the domestic economy, establish public

funds for income generation, enhance service provision, and promote economic development and industrialization. Given the distinctive socio-political and economic characteristics inherent to a nation such as South Africa, it is evident the implementation of this strategic enterprise is imperative. However, it should be noted that not everything within the Security Operations Centres (SOCs) is functioning well.

The SABC has had significant challenges, including the departure of board members, intervention from shareholders in its operational matters, and a notable rate of turnover among chief accounting officers and other members of its senior management team. As a result of underperformance, the organisation has had multiple financial infusions from its shareholder in order to sustain its service provision. Furthermore, the shareholder minister assumed the responsibility of modifying the SABC's MOI, granting herself the power to select, suspend, or terminate crucial senior personnel.

SAA has had a rapid turnover of seven CEOs within a span of less than four years. Moreover, the airline has required a financial bailout amounting to R550 million and has been provided with an R5 billion guarantee by its shareholder to facilitate a restructuring initiative. Additional SOCs, including Eskom, the Post Office, and Telkom, have similarly encountered significant turnover in their board and senior management positions. These SOCs have consistently underperformed, leading to the need for frequent financial rescues, and have faced difficulties in effectively delineating power dynamics between their boards and the respective ministers representing the shareholders. One further concern that appears to afflict South Africas SOCs is to the selection of board members and senior officers who possess dubious qualifications.

This study aimed to analyse the CG issues faced by the SABC, SAA, and Eskom. Through a critical examination, it will analyse the underlying reasons of the corporate governance flaws observed in these SOCs and provide strategies for improving their corporate governance practises. The challenges encountered by the SOCs in the country can be categorised into two main aspects. First, the boards of the SOCs exhibit a deficiency in recognising and adhering to fundamental principles of CG. Second, the government's position as the sole or primary shareholder leads to significant political intervention in the operations of the SOCs.

The resolution of this issue necessitates a multifaceted approach. In order to address the issue of inadequate corporate governance in SOCs, it is imperative for the government, as the primary shareholder, to prioritise the appointment of directors who possess the necessary qualifications and integrity. This should be done through a comprehensive due diligence process that adheres to established standards. Once the government has successfully formed boards that possess the necessary skills and competence, it is advisable for the government to adopt a hands-off attitude towards the business of SOCs, in order to protect them from potential political meddling.

SOCs have emerged as a substantial pathway towards poverty alleviation and economic expansion since 1994. Despite the considerable success of South Africa's economy in achieving positive economic growth during the apartheid period, this growth has significantly fallen below the necessary levels to achieve the goals outlined in the NDP 2030. SOCs are widely recognised as crucial mechanisms for overcoming market failures and facilitating the provision of essential infrastructure services, including electricity, transportation, and water. These services play a pivotal role in fostering economic growth while simultaneously maintaining fairness and inclusivity by guaranteeing universal access to high-quality social services for all members of society.

According to TIPS (2020), SOCs are involved in three primary activities: the provision of infrastructure and related services, the production of various commodities, and the provision of development funding. These entities exhibit variations in their physical forms, dimensions, and the extent of their influence on the economy of South Africa. Hence, in terms of assets and employment, the primary players within the group are the leading infrastructure corporations, namely Eskom, Sanral, Transnet, and Prasa (TIPS 2020). These enterprises collectively provide direct employment to over 175,000 individuals, while also exerting indirect effects on South Africa's overall workforce, which exceeds 15 million. Therefore, the scale of assets in terms of employment varies significantly, ranging from about 50 000 jobs at Transnet and Eskom to fewer than 100 positions at the ECIC.

As pointed out by TIPS (2020), Transnet, Eskom, SAPO, and Prasa collectively represented 80 percent of the entire workforce in state firms. In contrast, Sanral Ltd mostly outsourced its development projects to several construction businesses,

resulting in the direct employment of just 400 individuals. It is estimated that the organisation employed approximately 13,000 individuals through its contractors in the year 2019. In light of this, it is important to acknowledge the contribution of these companies to socio-economic development. Figure 2.1 depicts the percentages of direct employment by the various SOCs as of 2020.

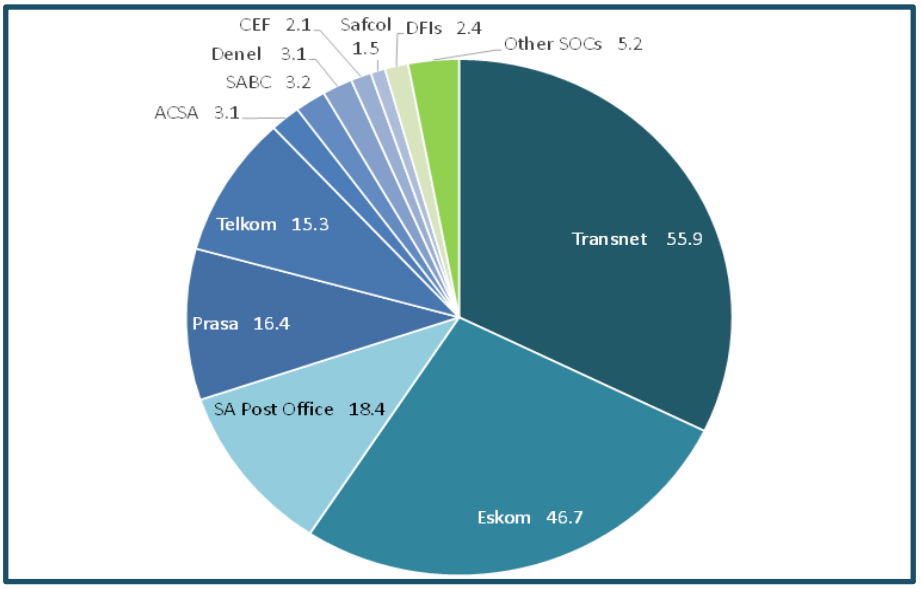

Figure 2.1: Direct employment by SOCs and development finance institutions (DFIs).
Source: TIPS (2020).

Multiple definitions exist for the concept of a state enterprise. According to the People's Republic of China (2011), there are many terminologies employed to denote SOCs, encompassing both commercial and non-commercial entities. Black, Hashimzade, and Myles (2012) maintain the concept of a state enterprise refers to a business entity established via the direct involvement and control of the state. A state enterprise is typically established in situations where there are activities that possess societal benefits but lack appeal to private entrepreneurs, or activities that are potentially profitable but entail natural monopolies. Similarly, Davies, Lowes, and Pass (2005) provide a definition of a state enterprise as a fundamental production entity under state ownership and functions in accordance with production objectives and targets outlined in the 'national plan of the respective country.

The concept of state entities in South Africa has been outlined by the Presidential Review Committee on SOCs (2012:44), which identified three primary sources. The

sources cited in this study include the PFMA, No.1 of 1999, the Companies Act, No. 71 of 2008, which pertain to entities owned by the national and provincial spheres of Government, and the Municipal Systems Act, No. 32 of 2000, which provides definitions for entities owned by the local government sphere (PRC, 2012). Section 1 of the Companies Act, No. 71 of 2008 as,

> "An enterprise that is registered in terms of [the Companies Act] … as a company, and either -(a) is listed as a public entity in Schedule 2 or 3 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); or (b) is owned by a municipality, as contemplated in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), and is otherwise similar to an enterprise referred to in paragraph (a)."

As per the provisions outlined in section 1(a, b) of the PFMA, national public entity" encompasses various entities within the national government framework. These entities include national government business enterprises, as well as boards, commissions, companies, corporations, funds, or other entities (excluding national government business enterprises). It is important to note these entities must meet the following criteria:

they must be established in accordance with national legislation, receive full or substantial funding from the National Revenue Fund (NRF) or through taxes, levies, or other monetary impositions mandated by national legislation, and be accountable to Parliament. Recently, most SOCs have been characterised by chronic under-performance around year 2015, with some alarming economic slowdown as the price of both metal and coal decreased and South African export volumes dropped. As a result, during the fiscal year 2018/19, the SOCs recorded a deficit of R15 billion, accompanied by a negative rate of return on assets amounting to -0.7 percent. Eskom had a financial loss of R20 billion. Sanral has experienced persistent financial deficits mostly because to the lack of toll payment compliance by motorists utilising the Gauteng motorways. Consequently, Sanral has been burdened with the responsibility of servicing the debt committed for the purpose of enhancing these roadways.

In contrast, Transnet has had a notable increase in profits during the last four years. Between the years 2016 and 2019, a significant proportion of the 25 organisations

under consideration had financial losses for a minimum of two years, with a total of 15

companies in this category. Furthermore, seven of these companies incurred losses in all four years of the aforementioned period. In the latter part of 2019, SAA underwent business rescue proceedings, while Alexkor was put under administration due to its failure to meet the criteria of a continuing concern. South Africa Express has not released an annual report subsequent to the year 2017, during which company incurred significant financial losses.

The publication of a study in November 2016 revealed the largest SOCs in South Africa have been extensively involved in corrupt practises commonly referred to ‘s 'state capture'. In the year 2017, a parliamentary inquiry was conducted to investigate the occurrence of state capture in Eskom, Transnet, and Denel. Additionally, a Commission of Inquiry, led by Deputy Chief Justice Ray Zondo, was subsequently established to further investigate the broader issue of state capture (Sewpersadh and Mubangizi 2017). These companies lost the biggest sums of money concerning major procurement programmes arising from large-scale investments; remarkably, in railroad rolling stock and electricity plants, as well as coal procurement by Eskom (Open Society Initiative for Southern Africa 2017). Furthermore, many SOCs are struggling to stay afloat.

President Cyril Ramaphosa has undertaken a corruption clean-up process in all SOCs (SONA 2020). Therefore, the study will strive to examine the CG perplexities in SOCs, with the aim to develop a management strategy that will enhance both growth and development in these companies. This will be achieved by firstly focusing on examining fundamental drivers of SOC performance by combining and assessing the application of a different CG theoretical framework for SOCs.

2.6 South African SOCs and public sector restructuring

The historical trajectory of governmental intervention in the economy may be delineated into three primary stages. According to the OECD (2009), the initial phase encompasses the era spanning from the Renaissance to the conclusion of the 19th century. The subsequent phase encompasses the time period leading up to the Second World War. Lastly, the third phase incorporates the period from the Second World War to the present.

The period preceding the Industrial Revolution was marked by sporadic and arbitrary instances of nationalisation. Following the advent of the Industrial Revolution, a discernible shift in significance became apparent, particularly throughout the 19th century. This period witnessed a transformation in the dynamics between the state and society, as well as between the public and private spheres. These developments were accompanied by notable shifts in economic, political, and ideological realms (OECD 2009). In recent times, two distinct state patterns have emerged, exhibiting contrasting approaches to the economy. The first is the European continental model, characterised by a more pronounced government intervention, while the second is the American model, characterised by limited direct state intervention in the economy and a greater emphasis on public regulation. Consequently, it was expected each nation would establish its own priorities whether emphasis should be placed on the "entrepreneurial" state or the "regulative" state.

A policy framework may be defined as a comprehensive compilation of policies designed to accomplish a certain set of objectives (UNCTAD 2010). Hence, a key aim of policy development in South Africa was to address the issue of poverty, leading the government to prioritise the promotion of entrepreneurship since 1994 (Cassim 2014).

The presence of lingering friction between the objectives of economic progress and social fairness is a significant challenge for emerging states such as South Africa. The aforementioned tension necessitates the joint selection of both entrepreneurial and regulatory state actors, which should not rely solely on market signals but instead engage in the co-creation of markets (Mazzucato 2013). Several researchers have pointed out the absence of coherence in the business regulatory framework in South Africa, which does not provide adequate support for entrepreneurial activity. However, it is important to note there is limited empirical data available to substantiate this claim (Musara and Gwaindepi 2014).

The absence of a comprehensive policy framework for the restructuring of SOCs in South Africa has resulted in a state of uncertainty in the market. This lack of clarity has led to ambiguity regarding the roles and responsibilities of various state actors and other stakeholders involved in the restructuring process. Furthermore, the absence of clear guidelines has hindered efforts to empower, procure, and monitor the performance of SOCs after restructuring.

According to Qobosheane (2018), the annual deficit accumulated by South Africa's underperforming SOCs has had adverse effects on employment, investment attraction, and overall economic growth. This has been a significant obstacle to the country's long-term economic viability. In the absence of substantial changes, the debt burden of SOCs would persistently necessitate their reliance on government bailouts. In addition, the government intends to pursue financial assistance from the World Bank and the IMF.

The SOCs experiencing financial difficulties collectively own a substantial debt amounting to more than R2 trillion. The National Treasury raised the estimated gross debt for the fiscal year 2018/2019 to 55 percent of GDP. This higher revision may be attributed mostly to corruption, mismanagement, and inefficiencies observed in SOCs, provinces, and municipalities (StatsSA 2018). For example Eskom, carries a debt that accounts for approximately 8 percent of South Africa's GDP (StatsSA 2018).

SOCs have historically been among the largest public sector spenders in the country. As illustrated in Figure 2.2, SOCs recorded their highest expenditure in 2016, reaching approximately 283 billion. This marked a significant increase compared to previous years. However, SOC expenditure saw fluctuations in the following years, with a notable decline in 2021, when spending dropped to 200 billion. This sharp reduction was largely attributed to the economic disruptions caused by the COVID-19 pandemic, which led to budget reallocations, operational constraints, and a slowdown in capital projects.

By 2023, SOC spending showed signs of recovery, reaching an estimated 233 billion. Although this was an improvement from the 2021 low, it still fell short of the 2016 peak. The post-pandemic economic landscape, coupled with fiscal constraints and the government's focus on debt reduction, influenced the slower rebound in SOC expenditure. Additionally, structural challenges such as financial mismanagement, governance concerns, and reduced investor confidence played a role in moderating spending levels (StatsSA 2023).

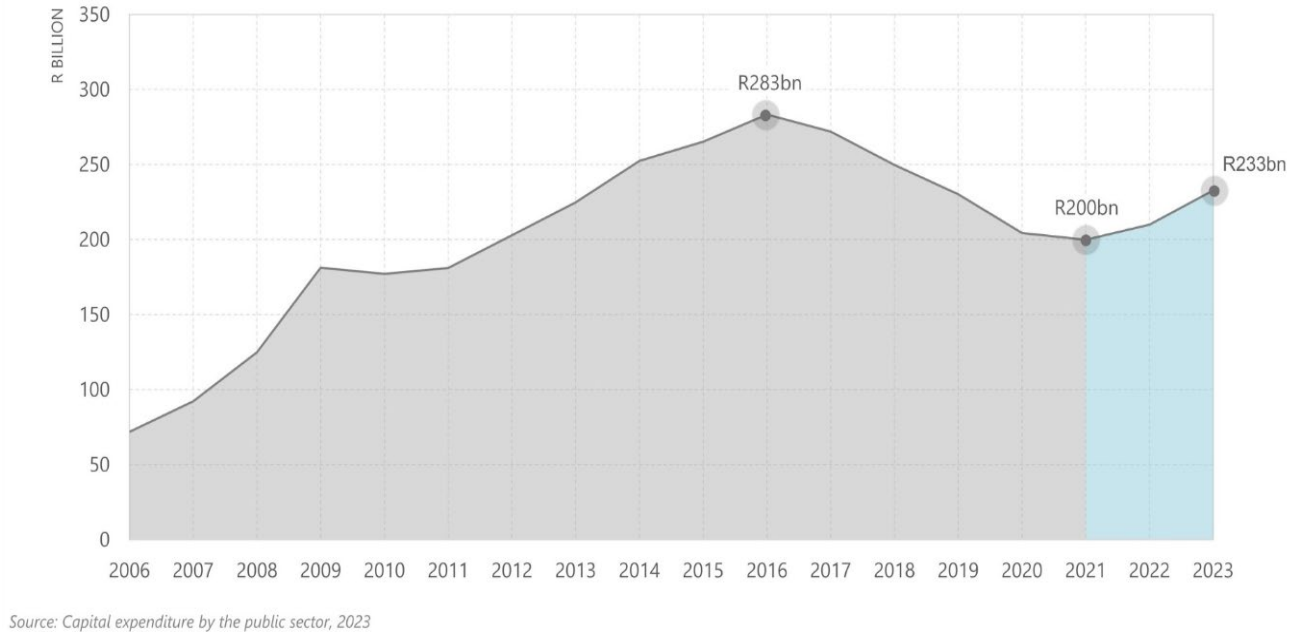

Figure 2.2: Top public-sector spenders

Source: StatsSA (2023)

Numerous governments in both rich and developing nations, as previously mentioned, have engaged in a series of public sector reforms, including South Africa. According to Scott (1994), public sector reform refers to a comprehensive initiative that encompasses financial and management changes, with the objective of achieving sustained enhancements in productivity within the public sector and delivering improved services to the community. Scott (1994) further states an additional perspective posits the reform of the public sector entails transitioning from an inefficient bureaucratic structure to a government that is more aligned with market principles. This transformation is seen as necessary to address the inherent market deficiencies prevalent in 20th-century governance.

Mazzucato, Qobo and Kattel (2021) alluded the country must focus on eradicating corruption to have an effective transformation, as it will only then be able to consider any strategy of rebuilding state capacity. Both the NPC as well as the NDP in 2012 identified discrepancies in state capacity can undermine socio economic transformation in South Africa. The main duty of the state is to channel its resources to meet its evolving challenges and manage long-term social and economic change. Such states value this type of innovation, improving its implementation focus strategy to existing laws and policies, as well as driving its developmental state mandate (Mazzucato *et al.* 2021).

All these abovementioned analytic features are interrelated; with effective articulation, a comprehensive management model, for SOCs in particular, can be developed in merging the building of state capacity compliance with CG principles. According to Wu, Ramesh, and Howlett (2018), the concept of public sector capacity incorporates a range of skills, talents, and resources essential for carrying out policy-related tasks, including the delivery of public services and the process of policy formulation and execution.

Furthermore, having a clear understanding of dynamic state capabilities makes it necessary, as a starting point, not to merely focus on the public sector fixing market failures and seeking the same level of efficiency in the private sector but finding ways to invest in internal capabilities to co-create value (Mazzucato 2018). Madumi (2018 :68) argues SOCs will continue as inhibitors of South Africa economic growth when they are not properly managed.

Today, there are numerous conflict opinions regarding the country's SOCs (Thabane and Van Deventer 2018). Various scholarly works present different perspectives on the justification for privatising underperforming state-owned companies (SOCs). Some argue that such privatisation is necessary, while others contend that a country cannot achieve full development without strategic government intervention in the economy. Additionally, there are those who advocate for the nationalisation of all strategically significant companies as a means to fulfil the government's mandate of poverty eradication and employment creation.

The proposition to privatise some SOCs, as a result of their inadequate governance and underperformance, is widely supported across various media platforms (Thabane and Van Deventer 2018). Divergent viewpoints on the matter eventually reached a culmination point through the initiation of a study by the president, aimed at examining the involvement of SOCs inside a progressive state (PRC 2010). Having examined public sector restructuring, the next section of the study will outline at least four types of public sector reform approaches proposed in South Africa.

2.6.1 Privatisation

Different authors have endeavoured to define privatisation. According to Aktan (1991) as well as Mostert (2002), privatisation refers to the reassignment of functions earlier executed exclusively by the public sector, to the private sector. The concept highlights numerous arrangements to deliver goods and services by the private sector (Aktan 1991). This arrangement reflects the existence of sealed coalition and agreement in a form of partnership between SOCs, state, private companies as well as non-profit companies (PWC 2015). Privatisation became a relevant concept for consideration on issues of restructuring and transformation of SOCs, more particularly when people complained with regard to the lack of efficiency in service delivery (Fortas 2012).

The majority empirical data suggests privatisation is often associated with enhanced company performance, increased productivity and profitability, improved access, and fiscal benefits. The increasing body of information about the benefits of privatisation aligns with a simultaneous rise in discontent and resistance among policymakers and public, particularly in the last ten years (Awuah 2019). Therefore, privatisation was initially the most popular public sector reform approach. However, its popularity was urged by Fortas (2012) as a mere modernisation of the country's economy.

The pursuit of this objective was characterised by a lack of clarity and an improbable vision, as the South African government and other sectors embraced a mixed economic structure that incorporated elements of both the public and private sectors (Matsiliza 2017). Furthermore, there were identified pros and cons when it comes to privatisation by different stakeholders. Investors recognise privatisation as an approach that brings efficiency, while opponents say it hurts the poor who are left with no say in the matter (Awuah 2019).

According to Kodras (1997), the inclusion of private entrepreneurs in the provision of vital services such as water, energy, health, and education can have negative societal consequences. This is due to the profit-oriented nature of these enterprises, which prioritises financial gain over public service. SOCs have a significant impact on the South African economy as they serve as the primary revenue generator for the government, contribute to urban employment, and facilitate the population's access to essential services such as water, sanitation, power, and transportation (Fourie 2001).

McGregor (2014) maintains a significant characteristic of SOCs is their consistent underperformance, resulting in inadequate income generation for government reserves and a persistent reliance on government bailouts. The fundamental obstacle faced by these SOCs is often attributed to inadequate CG. This is shown via deficiencies in management and financial responsibility, excessive politicisation, and ambiguous objectives (Vermooten 2018, Kikeri 2019). According to Vermooten (2018), it is suggested the South African government should broaden its definition of privatisation to encompass additional methods, particularly share issue privatisations (SIPs). This would allow SOCs to undergo re-capitalisation and be subject to market and regulatory adjustments.

By adopting this approach, the government would enhance its capacity to regulate the sector rather than directly controlling the operational activities of these companies. Consequently, privatisation of SOCs seems not to balance itself with inclusive economic goal principles of service delivery, partially aimed by their existence. Hence, the initially key intention was to sustain the operations of these in the giant entities such as Transnet, Telkom, Denel, and Eskom, as well as the SABC.

The ongoing discussion regarding the potential future privatisation of both SOCs and SOCs has been widely debated. In his SONA in 2021, President Cyril Ramaphosa drew attention to the ongoing nationwide discourse surrounding the privatisation of Eskom and SAA. This topic has garnered significant attention from unions, economists, and specialists both domestically and internationally. According to Lenny McGregor, it is imperative to establish explicit policies, justifications, and enduring assurances about energy agreements and pricing, irrespective of the occurrence of privatisation. According to Awuah (2019), it is imperative to refrain from sustaining SOCs by burdening taxpayers.

2.7 Statutory framework of State-owned companies (SOCs)

SOCs in South Africa function under a broad regulatory framework that encompasses the government's strategic, social, economic, and developmental objectives (PWC and IODSA 2011). The concept of good CG is influenced by the concepts that shape a company's regulatory and policy framework within which it operates (Khoza and Adams 2005). Social organisations (SOCs) possess distinct legal personality as juridical entities. These entities are subject to regulation under both the Companies Act 71 of 2008 and the PFMA, due to their classification as state owned businesses. In addition, these entities own their own foundational legislation that governs their distinct public objectives.

The corporation has a responsibility to adhere to the guidelines outlined in the King IV recommendations and to incorporate the Protocol on CG in the Public Sector into its operations. SOCs are subject to a range of additional laws and regulations, such as the Preferential Procurement Policy Framework Act, Treasury regulations and policy guidelines, the Public Audit Act, the Employment Equity Act, the Skills Development Act, the Constitution, other statutes pertaining to public law, general legislation encompassing employment and tax laws, as well as various regulatory acts. The hierarchy of regulations is not well defined, leading to uncertainty on which regulation takes precedence over others. Therefore, all these legal frameworks for SOCs reflects numerous overlapping and conflicting laws and regulations that hinders the application of good governance that leaves more room for corruption and mismanagement.

OECD Guidelines and international practices suggested a comprehensive legal framework is an imperative pillar for good SOC governance. The study briefly explores some of the main CG matters addressed in the above-mentioned legislative framework that govern SOCs. The next session will highlight the application of these legislation to SOCs with the intention of ascertaining as to their role in create a conducive environment for these companies to operate.

2.7.1 Generic legislations applying to SOCs

Generic legislations applying to SOCs in South Africa assist in providing a framework for transparent and accountable governance. It is crucial for these state-owned

companies to adhere to these legislations in order to ensure efficient and responsible management of public resources.

2.7.1.1 The Constitution of the country

According to the NPC (2020), the 1996 Constitution is committed to addressing historical differences and establishing a society that upholds democratic principles, social fairness, and fundamental human rights. The Constitution of South Africa holds a position of utmost importance within the legislative framework that guides the operations of SOC. Its supremacy is such that any legislation conflicting with it is rendered invalid and without legal effect to the degree of its inconsistency. The constitution is dedicated to enhancing the overall well-being of every individual and unleashing their inherent capabilities. Significant improvements have occurred since the apartheid era.

The realisation of the goals enshrined in the constitution remains incomplete, as evidenced by the persistently high levels of inequality in our society, the prevalence of poverty among black South Africans, and the significant disparities in access to opportunities that hinder the realisation of individual potential for the majority of the population. The absence of significant advancements in achieving our Constitutional objectives perpetuates poverty and alienation, resulting in profound disparities that disproportionately affect the majority black people. The South African Constitution recognises the importance of corporate governance in that, section 195 provides that public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

(a) A high standard of professional ethics must be promoted and maintained,
(b) Efficient, economic and effective use of resources must be promoted,
(c) Public administration must be development-oriented.
(d) Services must be provided impartially, fairly, equitably and without bias.

Section 41 of the Constitution further recognizes the principle of good corporate governance in that, it requires all governmental institutions, companies and all organs of State to, amongst other things, ‘secure the wellbeing of the people of the Republic’, to ‘provide effective, transparent, accountable and coherent government’, to ‘respect the constitutional status, institutions, powers and functions of government in the other

spheres' and not to exercise their powers and functions in a manner that encroaches upon the institutional integrity of government in another sphere.

In essence, section 41 of the Constitution postulates that all spheres of government and all organs of State must co-operate with one another and must assist and support one another (Qoboshiyane 2018). Where the Constitution provides the broad context to the mandate of the SOCs, the SOC must further comply with all national and provincial legislation and regulations, and all municipal by-laws, applicable to its functions or the areas in which it operates. The following legislation and regulations regulate how SOC boards must operate in giving effect to the SOCs respective mandates:

2.7.1.2 Public Finance Management Act (PFMA)

The PFMA offers a clear outline for financial reporting and accountability and has assisted most SOCs to better balance themselves within the sector (Kikeri 2018). The Act covers procurement, budgeting and financial planning, guarantees and securities, and delegation of powers and responsibilities of officials other than directors. However, there are major discrepancies and enormous compliance burden that exists. It omits essential core issues such as establishments of boards and CEO appointment as well as selection of government officials on the boards, and the treatment of developmental mandates and objectives.

Furthermore, the board of directors are expected to carry out their duties with utmost care. Yet, despite this complex clarification of the duties of SOC directors to diligently manage SOC finances and disclose the necessary information to the minister shareholder and the legislature, discrepancies in the financial management of SOCs such as SAA, Eskom and the SABC is ubiquitous to such an extent that they have regularly being bailed out by the state (Mail and Guardian 2017; Ramantsi 2017). However, notwithstanding these clear provisions of the PFMA, some SOC directors have been linked in interfering in the awarding of lucrative tenders. Debatably, therefore, PFMA compliance in some SOCs is still problematic (Thabane and Van Deventer 2018).

2.7.1.3 Companies Act of 2008

The Companies Act 71 of 2008 was promulgated in 2008 but was however implemented in April 2011. It has been rationalised and brought into line with international best practices. Companies Act applies to all companies which also includes SOC (PWC 2012). Section 66(1) (2) provides that an SOC must have a board, which has the authority to exercise all the powers and perform any of the functions of the SOC, except when limited by the Companies Act or MOI.

The board of an SOC should comprise at least three directors. Furthermore, Section 72(4) read in conjunction with Regulation 43 provides that the board of an SOC must establish a social and ethics committee. In an effort to observe high standards of corporate governance, Section 76 delineates the parameters within which directors' conduct have to adhere. Furthermore, it is stipulated that such behaviour must align with the obligations established by common law, including the duty to act in good faith and for a legitimate purpose, while prioritising the company's best interests and exercising an appropriate level of care, expertise, and diligence.

This provision holds significance due to instances of political interference faced by the boards of SOCs from their shareholder ministers. A notable example is the communications minister who attempted to assume authority in appointing, suspending, and dismissing key officers of the SABC (Thabane and Van Deventer 2018). The management of SOCs involves several key stakeholders, including the board, its committees, the company secretary, and the shareholders who participate in meetings and exercise their voting rights. The observance of these key rules might be called into question, considering the demonstrated laxity exhibited by several directors of SOC in the recent past. Specific founding legislations on the selected SOCs; companies formed by government for a dual purpose, which is to achieve commercial goal as well as political objective of the country (Nkosi 2020).

2.7.2 Application of Voluntary Codes to SOCs

The application of voluntary codes to state-owned companies in South Africa can provide additional guidance and best practices for governance (Nkemele 2019). These codes, although voluntary, can help enhance accountability and transparency within SOCs, aligning their practices with international standards and promoting responsible

corporate behaviour (Chauke 2021). Moreover, the use of voluntary codes can also contribute to building trust and credibility for state-owned companies, both domestically and internationally (Areneke, Khlif, Kimani and Soobaroyen 2022).

2.7.2.1 Kings Code and Protocol on CG in the Public Sector in South Africa

The genesis of CG in South Africa may be attributed to the publication of the King Report on CG, colloquially known as King I, in November 1994. The Protocol on CG in the Public Sector was first published by the DPE in 1997. The main aim of this book was to advocate for the adoption of effective governance principles in the public sector, particularly in relation to SOCs.

King I was then succeeded by King II in 2002, leading to the implementation of a new Protocol in the same year. King II was replaced by King III in the year 2009. The King IV Committee Report on CG was published in 2016, in response to notable changes in the fields of business and society throughout the 21st century (IODSA 2016). Additionally, the research provides Sector Supplements that allow regulatory authorities to modify CG practises in order to address sector-specific governance challenges, while still adhering to the principles described in the King report. The King addition, which concerns SOCs, is relevant to all public enterprises included in schedules 2 and 3 of the PFMA (No.1 of 1999), as amended.

The document known as the Protocol on Corporate Governance in the Public Sector, henceforth referred to as "the Protocol," offers direction to diverse public institutions, namely SOCs, while considering their distinctive assigned responsibilities. The mandate in question pertains to the attainment of the government's socio-politico-economic goals (Thabane and Van Deventer 2018). The establishment of the Protocol was motivated by the recognition that the King Code, which has a broad scope, does not adequately address governance problems unique to the public sector. Nonetheless, the underlying principles of the Protocol aim merely to enhance and not to override or conflict with those outlined in the King Code. Therefore, it is advisable to consider both documents in conjunction.

In keeping with the principles outlined in King IV, the Protocol asserts a board of directors for a SOC plays a fundamental role in CG by effectively and efficiently

overseeing and leading the organisation. Additionally, the Protocol mandates boards with a combination of executive and non-executive directors, with the non-executive directors being the majority. This requirement is intended to ensure the presence of independent and impartial decision-making. According to the Protocol, it is stipulated the SOC board has full responsibility for the functioning of the SOC, and is therefore, entirely accountable to the shareholder. By inference, the Protocol has significant similarities to the King Code in terms of content, although with insufficient execution. The King IV report encompasses the principles of ethical leadership, including competence, responsibility, accountability, and fairness, as well as openness. It also emphasises effective leadership, driven by outcome-based approaches, as shown by the board. These principles and approaches are aimed at achieving four governance goals.

1) Good performance,
2) Legitimacy,
3) Ethical culture, and
4) Effective control.

Furthermore, the incorporation of the King IV as a document serves to illustrate the board's function as the custodian of CG. This involves the responsibility and obligations of the board to guide and advance the strategic direction of the organisation, authorise policies and plans, supervise and administer the implementation and execution of these endeavours by the management, and guarantee responsibility for the organisation's performance. The achievement of these goals is helped by the adoption of the 17 King IV principles and the related recommended practises, as demonstrated in the code.

According to the DPE (2021), the validation of good governance practises necessitate adherence to each of the fundamental principles, particularly the "apply and explain" concept. The Code makes it imperative for the director of a SOC to consistently prioritise the company's best interests, while also ensuring strategy, risk, performance, and sustainability are inherently interconnected. The purpose of these regulations is to enhance the governance of SOCs and prevent any violations of the Companies Act, the PFMA, and other relevant laws that govern their establishment and operations.

It is worth noting the CEO in the majority SOCs is appointed by the shareholder minister, a practise that may not align with established CG norms. Multiple scholars have presented evidence indicating that in cases where a shareholder minister appoints a CEO, the CEO tends to disregard the principle of accountability towards the board. Instead, the CEO prioritises loyalty towards the minister who appointed them. As a result, the board becomes ineffective in exerting control over executive management. In such circumstances, the board would encounter persistent challenges in the implementation of corporate governance principles across the organisation.

The presence of corruption in South Africa has had a negative impact on the stability of corporate governance in state-owned companies (Matsiliza 2017). Certain researchers have levied accusations against the board of directors at SOCs for allegedly allowing political meddling to influence significant choices inside their respective companies (Kanyane and Sausi 2015).

In recent times, the SABC has garnered attention across many media platforms due to its involvement in instances of wrongdoing, the erosion of sound corporate governance, and a blatant disrespect for financial management systems. Furthermore, the AG has presented a series of critical conclusions about the public broadcaster, highlighting a significant deterioration in governance practises. A significant number of the workers who were impacted were found to be involved in transactions totalling R5.2 billion (as of 30 June 2019) characterised by irregularities, unproductive and wasteful expenditure, and violations of the PFMA and the SABC Procurement Policy. Several examples indicate clear instances of criminal behaviour.

Other SOCs, such as Eskom, the Post Office, and Telkom, have also had issues related to significant revenue generated by their board and executive management, persistent deficits requiring frequent financial assistance, and difficulties in effectively distributing authority between their boards and the respective shareholder ministries. The majority of these boards do not adhere to the fundamental standards outlined in the Companies Act and other pertinent legislations. The Companies and Intellectual Property Commission (CIPC) has issued a cautionary notice to the governing bodies of five SOCs. These entities face the potential consequences of being declared delinquent or being subjected to probation under section 162 of the Companies Act.

The reason for this warning is their failure to comply with the concerns raised by the AG in their individual annual financial reports.

One of the challenges that appears to have had a negative impact on South African's SOCs, is the controversy surrounding the selection of board members and senior officers who possess questionable qualifications (Thabane and van Deventer 2018). In order to ensure effective governance, it is imperative that individuals serving as board members and senior managers or officials possess the requisite skills, extensive experience, and unwavering integrity to effectively run SOCs. Failure to do so raises questions regarding the justifications behind their selection by the shareholder ministers and boards, respectively. Hence, within the context of SOCs, CG pertains to the implementation of robust corporate controls and management practises, akin to those employed by profit-seeking enterprises. This is despite the fact SOCs may possess social or public objectives that differ from those pursued by profit-seeking corporations. Socially owned companies must be actively owned and managed in order to effectively and efficiently accomplish their stated objectives. It is crucial for these companies to operate in a socially responsible manner, while also fulfilling their obligations to the government as a shareholder, other stakeholders, and the general population of the country.

According to Bronstein and Olivier (2011), standardisation of regulatory framework for SOCs is imperative. In that process consideration of regulatory efficiency is of utmost importance. That will enable the implementation of regulatory framework with minimum overlap and simplified compliance to achieve a developmental state goal (Bronstein and Olivier 2011).

2.8 Public perception regarding CG of SOCs

In Southern Africa, there is a notable transformation regarding the application of CG principles that incorporate comprehensive thought processes. Such an intellectual approach has largely been shaped by the 2016 King Code IV. This code emphasised SOCs within South Africa that have fallen under scrutiny for alleged corruption over the previous ten years, where their leadership is situated at the heart of these controversies (Madonsela 2019). Consequently, public perception towards SOCs in

South Africa – including views on executive individuals – presents an overwhelmingly negative image (Makoni 2015: 19).

The South African government anticipates SOCs should deliver effective infrastructure and services to society, thereby fostering socio-economic growth (Sithomola 2019: 68). Despite SOCs being mandated with fulfilling societal requirements, by enhancing life quality through the provision of invaluable services, their success in these endeavours remains minimal or even non-existent (Mtshali 2016: 25). Hence, this poor service delivery, coupled with failure to create a favourable investment environment, has culminated in public distrust and diminished confidence towards most of South Africa's SOCs (Sithomola 2019). As a result, there is a pressing need for rigorous investigation and exploration of solutions to address the systemic challenges within the public supply chain and restore public trust and confidence in the South African public sector.

The struggle of various SOCs with key facets critical to public trust and assurance is apparent. Observable signs include, but are not limited to:

- Failure in fulfilling public expectations regarding predetermined objectives.
- Public disillusionment frequently manifested through violent service delivery protests. Constant legal proceedings related to allegations of corruption amongst board members or executives,
- Investors pulling out their capital from SOCs due to dwindling confidence levels in many such enterprises (McGregor 2014). Consequently, lost confidence in SOCs delivery of service resulted in constant negative perceptions and constant bailouts from the government.

Establishing realistic responses that will assist to turn SOCs around is imperative (Kumalo and Scheepers 2020), which may lead to stakeholders not focusing on existing challenges and beginning to recuperate the confidence needed to bolster SOC reputation. Therefore, a need exists for the development of a solid foundation of trust that will lead to a positive perception with stakeholders. The study seeks to investigate the effect of public perception on SOC management and explore potential strategies to rebuild trust and improve overall SOC management in South Africa.

Stakeholder management is an important aspect in any business, including the public sector. It is evident one of the challenges in stakeholder management is to identify and prioritise these stakeholders, in order to facilitate effective decision-making in organisations (Reed 2008). Consequently, failure to identify and prioritise the key stakeholders can affect the success of the organisation project, particularly when unexpected risk occurs (Godenhjelm and Johanson 2016).

It is important for all organisations to plan for the stability of the internal environment where it operates. Therefore, the board of directors is required to make an in-depth analysis of the environment, in order to develop a better strategy for operation. Some of the components of internal environment are shareholders, employees, and including but not limited to, creditors of an organisation. This requires an analysis of the organisation's relationship with stakeholders and how they perceive their role in society.

2.9 Conclusion

Chapter two has essentially discussed the literature regarding the overview of corporate governance and management of state-owned enterprises. It delves into the significance of transparent and accountable governance for state-owned companies in South Africa, underscoring the role of general laws in establishing a framework for such governance. Additionally, it examines a comparative analysis of various international countries as well as African nations with regard to their approach to corporate governance in state-owned enterprises. The chapter further, underscores the importance of adhering to general laws and implementing voluntary codes to promote accountability, transparency, and ethical business conduct. Furthermore, the chapter emphasises the importance of grasping public perception when assessing the efficiency of corporate governance and management strategies in government-owned enterprises.

Chapter three will examine the challenges that impact the operational performance of state-owned companies in South Africa. It will explore the various factors that contribute to their failure and seek solutions for enhancing economic growth in the

country. Furthermore, macro and micro environmental factors that affect state-owned companies will be analysed, including political, economic, social, and technological influences.

CHAPTER THREE
LITERATURE REVIEW: AN OVERVIEW OF THE CURRENT STATE OF SOCs IN SOUTH AFRICA, CORPORATE GOVERNANCE CHALLENGES AND FACTORS AFFECTING THEIR PERFORMANCE

3.1 Introduction

The current state of State-Owned Companies in South Africa highlights various challenges in corporate governance and factors that impact their performance. These challenges include poor governance practices, lack of financial sustainability, and low profitability (Kikeri 2018). Additionally, overstaffing and unfocused operations contribute to the struggles faced by these companies (Bezuidenhout and Bussin 2020). These SOCs don`t operates in the vacuum, but rather within a competitive environment that includes private and multinational companies. Therefore, it is important to understand macro and microeconomic factors that affect their performance. Furthermore, it is crucial to acknowledge the historical context of poor performance in State-Owned Enterprises in Africa. Reform efforts have been initiated by the South African government, aiming to improve the corporate governance systems and practices within these SOCs (Serongoane and Ukwandu 2021). With all of this consideration taking into cognisance public perception and the increased focus on South African SOCs, it is evident that there is a need for comprehensive studies and evaluations of the regulatory dynamics and governance practices of SOEs in Sub-Saharan Africa (Serongoane and Ukwandu 2021). The board of directors plays an important role in driving corporate governance within an organisation (Steyn 2018). Therefore, it is important to ensure the business atmosphere is fair and transparent, in order that company directors are able to account for their actions. This chapter also focuses on ways of establishing an understanding that CG can be an effective management tool, by highlighting the benefits of transparency, accountability, and ethical leadership in driving organisational success. This chapter will cover the impact of CG on SOCs in South Africa and analyse the external factors, such as political stability, economic conditions, social expectations, and technological advancements, as well as legal regulations, and environmental considerations, which influence the governance practices and sustainability of SOCs in South Africa. In addition, the chapter will outline strenght, weakness, opportunity and threaths (SWOT) analysis to

assess both the internal and external factors related to how SOCs operate in South Africa.

3.2 Factors that affect CG application in South Africa

The factors that affect the application of CG in South Africa can be classified into several categories. First, there are external factors such as legal and regulatory frameworks. Second, there are economic factors such as market conditions and financial stability. Third, there are social and cultural factors that influence the application of CG. Furthermore, the challenges and barriers in implementing inclusive CG in South Africa include managerial resistance, lack of awareness or understanding of stakeholder theory and its benefits, insufficient resources or expertise to effectively integrate stakeholder interests into decision-making processes, and resistance from traditional shareholder-oriented approaches (Esser and Delport 2017).

Compliance with CG is widely recognised as a crucial factor in achieving corporate success (Ramly 2012). In South Africa, the primary objective of the King Committee on CG was to encourage effective CG practices. The initial King report was published in 1994 and subsequently followed by King II in 2002, King III in 2009, and finally King IV in 2016.

The focus of the third edition of the King report centred around integrated reporting (IR), aiming to initiate its implementation process. Integrated reports aim to provide a comprehensive and holistic perspective on an organisation's performance by incorporating financial data alongside social impact and environmental sustainability information. The implementation of IR is seen as crucial in South Africa to enhance CG practices and improve the country's reputation and competitiveness on a global scale (Mokabane and Du Toit 2022)

Various definitions of CG have been discussed above and the concept has been described as a means to an end, in that its application can enhance economic growth and development, as well as human development and social justice (Agere 2000). The environment in which the organisation operates can affect the application and management of CG principles. Understanding the impact of external factors on CG is, therefore, important in order to adapt and respond effectively to the changing landscape. By recognising the diverse range of stakeholders and their influence on

the organisation, companies can develop a more comprehensive and adaptable approach to CG.

The business environment is very dynamic and keeps on changing, which means it is important to understand that no transformation process takes place in a vacuum but within the environment itself. The continuous study of these environments can assist the company in identifying numerous opportunities that can help to improve its performance (Khumalo and Van der Lingen 2017; Jacobs and Pretorius 2020). Principle 11 of the King IV Report (2016) emphasised the governing body should assume responsibility for the governance of risk in the organisation. Risk governance should comprehensively include identification of both the opportunities and the associated risk when taking decisions. Therefore, there is a direct relationship between the business environment and the organisation (Thabane and van Devente 2018; de Souza Barbosa *et al* 2023).

The achievements or failure of an organisation is depended on its effective interaction approach with its environment. Filatotchev and Nakajima (2010) highlight both external and internal forces that can affect the operation of the business. This makes it important for the company to devise its policies in relation to the forces and restrictions that might be imposed by the environment. As it has been previously alluded South Africa has undergone a significant evolution, particularly in the public sector.

President Cyril Ramaphosa has been diligently working towards implementing crucial policy reforms to achieve macro-economic stability in the nation, with the objective of enhancing economic growth. Additionally, he is committed to repurposing SOCs in accordance with the NDP mandate, as mentioned during his State of the Nation Address (SONA) in 2023 (Zondi and Ramontja 2024). As South Africa continues to navigate through various challenges, such as the Covid-19 impact and the need for economic recovery, President Ramaphosa's commitment to CG and stakeholder inclusivity will play a crucial role in driving sustainable economic growth and ensuring accountability within the public and private sectors (Zondi and Ramontja 2024). The need for strategic planning that includes accountability and transparency is long overdue.

The next section of the study will discuss both external (Macro environmental) and internal (Micro environmental) factors that affect the application of good governance principles. These factors include legal origin, investor protection regulations, cultural influences, and the level of public scrutiny and regulatory oversight. Internal factors such as the structure, composition, and expertise of the board of directors, as well as the organisation's corporate culture and values, also play a significant role in determining the effectiveness of CG practices (IoDSA 2002).

The main objective of this study is to comprehensively understand the influence of internal and external factors on CG by using the political, economical, social, technological, ecological and legal (PESTEL) and SWOT analyses to understand the influence they have on SOCs operational performance. The PESTEL analysis provides insights into the organisation's external environment, while the SWOT analysis identifies its internal environment (Kansongue, Njuguna and Vertigans 2023). By combining these two analyses in this study, we aim to identify areas of strength and develop a more effective strategy for sustainable development with a positive impact on socioeconomic progress. Additionally, this discussion will analyse various internal business environmental factors that contribute to business success such as organisational vision and mission, availability of resources (human, physical, financial), as well as organisational culture and structure.

3.2.1 Macro environmental analysis

The analysis of the macro environment considers external factors beyond the control of the organisation (Masupha 2014). Macro environmental analysis for eThekwini metropolitan area becomes crucial in order to assess the potential impacts of urban growth and identify appropriate interventions to mitigate negative effects on the environment. The study also seeks to understand complexities and intricacies of metropolitan governance in eThekwini. By conducting a comprehensive macro environmental analysis, policymakers and stakeholders can gain valuable insights into the current state of the environment in the eThekwini metropolitan area and make informed decisions regarding sustainable development and environmental management practices. Scholes and Whittington (2006) suggest using the PESTEL framework to analyse these factors. The study will focus on utilising this framework to examine political, economic, socio-cultural, technological, environmental, and legal

aspects of the macro environment, a holistic understanding of the factors that influence the environmental challenges faced by the municipality can be achieved.

3.2.1.1 Political environment

To understand the impact of South Africa's political environment on governance, it is essential to consider factors such as the organisation and philosophy of the government, its ideology, bureaucratic structure, and stability in politics, as well as its foreign policy approach, defence and military strategies. Additionally, the country's reputation, both domestically and internationally, influences its governance (Shaikh 2010).

South Africa, furthermore, follows a democratic system with regular elections every five years and operates under an unrestricted free economic system. President Cyril Ramaphosa led the African National Congress to victory in May 2019 with promises to combat corruption and promote job creation, as solutions for addressing corruption scandals and socioeconomic inequality that have affected constituents. With this promise of transparency and inclusive growth, the government aims to address the challenges faced by South Africa's political environment and create a more equitable society. Regarding the availability of resources (human, physical, financial, and information), as well as organisational culture and structure, it is crucial to examine the impact of the South African political environment on governance. Furthermore, it is also important to understand corruption within the South African historical context, from the apartheid government to free-market policies period (Levin 2002).

Political factors can have a significant impact on the operations of the public sector. These factors encompass various government actions that can either impede or facilitate effective functioning in this sector. They include changes in governmental policies, regulations, and allocation of funds. Additionally, political factors also involve the influence exerted by interest groups, public opinion, and the prevailing political climate on decision-making processes within the public sector. Furthermore, these factors pertain to both risks and opportunities presented by political institutions as well as how government policies affect the performances of state-owned companies (OECD 2005).

The public sector has often been embroiled in controversies, particularly with regard to SOCs that are required to balance commercial objectives with non-commercial imperatives. The shareholder compact outlines key performance indicators along with measures and targets to be met.

The DPE is responsible for overseeing SOCs and driving national policy in collaboration with other governmental departments. In analysing the application of agency theory to these companies, it is evident that there are two layers: the board of directors representing shareholders and the public as actual owners. Political interference has been identified as a key issue (Wong 2004), along with unclear mandates and lack of transparency, when addressing SOC reform. Currently the role of the DPE is reviewed to strengthen governance and accountability within the public sector. Despite various efforts to assist SOCs to be profitable, the state of the SOCs environment continues to be in distress. This can be attributed to several factors, including political interference in their operations. Examples of such interference can be observed in SAA, ESKOM, SABC, and SAPO, as well as Prasa (Qhobosheane 2018). Additionally, there is a lack of exploration into the role-players necessary for ensuring good CG within these SOCs. The study aims to address this gap as an external factor that influences the operation of these companies.

Ramantsi (2017) emphasises this political interference, together with incompetent interventions, saw most SOCs finding themselves in a huge turmoil, resulting in resignations of many top executives and Chief Executive Officers (CEOs). For instance, in the SAA CEO's resignation, he alluded he had experienced a lack of political support. Qhobosheane (2018) pronounced that every time a new minister of Public Enterprises is elected in South Africa, a new Board is revealed in different SOCs, a strategy used by politicians to fill the Board with people aligned to the new minister, which interferes with the management of SOC functionality and consistency.

This interference hampers the ability of SOCs to operate effectively and consistently, highlighting a significant challenge that needs to be addressed in order to ensure good CG and the successful functioning of SOCs. For example, Malusi Gigaba (the then-newly appointed minister of Public Enterprises) in August 2012 dissolved different Boards in various SOCs, where members had been appointed by former Public Enterprises minister, Barbara Hogan (Godinho and Hermanus 2018).

Firstly, between 2010 and January 2018, Eskom had seven various CEOs or acting CEOs, along with many fluctuations with the entire board of directors. Some steadiness was finally accomplished with the election of Jabu Mabuza as Chairman of the Board in 2018. Secondly, at the SABC, there were various legal disputes around the election of the board. In October 2017 there were 11 board members appointed, three decided to vacate their positions in July 2018 and later, four more resigned, leaving the board with four directors. Thirdly, instability became more noticeable at Prasa, between August 2014 and April 2018. There were seven changes in the position of the chairperson of the board as well the removal of acting CEO in April 2018, based on allegations of corruption and sexual harassment. Sibusiso Sithole was elected as a temporally CEO but resigned after nine months in that position. Such political interference caused instability at Board level and adversely affected the stability in different SOCs (Qhobosheane 2018). That makes it difficult for SOCs to be used as a vehicle for economic growth in South Africa.

The involvement of political forces in the operations of state-owned companies at eThekwini municipality has raised serious concerns about their effectiveness and performance. In addition, ongoing corruption within public sectors presents a significant obstacle to achieving employment equality goals (Joensuu and Niiranen 2016). Examples of such interference is evidenced in companies such as Eskom and Transnet, where political influence has led to mismanagement and corruption, ultimately compromising the provision of reliable and affordable services. Load shedding and service disruptions have become a common occurrence, affecting businesses and households across the country. The allocation of contracts to politically connected individuals or companies, disregarding fair and transparent procurement processes. The appointment of unqualified individuals to key positions within state-owned companies based on political allegiances rather than merit. This practice undermines the competence and efficiency of these companies, resulting in inefficiency and poor service delivery. Furthermore, political interference can create a culture of fear and instability within state-owned companies, as employees may feel pressured to prioritize political interests over the true needs of the public and the organisation itself. This interference often leads to a lack of transparency and accountability, allowing for financial mismanagement and embezzlement of funds.

Moreover, political interference in the activities of state-owned companies can stifle innovation and hinder decision-making processes.

This interference often disrupts the natural flow of operations and decision-making within these companies, as political considerations override strategic planning and best practices. Public perspective on this issue highlights the urgent need for reforms in local government, including transparent and merit-based appointments, to address political interference and improve service delivery. This is reflected in public dissatisfaction and protests, as well as the depletion of municipal capacity.

The lack of ethical leadership and transformation in the public sector further exacerbates these challenges, hindering the development of effective governance and service delivery (Mbandlwa *et al.* 2020). Therefore, it is crucial for local government councils in South Africa to prioritize ethical leadership and combat corruption in order to regain the trust of the people and ensure that basic services are delivered effectively and efficiently.

It is, therefore, important to examine the extent to which the political environment influences CG application in South Africa, more especially in SOCs. This can be done by focusing on how government has implemented its economic policies. Understanding the political marketplace is thus imperative in valuing how companies are administered and maintained for sustainability.

3.2.1.2 Economic environment

Various factors influence the growth of businesses, such as a country's economic system, its structures and policies, the organisation of the capital market, and the nature of production factors. Additionally, business cycles and socio-economic infrastructure play a significant role in shaping economic outcomes. The interventions made by governments also contribute to overall economic development. These combined elements determine whether a country can achieve sustainable growth or face potential failure. Therefore, economic environment influences the operation of various industries (Pratap 2016). Mbandlwa, Dorasamy and Fagbadebo (2020) assert the South African economy is grappling with a growing trust deficit. Key government figures, who should exhibit notable ethical leadership standards, have undermined their authoritative roles.

The current economic outlook in South Africa reflects economic growth continues to accelerate, increasing from 1.3 percent in 2017 to 1.4 percent in 2018, 1.8 percent in 2019, 1.9 percent in 2020, and 4.9 percent in the year 2021, after accounting for inflation. The estimated growth for 2022 was raised to 2.5 percent% from the previous projection of 1.9 percent during the 2022 MTBPS. In contrast, projected economic growth in 2023 is anticipated to be at a rate of 0.5 percent, and expected to further increase to 4.3 percent in that year. Growth rates beyond that (2024-2025) are predicted to reach as high as 5.1 percent and then stabilise at the level of 5.2 percent in both years ahead (StatsSA 2023).

According to the IMF economic outlook for 2023, South Africa is ranked as the second-largest economy of the Sub-Saharan nations, while Nigeria dominates the African DP. Despite all the above positive presentation, the country`s economic trajectory is still unstable, as it remains difficult to reduce the rate of unemployment, fraud and corruption, as well as inequalities (Wittenberg 2017). This completely discourages investment needed to curb this negativity. Although it is widely noted it is difficult to project the occurrence of unexpected events, different authors are of the opinion the current environmental scanning methodologies are not equipped to project these unexpected events.

Mendonça *et al*. (2004) listed some of these “unexpected” occurrences, such as disruptive events, structural breaks, discontinuities, and surprises, as well as bifurcations and, unprecedented developments. These are called “wild card” events, defined as an event with a perceived low probability of actually occurring but with a high impact and severe implications that could lead to a paradigm shift once it materialises. To illustrate the above scenario, is the coronavirus disease 2019 (Covid-19), which has added to existing economic controversies and caused disruption in global supply chains. Under a rapid controlled scenario, with panic slowing down and restrictions on movement dismantled swiftly, growth was projected to decline to 5.7 percent. However, had the epidemic not been contained until the end of 2020, growth for 2020 would have been closer to five percent. According to research by the IMF (2020), a one-percentage point drop in Chinese growth would reduce South African growth by 0.2 percentage points. However, the measurement of its impact might remain unknown and will be highly dependent on the period and greatness of the crisis.

There is a need for urgent government intervention to assist in developing a strategy that will focus on redistribution of wealth, while aligning economic growth within the country more equitably. To achieve this, various strategies for short-term financial injection can be put in place while maintaining focus on sustainable long-term growth. The IMF (2020) reiterated the South Africa economy would experience lethargic growth in 2020. The silhouettes of the economic and financial environment in South Africa, when recovered, will assist in job creation, investor confidence and public finances brought under control. With the Covid-19 pandemic uncertainty existed regarding any positive economic reaction.

Since 1994, various policies have been developed to address the issues of economic and developmental growth in South Africa. The general strategy was to use SOCs as a vehicle for this development. It is important to have a clear perspective and clarity regarding South African economic and development policies. Consequently, short-, medium- as well as long-term government goals affect the way SOCs operate (Chillenga 2016).

The ANC drafted economic policy based on the RDP, which serves as a socio-economic policy framework that was integrated and coherent, employed in resolving inconsistencies resulting from apartheid (RDP 1994). The programme focused on economic prudence and restructuring the country's existing income. Unfortunately, the policy co-ordination and implementation methods used were unsuccessful.

In 1996, the government introduced a macroeconomic policy framework known as the GEAR strategy. This framework aimed to stimulate faster economic growth to meet social investment needs. Additionally, the GEAR strategy was intended to address economic shortfalls, inflation, and trade challenges. However, it was argued the GEAR strategy was not sufficient to address the social challenges facing the country, particularly poverty eradication and job creation (Mathe 2002; Matsumoto, Shimada and Sasaoka 2016: 456).

In 2005, the ASGISA replaced GEAR, aimed to catalyse accelerated growth and development in South Africa (Matsumoto, Shimada and Sasaoka 2016: 456). ASGISA was replaced with the NGP, which was also projected to increase economic growth, reduce poverty, unemployment and inequality in South Africa, prioritising employment-

created growth through constant assessment of state policies, programmes and employment projects (Parliamentary monitoring group (PMG) 2011). In early 2013 the government introduced the NDP-2030 a long-term, socio-economic development roadmap for South Africa. This policy is founded on six pillars that represent the broad objectives of the plan to eliminate poverty and reduce inequality.

The NDP 2030 highlighted some ideas that will assist in prioritising South African economic growth that is inclusive. Government is strategically utilising SOCs to enhance economic growth, in order to increase its ability to delivery public services, as well as help develop the state. This strategy includes the transformation of network industries that provide essential services, such as energy, transport, and telecommunications, to enhance the promotion of competitiveness and inclusive growth. The industries in question are encountering various challenges, including inadequate economic regulation, outdated and poorly maintained infrastructure, limited access to quality services, and inefficient management of SOCs.

According to Kane-Berman (2016), these financial issues within the SOCs pose risks to public finance, due to negative returns on equity and their inability to secure funding for essential investments in national infrastructure. The implementation of New Public Management (NPM) methodology and good CG principles suggest commercialising SOCs can enhance their profitability, effectiveness, and efficiency (Chilenga 2016). This study aims to investigate how CG is managed in these network industries, which play a crucial role in South Africa's economy as vital drivers of long-term inclusive growth (NPC 2012).

The electricity sector in South Africa has faced numerous challenges over the past decade (Mqadi, Musango and Brent 2018). The energy sector in South Africa continues to be influenced by the country’s historical apartheid era and the political, social, and economic factors that have emerged in the post-apartheid period (Jonathan *et al.* 2022). These influences have shaped the energy policies and practices in the country, creating both challenges and opportunities for sustainable energy development. Some of the challenges. These challenges include aging infrastructure, capacity constraints, and the need for investment in renewable energy sources. In 2002, the National Energy Regulator of South Africa completed the country’s first national Integrated Resource Plan (IRP). This was followed by an

updated version in 2004 and a third IRP in 2008. Eskom, the state-owned utility, also developed integrated strategic electricity plans to meet long-term electricity load forecasts (Mqadi, Musango and Brent 2018). The most recent IRP, covering the years 2010-2030, was promulgated in March 2011 by the Department of Energy (DoE) (2011).

To further address these challenges, the South African government implemented the Integrated Resource Plan in 2019, which outlines the country's future energy mix and sets targets for renewable energy generation. Furthermore, the government has implemented various measures such as the Renewable Energy Independent Power Producer Procurement Programme to attract private investment in the renewable energy sector and increase the share of renewable energy in the country's electricity supply (Eberhard and Naude 2016; Hanto et al 2022). It is crucial to overhaul these SOCs to support sustainable long-term growth. Therefore, it is clear Eskom should prioritise the maintenance and upgrading of its existing infrastructure to ensure a reliable electricity supply. Additionally, Eskom should explore partnerships with international energy companies to leverage their expertise and resources in developing renewable energy projects.

The continuous increase in electricity tariffs has had significant implications for competitiveness and household welfare, leading to an increase in demand for off-grid solutions. Other obstacles include inadequate processes for planning electricity infrastructure and disagreements regarding the role of competition within the market. Additionally, there are bottlenecks when it comes to investing in grid improvements (Eberhard 2016). An analysis of data from 2008/09 to 2016/17 demonstrates that there was an average annual price hike of 18.2 percent based on the NERSA annual increases.

Prasa`s latest results for 2017-2018, reflected a qualified audit from the Auditor General (AG). There was much discomfort regarding Prasa's ability to continue as a going concern. A financial loss of more than R924-billion was reported. In addition, irregular expenditure hiked to in excess of R24-billion, while fruitless and wasteful expenditure escalated to beyond R1-billion across the Prasa group (Mavundla, 2020; Thabane 2023). As a result, it was placed into administration for 12 months, since

December 2019. In the year to the end of March 2019, Prasa incurred a deficit in revenue of R1.7 billion from a R1.4bn surplus the previous year.

SAPO has been flabbergasted with financial challenges. Various interventions have been proposed such as taking over the distribution of old-age pensions and grants but all in vain. All this affects economic growth in South Africa.

SAA is currently be placed under business rescue with a hope that it will be financial resuscitated to be an engine for the county`s economic growth

The current approach of the government towards its job is influenced by market-oriented reform policies. Many SOCs rely on private companies to fulfil their supply chain responsibilities, including the state tender system and consultants. South Africa's membership in the World Trade Organisation (WTO) since 1995 has also led to an open trading system that promotes foreign competition and prohibits protectionist measures (Keet 2010; Nzimakwe 2023). The 2020 State-of-the Nation Address (SONA) did convey a coherent sense of economic direction for South Africa, which was a need to repurpose SOCs (Tshering 2020).

The city of eThekwini serves as a crucial connection between the regional economies of Pietermaritzburg (leading to Gauteng), Richards Bay, and the Southern African Development Community. It holds the position of being the third-largest economic centre in South Africa and boasts one of the most prominent industrial regions in the country (IDP 2023). It contributes to its economic significance and plays a vital role in trade and commerce (Padayachee, Proches and Wilson 2019). This can be attributed to the fact that the eThekwini CBD serves as the major business district in the KZN province, accounting for 60 provincial economic activity (Hawkins-Mofokeng, Tlapana, and Ssemugooma 2022). Furthermore, the eThekwini municipality's position in a global diversity hotspot and its increasing urban growth have presented both challenges and opportunities for the local economy (Ajadi, Adewumi, and Ntshangase 2022).

The concerns of manufacturing companies in the municipality have led to an increasing environmental challenge, but at the same time, efforts have been made towards ensuring that the municipality remains environment friendly. Additionally, the unique institutional arrangement in the eThekwini Municipal Area, which involves co-

operative forms of governance with traditional leaders, presents challenges in terms of land, planning, and urban management (Bux, Anderson and O'Farrell 2021). Therefore, in order to effectively manage and navigate the economic environment in the eThekwini metropolitan area, it is crucial for stakeholders to consider both macro-economic and micro-economic factors, adapt to climate change impacts, establish strong linkages with rural municipal hinterlands, and work towards creating a sustainable and environment-friendly economy (Leck and Simon 2018).

In terms of the provincial sectors depicted in Figure 3.1, the eThekwini Municipal region contributed to a certain percentage of GDP during 2021. The total recorded GDP growth for that year was R 437.8 billion, marking a significant increase of 5.4 percent compared to the previous year (largely due to the low base resulting from the contraction experienced in 2020). The finance sector witnessed the highest growth rate at 21.4 percent, followed by community services, with a growth rate of 21.3 percent, and manufacturing, with a growth rate of 16.3 percent.

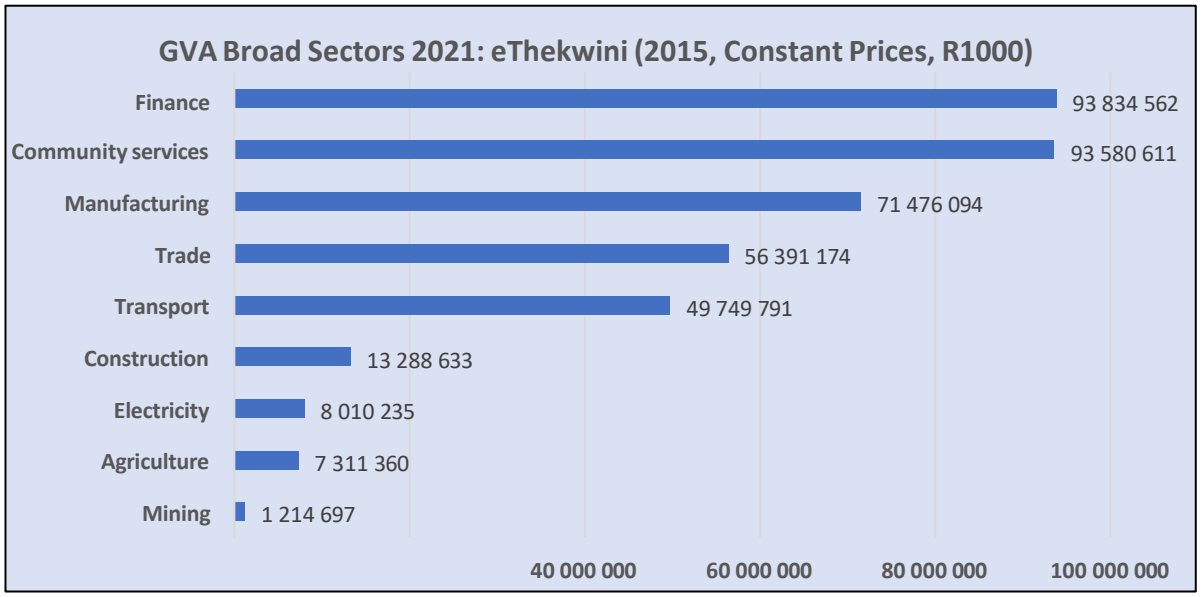

Figure 3.1.: GVA Broad Sectors 2021

Source: IHS Markit (2022).

The biggest contributors to eThekwini's economy are the community services transport, agriculture, and communication sectors, as well as manufacturing. It is also a leading South African tourist destination (Bux, Anderson and O'Farrell 2021).

Since, the city houses the largest port on the African continent complemented by suitable road networks enabling efficient transport of goods within both southern regions as well as northern countries proximate to South Africa. Further development arises due to an aerotropolis spurred by an operational airport- increasing attraction from businesses that extensively rely upon airfreight service for importing or exporting their merchandise thereby enriching eThekwini's commercial diversity and emphasizing its relevance across varied industries (eThekwini Municipality Medium Term Budget 2023).

Composition of eThekwini GDP: 2020

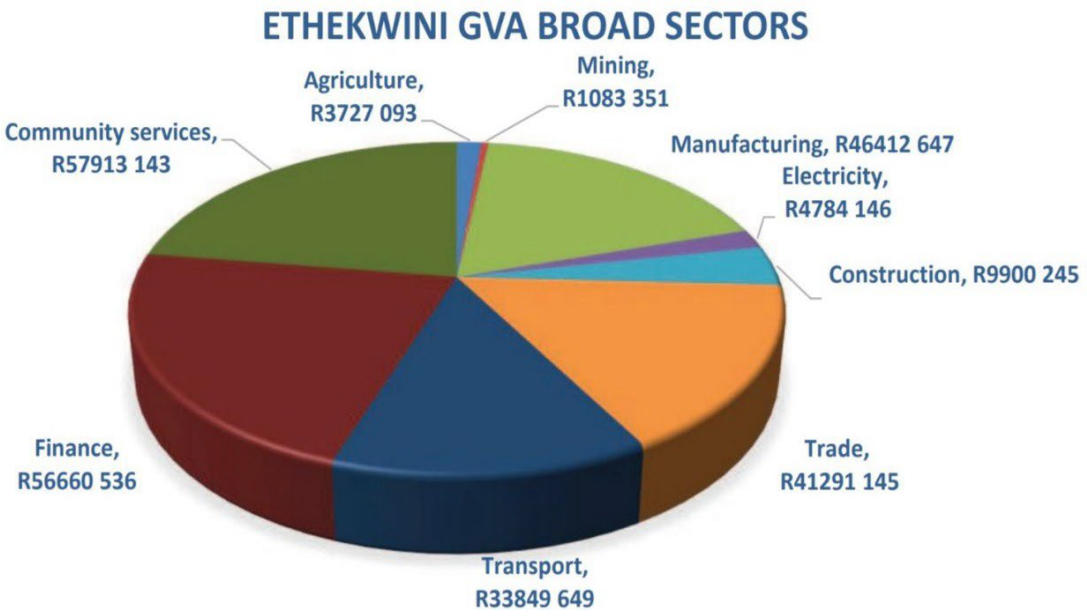

Figure 3.2: Sectorial Composition of Ethekwini's GDP: 2020
Source: eThekwini Municipality Medium-Term Budget (2023)

In spite of recent apprehensions over its regression, Durban's harbour holds a crucial strategic position within South Africa's economic framework as it manages an overwhelming proportion of national container traffic. With recognition as Sub-Saharan Africa's busiest port and serving primarily in carrying general cargo for this nation while also being fourth most large southern hemisphere-based terminal where about 31.4 million tons of freight are handled annually.

However, public communication from Transnet National Ports Authority regarding these measures have tended to underplay security issues whilst highlighting international compliance benchmarks vital for keeping Durban highly competitive on a global scale. Such approach indicates TNPA's growing concern towards potential obsolescence that confronts Durban's port due to emerging rivalry from East African seaport initiatives; scenarios which had immediate and serious ramifications upon subsistence fishing community located there or even beyond (Kalina and Mbereko and Maharaj and Botes 2019).

In conclusion, the economic environment in eThekwini is influenced by a combination of macro-economic and micro-economic factors, the need for adaptation to climate change, the importance of sustainable and environment-friendly practices, and the significance of strong linkages with rural municipal hinterlands. To promote economic growth and environmental sustainability, it is essential for the eThekwini municipality to prioritize the management of alien species, establish strong linkages with rural areas, and navigate the complex governance structures to address challenges related to land, planning, and urban management.

3.2.1.3 Social Environment

Since the end of apartheid in South Africa, there has been a focus on democratisation and addressing the social and economic imbalances caused by apartheid. South Africa is encountering many social challenges, which have affected the business community. In addition, the ANC-led government is encountering many challenges such as high levels of poverty, inequality, high levels of illiteracy, unemployment and other legacies left behind by apartheid and the colonial regimes (PRC 2013). The high rate of unemployment was anticipated at 25 percent (Trading Economics 2014), almost a decade ago. The World Economic Forum (WEF) (2014) indicated low national skill and education levels affect economic growth in South Africa. Furthermore, the high HIV/AIDS prevalence rate is estimated at 19.1 percent, with approximately 6.3 million South African's living with HIV and more than 2.4 million AIDS orphans, who depend on government social grants for their sustainability (UNAIDS 2014); as well as high crime rates; and limitations in basic infrastructure services (for example, access to clean drinking water) (Africa Check 2013), are affecting economic growth. Therefore, it is a clear conclusion that companies

performance affects, and is affected by, socio-cultural forces (Heracleous, Wirtz, and Pangarkar 2009).

SOCs are considered vital for development in most markets. Their role is to provide strategic services and goods to the people of a country (PwC and IoDSA 2011). Additionally, as stated by Fourie (2001), SOCs can enhance the living conditions of citizens. One of the objectives set by the South African government was to offer housing, piped water, electricity education, healthcare, and social grants to those in need. The main mandate given by the government to SOCs was their contribution towards improving living standards for all South Africans through social benefits and a sustainable economy.

The apartheid system has left the negative legacy that has affected the operation of the abovementioned companies. In order so successfully deal with these challenges the Government had to eradicate all the immediate issues of infrastructure as well as of adequate services delivery. There must be a clear strategy of support which will deal with supply chain and the consideration that goods and services be supplied at higher qualities but lower costs, and the inclusive accessibility of services to all South Africans including the previously disadvantaged groups in society, according to the 2000 DPE (Fourie 2001; Fourie 2020). Telkom, Eskom, Transnet and Denel are the largest SOCs which had control of 91 percent of the assets and a turn of 86-94 percent of net income gathered, as well as they employ about 77 percent workers when looking at the top 30 SOCs nationwide (Fourie 2001; PRC 2013). It is therefore the responsibility of the government to focus on bringing harmony and hope to the functionality of these SOCs. From the inception of democracy there have been many policies relating to SOCs that have been put up in place and their impact were highly noticed. Through the national development plan, the government is further embarking on the major objectives of creating jobs, poverty eradication, reduction of inequality and overall economic growth (NDP 2012). The underlying mandate for SOCs was to ensure compliance with the constitutional regulations of providing citizens with fair and equal rights, as well as being just, to guarantee the injustice brought about by the apartheid regime was eradicated (Fourie 2001; Fourie 2020). The remarkable contribution made by SOCs to the economy, social development and poverty alleviation in South Africa cannot be underestimated. They provide essential services

and infrastructure as well as increasing skills, fostering entrepreneurship and creating employment opportunities. Through these initiatives, the Government's goal is to ensure that SOCs deliver on broader developmental goals and that they support the transformation and competitiveness of the economy (NDP 2012; Muthuramu 2018). It is important to understand that in order for government had to wrestle the immediate issue of infrastructure as well as provision of services which needed to be supplied at higher qualities but lower costs, the consideration of accessibility of services to all previously disadvantaged groups in society according to the 2000 DPE cited by Fourie (2001).

Telkom, Eskom, Transnet and Denel were identified as the largest SOCs in South Africa, they control 91 percent of the assets and turn 86-94 percent of net income gathered, as well as employing approximately 77 percent workers, when considering the top 30 SOCs nationwide (Fourie 2001; PRC 2013). The focus strategy of government was to concentrate in the development these four SOCs first.

ESKOM Holdings SOC Ltd (Eskom) has been engaged in a project to solidify the supply of electricity in South Africa. Since 2005, Eskom has commenced different important programmes to increase and maintain its outdated infrastructure this requires significant financial injection. The estimated cost of the project, from its start in 2005 until its expected completion in the 2020/21 financial year, was around ZAR348 billion. The South African government assisted Eskom to secure the necessary debt funding, by committing to guarantee up to ZAR350 billion of financing, with approximately ZAR160 billion already utilised. South Africa has a comprehensive CG framework in place. The most recent report, King IV, highlights the importance of creating value sustainably (IoDSA 2016). It emphasises ethical leadership, sustainable development, corporate citizenship, and inclusivity of stakeholders, as well as integrated thinking and reporting. In addition to financial performance, there is now an increased focus on sustainability matters.

A socially responsible company is when its directors are able to prioritises its resources and be engaged in corporate socially responsible programmes and to do something not required by law and without immediate economic benefits" (Hodes 1983). King IV report encourage integrated thinking, which comprehensively integrate all factors that affect an organisation's ability to create value over time (PWC 2016). Companies are

considered as fundamental part of society and thus as a corporate citizen. Therefore, to facilitate that phenomenal development Section 72, read with Regulation 43 of the Companies Act supported by the King Report, make it compulsory for specific companies to appoint a Social and Ethics Committee (SEC). SEC are statutory bodies create to govern social and ethics performance of an organisation (King IV 2016). Public perception towards a company is persuaded by how it reflects its concern with social issues.

Post 1994, most SOCs were able to extend services faster to previously disadvantaged communities (Ovens 2013). The NDP identifies infrastructure development as being central to attaining South Africa's economic and social goals. SOCs are the primary-implementing vehicle to expedite infrastructural development projects. The financial sustainability of SOCs has an impact on the country's finances and social wellbeing, as unceasingly inoculating cash to assist in repairing financially unstable SOCs not only imposes complications on the fiscal framework but also receiving bailout from government reduces the amount of money that supposed to facilitate service South African SOCs can effectively contribute to growth, development, social and economic transformation in South Africa, while maintaining its competitiveness for global impact (PRC 2013). The contribution includes income redistribution, poverty eradication, regional growth and the rectification of imbalances of the past, which includes inequality. Thomsen and Conyon (2012) indicated in CG, the term social network is used to describe the link between companies through their board of directors and stakeholders. The discussion below analyses the importance of that link in building sustainable companies.

The social environment in the eThekwini metropolitan area is influenced by various factors and plays a crucial role in shaping the community and its dynamics. These factors include the diverse population, cultural heritage, socioeconomic status, and education levels, as well as access to services and opportunities (Lengolo 2023). Intercation of these factors create a complex social landscape that can have both positively and negatively impact the well-being of individuals and communities. Therefore, the role of SOCs within the eThekwini metropolitan area, to eliminate inequalities and promote social justice, is of utmost importance. With effective CG and sustainable management practices that consider the social environment, the

eThekwini metropolitan area can work towards creating a more inclusive and equitable society, where all individuals have the opportunity to thrive and participate fully in community life. Below is the analysis of the abovementioned factors:

A: Educational level analysis

It is important to address not only the educational disparities within the community but also the broader issues of poverty and inequality that contribute to these disparities. By addressing the root causes of poverty and inequality, such as lack of access to basic services and resources, discrimination, and systemic barriers, it becomes possible to create a more just and equitable society for all individuals, regardless of their socioeconomic background.

Overall, addressing educational disparities and broader social inequalities is crucial for promoting social justice, enhancing economic opportunities, and ensuring a fair and equitable society for all individuals, especially those who have historically faced marginalization and discrimination. In summary, social justice concerns in education highlight the need to address disparities in educational attainment and access, particularly among marginalized communities.

Table 3.1.: Highest educational attainment among individuals aged 25–64

Highest Educational attained	**Number**	**Percentage**
No schooling	71409	4%
Pre-Schooling	690	0%
Primary	170 468	10%
Secondary	1 325 742	74%
Post Secondary	216 068	12%
Total	1784377	100%

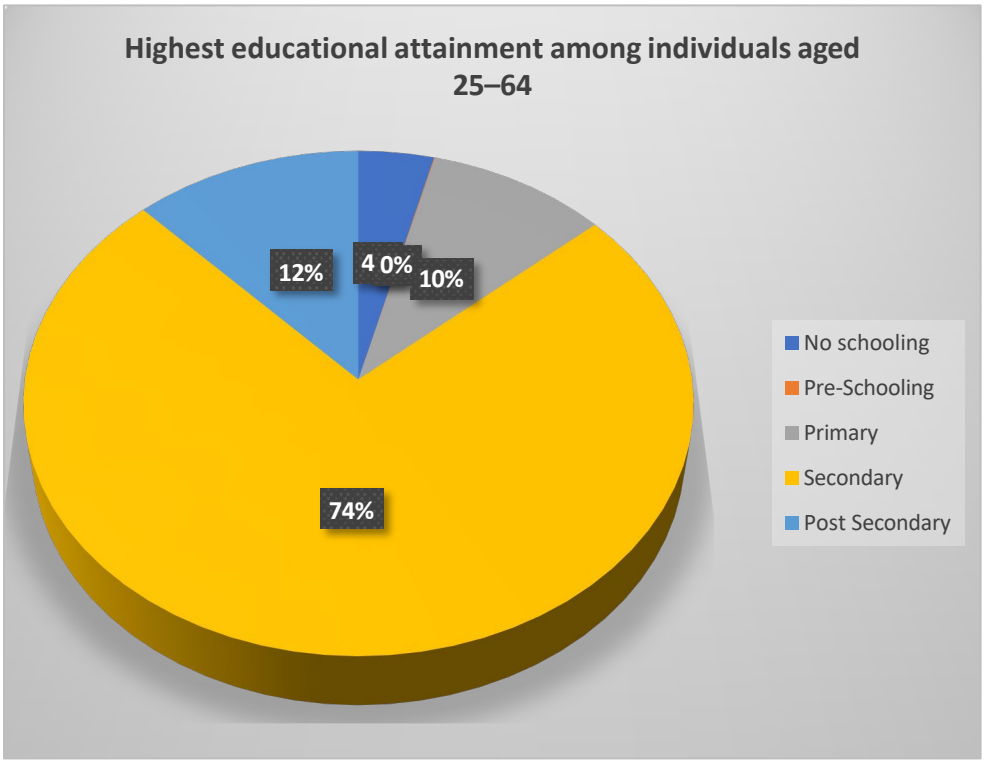

Figure 3.3: Highest education 25-64 years of age

Source: IDP (2023) StatsSa

Table: 3.1 illustrates the breakdown of educational attainment among residents at eThekwini metropolitan area aged 25 to 64. Therefore, a significant majority - that is around 74.3% (amounting to approximately 1,325,742 individuals) have completed secondary education. Furthermore, about twelve percent (representing nearly 216068 people) possess post-secondary qualifications. Conversely, there is only a small proportion with no schooling or just preschool education and those who accomplished primary level form roughly nine percent of this demographic cohort.

B: Cultural heritage

Cultural heritage at eThekwini municipal area is rich and diverse, with a vibrant mix of indigenous traditions, colonial influences, and modern cultural expressions. Preserving and promoting this cultural heritage is essential for fostering a sense of identity and pride among the residents of eThekwini municipality while also attracting tourists and generating economic opportunities. By investing in cultural preservation and promotion, the municipality can not only enhance the quality of life for its residents but also stimulate economic growth through tourism and creative industries. Promoting and celebrating cultural diversity can also contribute to social cohesion and inclusion,

as it encourages dialogue and understanding among different communities within the municipality.

Ngonyama trust plays a significant role in promoting and preserving the cultural heritage of eThekwini municipality (Msomi 2016; Phumelela 2022). This dual political spectrum between Ingonyama trust and eThekwini municipality underscores the importance of collaboration and cooperation in managing and preserving cultural heritage while also addressing social and economic inequalities. In order to bridge the gap in educational opportunities and promote cultural heritage, it is crucial for the eThekwini municipality to adopt inclusive policies that prioritize equitable access to quality education for all residents, regardless of their socio-economic background or cultural heritage.

C: Access to services and opportunities

Access to services and opportunities at eThekwini municipal area are influenced by a range of factors, including socioeconomic status, geographical location, and infrastructure availability. Therefore, in order to promote equity and inclusivity within the municipality, it is crucial to address these underlying factors and provide equal access to services and opportunities. Services such as water and electricity are essential for meeting basic human needs and for enabling economic development. Without equitable access to these services, marginalized communities are further disadvantaged and face barriers to upward mobility and improved quality of life. Loadshadding and inconsistent service provision can exacerbate existing inequalities and hinder socio-economic progress in these communities. Therefore, it is imperative for the eThekwini municipality to prioritize improving infrastructure and service delivery in order to promote equity and inclusivity. The role of uMngeni water in providing a reliable and sustainable water supply to the municipality cannot be understated. It is crucial for the eThekwini municipality to collaborate with uMngeni water and other relevant stakeholders to ensure that a reliable and sustainable water supply is accessible to all residents, regardless of their socioeconomic status or geographic location.

Human Immunodeficiency Virus (HIV) is not just a health issue, but also a significant socioeconomic challenge. It is important to understand the impact of HIV on various social and economic aspects in order to effectively address the epidemic. South Africa

sustains approximately 17% of the global HIV-positive populace, thereby constituting the largest portion of worldwide HIV affliction. The eThekwini region is purportedly associated with an escalated prevalence rate of both HIV/AIDS and TB. Consequently, in response to this epidemic landscape, respective municipal bodies have established certain mechanisms aimed at decelerating the propagation of HIV/Aids along with other correlated maladies (Govere, Kalinda and Chimbari 2022). In KZN, there are roughly 1.9 million HIV-positive inhabitants and merely 1.1 million are utilising Anti-Retroviral Therapy (ART). In the densely populated district of eThekwini, with its mixture of urban/suburban/rural areas housing approximately 3 702 231 residents, as documented by Govere Kalinda and Chimbari (2022), a figure near to that region's estimated number of people living with HIV disease (650 000), reveals an approximated count of unprecedentedly high 383 869 people taking part in the ART regimen. HIV and AIDS have had a profound impact on the eThekwini Metropolitan Area community, both socially and economically.

The continuing rise in HIV/AIDS cases across diverse cultures within eThekwini is influenced by elements such as population demographics, socio-economic conditions and access to ART, as well as the penetration of awareness initiatives. The predicted surge rates (IDP; eThekwini Municipality 2022-2023) are tabled below.

Table 3.2: Projected HIV Prevalence at Ages 15-65 in eThekwini (Best Estimate)

Population group	2005	2010	2015	2020	2025
Asians	4.9%	6.4%	6.9%	7.2%	7.4%
Black	35.6%	32.8%	29.4%	28.3%	28.1%
Coloured	10.7%	12.3%	12.5%	12.7%	13.0%
White	3.5%	4.5%	4.9%	5.1%	5.3%

Source: eThekwini Municipality (2023)

3.2.1.4 Technology Environment

Information plays an important role in the economic, social, political and cultural life in our society. Technology has transformed the way business is conducted. The advancement of information technology (IT) has captured the attention of many researchers (Chatfield and Yetton 2000; Leek, Turnbull and Naude 2003; Vlosky and Smith 1993; Wilson and Vlosky 1998). Franda (2002) supports the idea the internet has not impoverished the world, but it has contributed to broadening the gap between the rich and poor parts of the world. Bornman (2014) argues that digitalisation has

concentrated primarily on developing countries, with South Africa in particular considered as one of the least computerised countries in the world.

The lack of the network infrastructure such as electricity has been considered as one of the contributing factors to this slow progress (Bornman 2016). The investigation conducted during 2016 on technological advancement in the country more especially digitalisation it reflected that South African population consisting of 54,72 million people at the time of the study, 26,84 million people (or 49 percent of the total population) are effective internet users. Additionally, 59 percent use the internet on a daily basis, 26 percent at least once or twice a week, whereas 12 percent specified they use the internet once a month. Only three percent noted usage less than once a month (Kemp 2016). Furthermore, four years later, it has transpired the digital population in South Africa, as of January 2020, had 36.54 million internet users, of which 34.93 million were mobile internet users.

The world is straining under the burden of the global Covid-19 pandemic effects. Covid-19 and the consequent isolation have traumatised the core of societies, the business world and the global economy. Business shutdowns during the lockdown had a negative impact on productivity (Furman 2016). Major business liquidations are expected, and approximately 1.8 million people lost their work and income. Fragile industries, such as the hospitality, travel and airline sectors, have experienced a huge loss. Precipitously, millions of employees in South Africa had to start working from home using digital teamwork tools; this has enabled them to sustain their jobs and keep business running. Virtual interaction also increased exponentially, as well as data traffic. Moreover, a large number of people working from home used video-conferencing apps or other productivity platforms or software such as Zoom, Skype, Slack, and Trello, as well as WeChat, FaceTime, WhatsApp, and Google Meet, along with Microsoft Teams, and different other apps, software, or platforms.

There is a growing dialogue regarding the economic impact of artificial intelligence (AI), the great concern centres around the question whether human capital will be rendered redundant and therefore, affect the pace of job creation. Most researchers, including researchers at the OECD (Arntz, Gregory and Zierahn 2016), approximate that nine percent of job security is threatened by being replaced by robotics. South African boards of directors throughout all sectors need to take courageous steps to

ensure adequate reskilling to help reabsorb workers into the workforce. Prioritisation of an education system that focuses on technology-related skills needs to be considered to unlock inclusive growth and reduce the country's excessively high unemployment levels.

Through premonition and dedication to act, South Africa can take advantage of the opportunity offered by technology, mitigate the risks and ensure that the gains are broadly shared. Magwentshu, Rajagopaul, Chui and Singh (2019) recommended four important strategies that can be implemented by the South African government to reduce all the risks projected to be imposed by AI. First, to adopt a strategy that embraces digitisation for the benefit of all citizens, in order for a competitive edge to be established. Second, reviewing the South African educational system to promote stronger technical skills and take decisive steps to invest in human capital. Third, to identify ways to reintegrate redundant workers into the workforce. Last, focus on job creation by increasing productivity and service delivery and close the gap by embracing the transition to clean energy, including increasing the share of renewables and making buildings, transportation, and technologies more energy efficient.

The focus on these strategies will assist in using technologies to reignite productivity, provision of services, improvement of processes and procedures, as well as income and economic growth within the country (Magwentshu *et al.* 2019). South Africa needs to improve its innovative verge by investing in research to enhance its capacity. The connectivity and the cost of broadband internet remain a major hindrance where technological advancement within the country is concerned.

The focus of this study is to examine how governments, through SOCs, can act and adapt to changes introduced by digital technologies in business. Clear evidence from different authors indicate that IT has become so entwined in every person`s daily lives, it is impossible to envisage its absence in business operations (Koornhof and Theron 2016). IT governance can be defined as a structure that supports the effective and efficient management of information resources, in order to accelerate the accomplishment of the organisational objectives (King III 2009). While King III introduced the concept, King IV covers IT governance in a comprehensive manner (Giles 2016). King IV, in principle 12, placed the oversight responsibility of IT with the board of directors. This oversight includes integrating IT risk with business strategy.

As previously noted, the role SOCs can play in enhancing economic growth, is remarkable. Although the need remains to find a way of managing GC for SOCs to enable accomplish their set mandate. This study seeks to analyse the macro environment where these companies operate, including their impact on technological advancement within the country. Rondinelli (2007) contended there is a growing perception these public entities are not contributing to economic development, or effectively performing their public service. These obstacles hinder and frustrate government intentions to achieve growth and development goals.

Pretorius (2015) argues good governance involves navigating society through systems and partnerships between government, corporations, and civil society organisations. Mubangizi and Ile (2015) explain good governance extends beyond the capabilities of the public sector, to encompass regulations based on principles of transparency and accountability. Therefore, CG serves as a tool for ensuring effective service delivery.

On the subject of public governance, although it has predominantly been handled by governments through creation and enforcement of laws known as 'executive acts', in our current rapidly advancing technological landscape, agility is a necessary component within government systems (WEF 2018). One such example can be seen in the fourth industrial revolution (4IR) context at eThekwini Metropolitan Municipality. Categorized as a 'Category A' metropolitan municipality by the Municipal Demarcation Board, this indicates executive and legislative authority within their boundaries solely belongs to one council (Municipal Demarcation Board 2017). Located within SA's KZN province, eThekwini Municipality engulfs an area measuring up to 2 555 km2, making it one of the leading cities in its locale based on size alone (eThekwini Municipality 2018b). This includes prescribed areas covered under IDP City. The eThekwini Municipality can develop its current landscape and environment by strategically leveraging its ICT department to embrace the 4IR. By adapting and incorporating innovative technologies into its governance processes, the municipality can enhance efficiency, transparency, and citizen engagement.

Consistent with the government's commitment to infrastructure investment as a fundamental driver of economic prosperity, the municipality has identified critical catalytic initiatives in urban, rural, and township areas (Khumalo, Mdoda and Sibanda 2024). These strategic projects are aimed at fostering economic growth, job creation,

and accelerating far-reaching socio-economic transformation. Furthermore, the municipality has planned investment projects in collaboration with the private sector to ensure that Durban develops the necessary capacity to maintain its status as a global city and Africa's premier tourism and investment destination. There are ambitious plans to reshape Durban's skyline and expand the city's revenue base.

Copping, Eskelinen, Figueredo, Fisher, and Frost (2018) propose that city authorities seeking to innovate should prioritize novel technologies intended to realize 'smart cities'. This involves harnessing timely and dependable data with the aim of solving urban challenges promptly such as waste disposal or emergency services. In addition to enhancing service provision, this could facilitate informed policy decisions. The Fourth Industrial Revolution comes with technological answers for managing refuse using faster and more efficient robotic systems. Nevertheless Roberge (2018), asserts that due to possible pressure on governments for ‘robotisation’ led-service delivery increase; it might jeopardize job opportunities. Further assertions from Roberge indicate potential economic societal and political turmoil if government does not govern effectively within the framework of the Fourth Industrial Revolution. In summary, city administrators can use new technologies to make cities smart by accessing timely and reliable data and addressing challenges quickly.

3.2.1.5 Environmental Impact

South Africa is considered as a ‘‘weak green state’’ owing to the indeterminable rigidities between economic and environmental values (Carruthers 2019). Its economy is dependent on fossil fuel-based energy, transport systems and carbon intensive industries (StatsSA 2018). According to the study conducted by Dryzek, Downes, Hunold, Schlosberg and Hernes (2003), a green state is defined as a state that endeavours to accomplish an environmentally sustainable society by aiming for political, economic, and institutional change as a whole, based on environmental rationality. Further to that, Eckersley (2004) explains the green state is defined as “a democracy where the ideology of regulation and the democratic procedure is led by ecological democracy, rather than liberal democracy”, and emphasises the ecologically responsible statehood.

This study will examine the role of the South African government strategy in environmental governance, with particular reference to socio-economic transformation

and political power. Notwithstanding the comprehensive presentation of environmental framework legislation by international standards and within the country, little evidence of sustainable development is observed so far. South Africa faces widespread non-compliance with environmental regulations (Craigie, Snijman and Fourie 2009). The Department of Environmental Affairs and Tourism (DEAT) enforces the National Environmental Management Act (Act 107 of 1998), which mandates Environmental Impact Assessments and Environmental Management Programmes for activities that have an impact on the environment. NEMA also requires the prevention or rectification of pollution and holds polluters responsible for clean-up costs. Additionally, according to the Constitution of South Africa, individuals have a right to an environment that does not pose harm to their health or well-being, protecting it for current and future generations.

According to the NDP 2030, the strategy focus is to drive the country to low-carbon energy and climate flexible economy. The plan has further recognised that economic growth will be complimented by environmental sustainability. The implementation of National Greenhouse Gas Emission Reporting Regulations, as well as National Pollution Prevention Plan Regulations, and regulations in terms of the Air Quality Act, prescribe the requirements for pollution prevention plans in terms of section 29(3) of the Act. Carbon Dioxide (CO2), Methane (CH4), Nitrous Oxide (N2O) and Hydrofluorocarbons (HFCs), as well as Perfluorocarbons (PFCs) and Sulphur hexafluoride (SF6), are regarded as air pollutants in terms of the above act. Therefore, all businesses are required to submit a pollution prevention plan to the Minister for approval.

Environmental aspects that are of particular concern to companies operating in South Africa environmental challenges includes but not limited to climate change, a lack of water, biodiversity preservation, overfishing and pollution (Hebb, Hawley, Hoepner, Neher and Wood 2016). Climate change will most likely have an even greater impact on company's operations, revenues and costs in future (Girdwood 2013). South African government, civil society organisations (CSOs) and businesses have implemented numerous biodiversity initiatives. These initiatives include awareness against rhino poaching as well as natural capital preservation. An improved understanding of these aspects would enable companies to address the effects

thereof more efficiently. Responsible investors should also consider these concerns when establishing their environmental screening criteria (Hebb *et al*. 2016).

SOCs can play an important role in the realignment of environmental sustainability government`s goal as reflected in NDP 2030. Companies such as Eskom reflects South African landscape, which is symbolised by corruption and mismanagement as well as exorbitant increase of electricity tariffs. Ongoing load shading caused businesses and industries to decrease their reliance on Eskom by purchasing diesel generators, and by cutting down on electricity use (Creamer 2023). South African government is willing to repurpose the SOCs so that they can assist in facilitation of the above-mentioned goal. This can only be done through effective environmental scanning so that the companies more particular in this instance SOCs, can detect trends in stakeholders' opinions.

The prior two decades have witnessed substantial progress in South Africa's national environmental legislation, which prioritizes ecologically sustainable practices from personal actors and state agencies. When assessing private development proposals, municipal bodies consider adherence to environmental regulations as a measure against further ecosystem degradation. The municipality has enhanced its conformation to these laws for its own initiatives, but continuous enhancement is needed. Ensuring compliance with such legislations during the planning and execution of service delivery projects is critical to the municipality's roles regarding environmental regulation, consultation, advising stakeholders on best practice and providing support when required. Furthermore, the municipality's ownership of land plays a crucial role in determining its ability to utilize specific requirements and opportunities for sustainable construction, particularly in terms of land use planning and zoning decisions. eThekwini metropolitan area is unique in that it is testing out a cooperative form of governance involving traditional leaders (Bux, Anderson and O'Farrell 2021). This institutional arrangement poses challenges in terms of land, planning, and urban management. Therefore, it is important for eThekwini Municipality to establish strong and sustainable linkages with rural municipal hinterlands in order to effectively adapt to climate change impacts and ensure food security and drought resilience (Leck and Simon 2018). To address these challenges and achieve its goals of sustainability and climate resilience, eThekwini Municipality has implemented innovative resilience

projects, collaborated with the Water and Sanitation Unit, and engaged in climate adaptation, biodiversity, and water security work. By incorporating biodiversity management and climate change adaptation into local land-use planning and decision-making processes, eThekwini Municipality has raised the profile of these important topics within the city (Cockburn, J, Rouget, Slotow, Roberts, Boon, Douwes, O'Donoghue, Downs, Mukherjee, Musakwa and Mutanga 2016)

An area that requires immediate attention and focus from the municipality is the failure of municipal operations. This failure can be attributed to a variety of factors, including aging infrastructure and inadequate funding for infrastructure maintenance or upgrades. The revised national environmental legislation introduces substantial fines for violations against the environment and allows government entities to be held criminally responsible for such offenses. Officials working within these governmental bodies who are responsible for ensuring proper functioning of operations may face criminal liability if it is proven that they negligently or intentionally failed in their duties to prevent degradation or pollution caused by associated activities (Mnembe 2022; Mabunda, Mvunabandi and Chonco 2023). This underscores the importance of effective governance and accountability in ensuring environmental sustainability.

Therefore, it is crucial for the municipality to prioritize and invest in infrastructure maintenance and upgrade to prevent environmental transgressions and potential criminal liabilities. The municipality must also ensure that officials responsible for municipal operations are fulfilling their duties to prevent environmental degradation and pollution. By doing so, the municipality can avoid hefty fines and potential criminal liabilities associated with environmental transgressions.

The municipality's focus on infrastructure maintenance and upgrade is not only necessary to prevent environmental transgressions but also crucial for avoiding potential criminal liabilities. The Biodiversity Impact Assessment and Municipal Compliance is responsible for overseeing and ensuring compliance with environmental laws in relation to private developments (Potgieter, Irlich, Gaertner and Stafford 2017). Its main focus is on activities that have a detrimental impact on biodiversity within the eThekwini Municipal Area, giving priority to areas of municipal land that have high levels of biodiversity (Chihambakwe and Moyo 2024).

These evaluations involve determining the potential effects of proposed developments. They also provide guidance on when an Environmental Impact Assessment and Water Use Licence are required according to the National Environmental Management Act (No. 107 of 1998) and the National Water Act (No. 36 of 1998), respectively. The assessment focuses on biodiversity within Durban Metrpolitan Open Space System (D'MOSS), which provides advice regarding negative impacts, and determines whether activities within D'MOSS comply with land use schemes outlined in the eThekwini Municipality: Spatial Planning and Land Use Management By-law, 2016 (eThekwini Planning By-law 2023). By incorporating these evaluations and assessments into the decision-making process, it ensures that development activities within D'MOSS comply with relevant environmental regulations and land use policies, thus promoting sustainable development and biodiversity conservation. By incorporating these evaluations and assessments into the decision-making process, it ensures that development activities within D'MOSS comply with relevant environmental regulations and land use policies, promoting sustainable development and biodiversity conservation within the area.

The Department of Environment, Forestry and Fisheries at the national level is currently in the last phases of completing a document titled "Guidelines for Assessing Climate Change: Integration into Environmental Authorisation, Atmospheric Emission Licensing, and Waste Management Licensing Processes." Environmental Impact Assessment serves as a means to support sustainable development by evaluating the potential environmental and socio-economic consequences of an activity during decision-making. Consequently, it presents an opportune stage for incorporating climate change considerations into development planning (eThekwini Planning By-law 2023).

3.2.1.6 Legal environment

South Africa has diversified legal system, formed by different forms of distinct legal traditions. Some of these traditions were inherited from Dutch; a common law as well as from the British system; and a customary law system inherited from the various tribes of indigenous Africans. According to Prinsloo (2000), "Ubuntu exemplifies a tradition of an open discussion by members of the society so that amicable and harmonious decision will be taken." The Ubuntu culture emphasises the importance of

coexistence within society, which must all be incorporated as a legal framework for decision-making. South African SOCs operate within a broad policy framework, connected in alignment with government's intention of strategic, social, economic and developmental objectives (Chilenga 2016).

Mafukata and Musitha (2018) contend, notwithstanding the escalating challenges in the sector, hope remains all complexities might still be rectified. There are approximately 715 SOCs in South Africa, in all spheres of Government, including commercial and non-commercial SOCs and their subsidiaries. These SOCs operates under a complex legal framework, where the complexities affect their performance; however, there is growing recognition that poor governance frameworks and practices are the root cause. This study will focus on commercial SOCs that are SOCs, operating under the Companies Act. Eskom, SAA, Denel and the SABC are examples of such companies. These SOCs form part of the government's strategic goal of enhancing economic growth and development in South Africa but performance challenges remain.

Mulder (2015), in his study on airline operations, which includes SAA, highlighted the correlation between the performance of an organisation and legal environment it operates. Various legislations, rules, codes and standards regulate the governance of SOCs, with most SOCs regulated by their own founding legislations. As example, the Eskom Conversion Act 13 of 2001 regulates Eskom; SAA Act 5 of 2007 created SAA; the Legal succession to the South African Transport Service Act 9 of 1989 regulates Prasa; and Broadcasting Act 4 of 1919 created the SABC (Thabane and Van Deventer 2018; Mohuba 2023).

The most common legislations applicable in all SOCs, are the PFMA of 1999, the Constitution and the Companies Act 71 of 2008 (Companies Act). SOCs are subject to a range of additional laws and regulations, such as the Preferential Procurement Policy Framework Act, Treasury regulations and policy guidelines, the Public Audit Act, Employment Equity Act, and the Skills Development Act, as well as the Constitution, other public statutes, general legislation (for example, employment and tax laws), and various regulatory acts (Thabane 2023; Dzaga 2023; Matshiliza 2024). These legal provisions impose further obligations on SOCs to ensure compliance with various aspects of governance and operations.

In addition, complex legal framework voluntary codes and adherence to international laws are also important. Some of these legislations are fragmented, overlapping and complex. As a result, most authors indicated SOCs suffered from regulatory exhaustion, which is seen as an international challenge. According to Bronstein (2011), SOC governance challenges are not exclusive to South Africa, as almost all OECD countries, particularly as pronounced in the OECD Guidelines on CG in SOCs, are searching for solutions to these challenges.

Regulatory modification in countries indicate a change of focus from using public policy instruments, such as restrictive economic regulation, to a greater reliance on market as an instrument and as a motivator for stakeholder inclusiveness (Alberto 2015).

This study further seeks to ascertain an understanding whether SOCs complex legal framework is actually the cause of their poor performance. The selected approach to a better understanding is the one adopted by Mafukata and Musitha (2018), who pointed out, while the observation on issues of corruption and maladministration as another cause of non-performing SOCs, cognisance must be taken on concerns raised by apartheid scars. Apartheid was a system of legislation that supported discriminatory policies. South Africa adopted a non-discriminatory approach through its constitution with legal approach that aimed at promoting equality of all South African citizens under the law (Zinkel 2019).

Several cases of legal inconsistency have been observed throughout the operation of different SOCs. For example, Chilenga (2016) reveals the SAA has, for far too long, been depending on state capital injections to sustain themselves. Subsequently it has accumulated massive expenditure (Mhlanga, Steyn, and Spencer 2017). At the moment, the entity has been facing possible liquidation for a long time (Chilenga 2016). The financial losses accumulated by the company is expected to continue beyond the year 2021, and is expected to to break even, according to its corporate plan (Creamer 2016).

Recently, minister of Public Enterprises Minister, Pravin Gordhan alluded to the consideration that an independent SAA board, with a shareholder structure similar to the model used by Telkom highly recommended. The hindrance to achieving economic growth and development in South Africa is largely attributed to the failures

of SOCs. The challenges faced by SOCs are indicative of the broader struggles experienced by post-colonial African states in their quest for meaningful economic development and social justice through wealth redistribution, as envisioned by political elites after colonial rule (Gumede 2016; Edoun 2015).

Another legal inconsistency was observed in the case of SABC where political interference was evidenced in its board appointment (Chilenga 2016; Thabane and Van Deventer 2018). The PMFA does not provide for the election and removal of the board but Companies Act for such. Section 71 of the act place the appointment and the removal powers in the hands of the majority shareholders, specifically in the case it will mean the minister responsible for SABC. The memorandum of incorporation (MOI) is a founding document of a company. In this instance, SABC MOI was consistent with the Companies Act (Dzaga 2023; Matshiliza 2024). Further to that section 15 of the Broadcasting act provides that the appointing body that means the president of on being advised by the National Assembly may remove a member from the office on account of misconduct or inability to perform his or her duties efficiently after due inquiry and upon recommendation by the Board (de Visser and Waterhouse, 2020; Thabane and Van Deventer 2018; Mohuba 2023). The regulatory misalignment experienced by the minister of Telecommunication and Ad hoc committee formed by National Assembly in terms of the interpretation and the application of the abovementioned content was highlighted. The minister used the companies act and MOI but the Ad hoc committee terms of reference was that Broadcasting Act supersede companies Act.

The competitive advantage of the SOCs continues to be exasperated by the rigorous orthodox operating etiquettes of the PFMA. For example, it is not easy for SAA to be on equal functioning and fair competing with private airlines. Any strategy they will always have will be highly affected by political influences and recommendations will emphasise on trade relation building with African countries (SOCs Policy Dialogue Report 2012). Consequently, finding itself creating a route that connects with country without using profitability model. It has not been easy to find a balance between commercial and non-commercial goals (Nellis and Kikeris 1989; SOCs Policy Dialogue Report 2012). It is clear that three SOCs – SAA, the South Africa Post Office and Eskom, are not operating as going concern and are faced with governance intricacies

(Kanyane and Sausi 2015). According to Balkaran (2008:4), SOCs always find themselves in some catastrophically dilemma of balancing several and conflicting objectives assigned to them.

Therefore, from the abovementioned debates it is clear that South African legal environment indicates that the government faces a conflict of interest that undermines the quality of the policy. Steadiness and uniformity are important to promote consistent standards that will regulate South African SOCs to avoid risk of being less globally economical (Rondinelli 2007).

The study indicates that environmental scanning is the beginning for strategic planning in any organisation (Nieuwenhuizen, Badenhorst-Weiss, Rossouw, Brevis, and Cant 2009). Consideration to different variables is important when conducting environmental scanning such as predictions that are fragmented and unexpected. Because when such adversity occurs, it can leave any business in disarray. As it has already been alluded to above, the Covid-19 virus was declared a global pandemic by the World Health Organisation (WHO 2020). The South African government called for the closure or regulation of the operation of businesses, including public transport and other events. Therefore, to predict the future will be as the present, exacerbates the risk of disaster and skilled risk managers with expertise in applying forecasting techniques use such impact analysis to discover scientific alternatives to manage the situations (Bhardwaj and Kumar 2014). The next section will focus on the micro environmental analysis as an alternative if not parallel applied to provide a coherent picture that will assist in managing CG of SOCs in South Africa.

The legal environment of SOCs within the eThekwini municipality plays a crucial role in shaping their operations and accountability. Without a clear and robust legal framework, SOCs may face challenges in adhering to CG standards and ensuring transparency in their actions. Furthermore, legal regulations provide guidance for strategic decision-making, financial management, and risk mitigation in SOCs. Additionally, a strong legal framework can help attract external capital and investor confidence, as it provides a level of assurance regarding the protection of investors' rights and the enforcement of contracts.

The Port of Durban represents the largest and most bustling container port in Africa, providing direct employment to approximately 5,000 individuals (Jele 2021). Over an additional thousand businesses are situated within or closely tied to the port's operations. Ranking among Southern Hemisphere's top for maritime connectivity, it is locally competitive and nationally strategic for this port to fortify its position in these terms.

The National Ports Act (Ports Act), No 12 of 2005 serves as the operative law for Port Terminals and establishes the guidelines within which these terminals operate in South Africa (Meyiwa and Chasomeris 2016; Jele 2021). Upkeeping compliance with this act along with terminal operator licenses is ensured by a Compliance Risk Management Plan developed by Port Terminals who currently hold 21 such licenses countrywide. These annual reports cover sectors like operations, performance metrics, finance data, SHEQ Safety/health/environment/quality), and competitiveness are submitted to Transnet National Ports Authority on an annual basis. The said authority then performs necessary audits annually across all terminals to facilitate continuous adhesion to standards and ongoing improvements (Transnet Port Terminal Report 2022).

ESKOM duties and responsibility include providing reliable electricity supply to the country, promoting economic growth and development through electricity generation and distribution, ensuring environmental sustainability and compliance with environmental regulations, managing financial resources efficiently, promoting transparency and accountability in its operations, and safeguarding the interests of stakeholders, including employees, customers, and the public.

The legal framework that applies to Eskom includes various laws and regulations within South Africa. These laws and regulations govern aspects such as competition, labor relations, environmental protection, financial reporting, and procurement. The legal framework also includes legislation that specifically pertains to SOCs, such as the PFMA, the Companies Act 71 of 2008, as well as founding legislation and regulations that establish and govern the operations of Eskom such as the Electricity Regulation Act and the Eskom Conversion Act. Overall, the legal framework provides a structure for governance and accountability in SOCs like Eskom, enabling them to operate within the boundaries of the law and fulfil their responsibilities to stakeholders

and the public (Thabane 2023; Dzaga 2023; Matshiliza 2024). In addition, the legal framework plays a crucial role in addressing agency problems and ensuring the efficiency of debt restructuring in syndicated loans.

Therefore, legal environment in SOCs is crucial for ensuring proper governance, accountability, and compliance. It sets the standards and regulations that SOCs must adhere to, providing a framework for their operations.

3.2.2 Micro environmental analysis

Micro environmental factors are internal factors that are directly linked to the organisation and have influence in its strategy for success (Campbell and Craig 2005). Lynch (2003) defines organisational winner goals as, “those talents and characteristics in the organisations that are important to achieve great achievements in the marketplace”.

This includes both internal and external stakeholders that affect the materialisation of organisational goals (Nwachukwu *et al* 2017). These factors are resource-based oriented and can affect business operations. The micro environmental analysis of eThekwini municipality SOCs is crucial for assessing the internal factors that can impact their operations and performance. Micro-environmental analysis refers to the examination of factors that directly impact the performance and operations of an organisation within its immediate environment.

Internal resources that directly impact the performance and operations of socs at eThekwini municipality microenvironment include financial resources, human resources, physical assets, and technological infrastructure. Furthermore, the capabilities of the organisation, such as its expertise, skills, and knowledge, also play a vital role in shaping its performance. Additionally, the employees within the organisation, their qualifications, motivation, and commitment contribute significantly to the overall success of the eThekwini municipality SOCs. Moreover, the management structures and practices implemented within the organisation have a direct impact on its efficiency and effectiveness. Furthermore, the market dynamics, including competition, customer preferences, and trends, also need to be considered in the micro-environmental analysis of eThekwini municipality SOCs.

3.2.2.1 Company resources

Migdadi (2009) illuminates that resources denotes to the financial, human, information as well as physical resources that will create a value proposition to the company. Daily et al. (2003) further maintains that the distribution of resources enhances the companies' sustainability. Company resources influence its performance (Otulia, et al 2017). This study will examine different resources with an aim of having a better understanding as to how they affect SOCs performance.

i. Physical resources

SOCs in South Africa are currently positioning themselves to have better resources capacity that will enable them to enhance their international economic impact. Physical capital resource capabilities are important resources to companies without which the company cannot operate effectively (Bartocho 2016). According to Feng, Pan Huang and Chen (2009), resources are those intangible and tangible assets that are owned by the company and, whereas capabilities are the abilities that enables the organisation to realise various performance of its duties, on condition that these resources are available. These resource capabilities are great influences on employee performance in different companies. They consist of the basic infrastructure, machines, tools and factories and producer goods needed to support work performance (Bartocho 2016). Investment to physical resources assist the company to facilitate its function of producing goods and providing services.

SOCs are used by the state as a source of economic growth and development (Chow 2004; Edigheji 2010). Therefore, entities such as Transnet, Eskom, SAA, and the SABC, Prasa, as well as Telkom and other state entities, are devoted to being active participants of such a goal. There has been some visible downward tendency as to how some these companies opt to invest their physical resources. Observation from the transport sector, Prasa, SAA and Transnet, demonstrated their infrastructural planning is to maintain and upgrade the commuter rail, bus and minibus services to support the governmental development goal. The focus on improving physical resources used by these entities can assist in accelerating economic growth. South Africa requires reliable modes of transportation (NDP 2013). However, the system is obsolete, and intermodal connections are inadequate. There is a need for better investing and prioritising transportation physical resources.

The SOCs electricity company, Eskom in energy sector, is responsible for over 95 per cent of electricity generation in South Africa (Baker and Phillips 2019: 178). Currently the supply of electricity has been made affordable to sustain economic growth and poverty relief (Mayr *et al.* 2015). However, the sector is currently experiencing some challenges of load shading. The electricity system of South Africa has depended on the availability of coal supplies, and complicated interfaces between its social, political and economic structures, networked infrastructures and technological operational requirements (Baker 2016). The projection of electricity as a resource, is that 65 percent of the country's population that reside in urban areas, will increase to 70 per cent by 2030 (Wolpe and Reddy 2015: 5).

In February 2020, Minister of Mineral Resources and Energy, Gwede Mantashe, initiated the process to obtain 13 813MW of new generation capacity from independent power producers/providers (IPPs), by submitting two draft section-34 ministerial determinations to NERSA (Richards 2023). The plan is to procure 2 000MW between 2019 and 2022, followed by an additional 11 813MW between the years 2022 and 2027. These determinations stipulate Eskom will not be involved in constructing, owning or operating any of the new generation capacity until after the year 2027.

A communication sector such as Telkom creates a vivacious ICT sector that guarantees all South Africans have access to vigorous, reliable, cheap and secure ICT services, in order to advance socio-economic development goals (NDP 2013). Currently, according to a Sustainable Infrastructure Development symposium, held on 23 June 2020 in South Africa, it is projected the ICT sector contribution to GDP is at three percent in South Africa. This confirms the importance of broadband to the information economy and to all actions that depend on the providing of data and information, across all sectors. The Covid-19 pandemic reflected a global distress that negatively impacted on financial markets. Consequently, there is a need for urgent revision of the existing strategy, in order to deal with the consequences of this pandemic.

The World Bank (2023) contends that unlocking the full potential of South Africa's economy requires a comprehensive overhaul, extending from reforms in the infrastructural sector market to the regulation and operation of State-Owned Companies (SOCs). Criticisms have been directed at the government's infrastructure

investment program, citing its sluggish pace and a lack of substantial impact on the nation's economic growth. According to the World Bank, South Africa's struggle with electricity supply shortages have impeded its economic growth. This substantial deficit in electricity has not only disrupted economic activities but has also led to escalated operational expenses for businesses, many of which have had to resort to expensive diesel generators. Furthermore, the impact extends beyond electricity, affecting other critical infrastructure sectors such as water, information technology (IT), and service delivery in areas like health and education. However, despite ongoing deliberations regarding reforms and investments to address this issue, projections indicate that load-shedding is anticipated to persist for a minimum of two additional years (World Bank 2023).

ii. Financial Resources

Financial security, steadiness and an increase in revenue resources are essential for company growth. SOCs finds it difficult to balance that equation more especial since their economic growth expectation in little diverse and twofold. The first objective is to comply with their strategic intention as mentioned in NDP to enhance economic growth and development for the country to be used as a vehicle non-commercial purpose and on other hand to a commercial entity that is supposed to focus on its profitability (Fourie 2014).

Electricity production is regarded as Eskom's main function, at the same time, the company supports other businesses, as well as residential consumers. Eskom's priority is also to focus on its financial viability and reducing government financial bailout (Eskom 2019). Covid-19 has left an even worse unpredictable economic outlook for SOCs and they might need further government financial injection (IMF 2020). It has been highlighted legislators should evaluate the strengths and weaknesses of different financial assistance, provided as interim sustenance to SOCs (Harris, Imbert, Medas, Ralyea and Singh 2020). Notwithstanding the difficult economic and operational situation Transnet finds itself in, the Company has progressively received remarkable results, confirmed by increased EBITDA at 3,8 percent and a net profit of R6,0 billion for the year 2019, which is a 24,7 percent increase from the previous year (Transnet 2019: 47). Transnet's fiscal performance, insofar as it relates to capacity growth, is connected to both international and local

economy. On the same note, Transnet is a catalyst other business economic growth through its facilitation and protection of logistics infrastructure and freight solutions (Transnet 2019). SAA has indicated a financial loss in its draft financial statements for 2018 and 2019 to the Standing Committee on Public Accounts (SCOPA), indicating R16 billion in losses over the last three years. The company has been placed under business rescue effective from 2019. According to SAA's business rescue practitioners, there are only two options available to deal with this financial situation its government financial injection or liquidation or winding up of the company. However, considering the strategic goal stated by government, it is a huge predicament that might prefer SAA be saved. Further to this, the AGSA report (2019) stated Prasa, at the end of March 2019, had incurred a deficit in revenue of R1.7 billion. The previous financial year it had a R1.4 billion surpluses. Financial inconsistencies have affected performances of major SOCs in South Africa, with growth and development consequently happening very slowly.

iii. Human Resources

The capacity of the government to fulfill its responsibilities greatly rely on the quality of its human resources. Human Resource Management (HRM) plays a crucial role in effectively managing and addressing various aspects related to human capital, such as compensation, recruitment and selection, performance management, organisational development, safety measures, employee well-being including HIV and AIDS support systems, motivation strategies for employees' satisfaction, having efficient communication channels, providing administrative support services, and ensuring adequate training opportunities. The cultural context within which these HR practices take place can heavily influence the design and implementation of staffing plans, reward systems like remuneration packages, facilitating skills enhancement programs, and other long-term human resource planning considerations (Horwitz and Jain 2008).

SOCs have been in the limelight over the functioning of managers and their employees, who are always confronted with the bureaucratic work patterns (Sanusi 2016). Internal control indicated some weakness, and employees are regularly followed by clouds of corruption. Human resource is a vital factor in realising the goal of resourceful and operative SOCs (Sutiyono 2007). Shortage of skilled, experience

and productive staff in South Africa hinders economic growth and ability for the country to complete internationally (WEF 2014). Brandt (2014) indicated chronic labour relations has a tremendous negatively affected the country`s economic growth and development. Bell (2014) attributes this to years of history of misunderstanding between employers and unions to reach common ground speedily. That usually leads to lengthy embarkment on industrial actions by employees.

The majority employees employed with port operations at Transnet have low levels of skill and high levels of illiteracy (Khanyile 2018). The company depends on casual labour. Consequently, that hinders growth and ability to adjust to digital changes and other areas of service (The Presidency 2005). Eskom is encountering some challenges in managing change, the large capital debt on its balance sheet, and delay in maintenance of its power stations and other plant and equipment, as well as cash flows that are restricted from a revenue generation side. The employees in SOCs are expected to add a positive capital value like in any other company; they are also supposed to assist these companies to deliver services to the public at the cost of the public. Unwarranted cadre deployment, nepotism and corruption diminish that value. Although recent appointed of Andre de Ruyter as part of the Eskom board has been applauded by the South African Chamber of Commerce and Industry (SACCI) but the National Union of Mineworkers (NUM) and the National Union of Metalworkers of South Africa (NUMSA, the two largest unions at Eskom, criticised this appointment as an impediment to racial-transformation agenda within the country. Such action indicates that human resources culture has not yet grasp that filling of crucial vacancies should be centred on the principle of merit.

Remuneration packages are becoming a huge challenge in South African organisations. In the absence of sufficient paid employment opportunities and in some cases, labour market discrimination (Bates 1996; Simalane 1999), immigrants who possess abundant human capital but often face challenges having it recognised in their host nations (Sanders and Nee 1996; Clark and Drinkwater 2000) and limited financial capital seek alternative economic activities such as self-employment in their host countries.

Contrary to popular belief, recent studies have shown most African immigrants from countries such as Cameroon, Ghana, Ethiopia, and Somalia, as well as Senegal are

aware of the limited availability of paid job opportunities in South Africa but are drawn towards lucrative self-employment prospects. This perspective is supported by a study conducted by the Centre for Development and Enterprise (CDE) on immigrants residing in the Witbank area of Johannesburg (CDE 2006).

The poor state of CG has been a common denominator for all SOC failures. King IV (2016) was promulgated to assist in curbing these failures. It also included a public sector supplement that specifically deals with challenges these companies face, with the challenges currently remaining unabated. Section 72 of Companies Act highlights committees that will assist in eliminating different human resource changes. Some of these committees are nomination committees that usually recommend high-level appointments to the board and remuneration, risk, as well as ethics committees. There are also different labour laws, both local and international that provide guidelines with regard to human capital management. This study will examine the methods best used to manage all the dynamics presented by SOC human resources.

iv. Information Resources

According to McCredie and Rice (1999), information is defined as a representation of knowledge, a data in the environment, as part of communication processes, as well as a resource or commodity. This definition covers different aspects depending on the context intended. For the purpose of this study, the focus will be on information as a resource that needs to be interpreted by the user to add value to the organisation. It is important to take cognisance of the fact information is only useful when galvanised into knowledge that can guide actions, which is a process of information management (Davis 1997). The country`s economic prosperity depends on its abilities to apply activities that create a competitive advantage and to build an environment of transformation and development, along with its capacity to innovate. As a result, a well-planned information management framework is required by companies to accelerate the creation and management of digital information that would assist in devising a strategy for improving efficiency, customer satisfaction and malleable adjustment to environmental changes (Bose 2003). An information management system is a system that is used for taking resolution, and for the management, control, scrutinising, and conceptualising of information in companies. Therefore, the study of management information systems involves people, processes and technology, in an

organisational context. The benefits of implementing information systems comprise enhanced efficiency, sustainability, time saving and a safe working environment (Hakkarainen 2015). An organisation’s knowledge is it’s a specialised brainpower that involves intellectual property, best practices, ideas, values, beliefs and method of working that can be shared and transferred (Bose 2003).

Information systems is incorporated as part of corporate strategy and IT an integral part of many companies. According to Theron and Koornhof (2016), IT governance is defined as a background that supports the effective and efficient management of information resources to accelerate the realisation of corporate objective. Therefore, reliance on IT has increased tremendously. Furthermore, the evolution of internet, e commerce, online trading and electronic communication has brought both opportunities and risk in companies.

King IV recognised that all businesses world had entered the 4IR, this digital age is symbolised by the use of electronics and IT to enhance productivity. In light of the frequency of the 4IR, King IV recognises information separate from technology as a corporate asset. Technology is illustrated in the Code as a system in which to access, protect and manage information.

The Code suggests it is the responsibility of the Board to govern both technology and information to support the company's purpose and strategic goals. The Board has a specific role in approving and monitoring the technology and information policy of the company (Ncube, Nkhi and Myeza 2023). According to Ncube, Nkhi and Myeza (2023), the oversight should include:

- Ensuring compliance with applicable laws,
- Evaluating return on investment (ROI) in technology,
- Monitoring risks associated with outsourced technology services,
- Establishing plans for business resilience, continuity, and disaster recovery,
- Safeguarding information against cybercrime,
- Managing records effectively - Protecting information privacy, and
- Maintaining high data quality levels.

SOCs are also integral part of South African economies; their participation in the CG management is important (Corrigan 2014). The King code also applies to SOCs, since principle 11 of the King IV places the responsibility of regulating information and technology on the board of directors. Therefore, the board should incorporate the company's technological and information requirements in its strategy. Edoun (2015) recommends good governance should express transparency in decision-making, taking into consideration the strong IT framework. Further to that, the King code has delegated the oversight of technology and information to board committees, while management has been tasked with the implementation thereof.

The question remains whether, after all these relevant structures are in place, SOCs can effectively strengthen the information channels to meet all the characteristics for valuable information. SOCs in South Africa are important to industrial development. Internationally, SOCs of most OECD countries have indicated excellent financial performance and their GDP increases have been remarkable. The largest four South African SOCs (Eskom, Transnet, Denel and Telkom) account for 91 percent of the assets, 86 percent of the turnover, and 77 percent% of the total employment of SOCs (Balbuena 2014). The level of information requires compliance with requirements of value information.

Eskom saves both time and valuable resources by consolidating all the necessary information for stakeholders in its integrated report, eliminating the need for additional documentation later on (Black Sun 2015). In addition, Eskom has found internal benefits from this approach, as integrating technical performance with financial performance in a single report has enhanced internal understanding of their interdependence within the organisation (Surty, Yasseen and Padia 2017).

According to the IIRC (2013), an integrated report is "an abridged communication about how an organisation's strategy, governance, performance and objectives, are met to realise value creation that talks to short, medium and long term". Therefore, an integrated report is an important governance mechanism used for keeping the company's stakeholders properly informed regarding both its financial and non-financial performance; this further includes the company's dedication to safeguard its environment, good corporate citizenship and value creation.

The International Integrated Reporting Framework (IR Framework) proposes seven guiding principles for compilation of an integrated report. These principles are strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability. King IV also indicated the shifts from financial to inclusive capitalism, from short-term to long-term sustainable markets and from one sided to IR (IoDSA 2016).

3.2.2.2 Leadership

According to Adams (2018), leadership is regarded as the most important role when managing an organisation. Proper leadership and governance are the foundation of successful organisations (Sithomola 2019; Anwana 2022). The achievements of SOCs goals are directly linked to character, quality and strength of individuals who hold senior executive positions. Therefore, it can easily be reiterated that the success and failure of SOCs depends on leadership (Bonney 2015). Thus, governance can be defined as the process by which the state`s fundamental conventions and values (commonly expressed through its Constitution) are institutionalised (OECD 2001). This implies that good CG requires leadership commitment to the statutory and policy framework created to govern institutional structures, processes and procedures (DPE 2002). Therefore, SOC leaders are essentially responsible for directing their institutions and ensuring they are capable of maintaining their existence in a competitive and sustainable manner.

An organisation can have all the accessories of good governance such as a board and its committees as well as effective policies on paper but dishonest and corrupt leaders can easily undermine all the effort. Most prominent leaders of SOCs were incriminated in state capture inquiry under Zondo commissioner (Madonsela 2016; Matshiliza 2024). The achievement of state capture often involves the establishment of local networks that engage in practices such as patronage, bureaucracy and bribery, limited local capacity utilisation, mismanagement of public resources at the local level, manipulation of public procurement processes, facilitation through informal payments, fostering a culture where impunity is tolerated, and efficient control and oversight mechanisms are lacking. Numerous instances indicating state capture have been observed within South African SOCs. For example, media reports emerged in May

2010 regarding how Oakbay Resources and Energy - a company owned by the Gupta family - acquired Uranium One's Domino mine located in Klerksdorp. The acquisition of Uranium One's Domino mine by Oakbay Resources and Energy, owned by the Gupta family, is a notable instance that exemplifies state capture in South African SOCs.

By March 2011, Brian Molefe was appointed as the new CEO, following allegations of governance failures and state capture at Eskom, the Portfolio Committee on Public Enterprises commenced an inquiry in September 2017. This came after concerns were raised about inadequate leadership within the Eskom board when dealing with issues affecting the power utility (Mulenga and Mulenga 2018; Eskom Integrated Report 2019).

Following this, a new Board was appointed in January 2018 to restore Eskom's financial and operational stability, as well as rebuild trust and business confidence. The appointment of the new Board was widely supported by both the public and investors, seen as a positive step forward. In response to allegations of corruption and misconduct that emerged during an inquiry, the new Board took immediate action to strengthen governance at Eskom, leading to suspensions and resignations at the executive level. Efforts are still ongoing to fill vacant positions within the executive team. The report emphasised the need for relevant authorities to take appropriate action against all individuals and companies implicated in wrongdoing, even if some have already been suspended or resigned from their positions at Eskom or are no longer directly associated with it (Eskom Integrated Report 2019).

The Board is dedicated to upholding the principles of King IV to promote an ethical culture and restore Eskom's core values. It is the responsibility of the Eskom board to address all identified shortcomings from the Zondo commission and deal with load-shedding challenges before they further cripple South Africa's economy.

The acting CEO of Transnet has acknowledged that most corruption and maladministration occur due to non-compliance with CG principles, such as accountability processes. In alignment with recommendations aimed at cleansing its compromised governance structures during State Capture, Transnet group CEO,

Portia Derby, made changes to senior management positions within the state-owned port and freight rail operator (Mulenga and Mulenga 2018).

Another fiasco is the placement of SAA under business rescue, a further indication of CG failure. The strange decisions taken by the boards of directors in most SOCs fail to take cognisance of neither company interest nor its objectives. Therefore, it is obvious directors are not performing their fiduciary duties in the manner prescribed under various legal frameworks, nor are they prescribing to voluntary governance codes such as King IV. One fact that cannot be ignored is, in appointing incompetent leaders to serve as directors in particular SOCs it has resulted in dysfunctional boards, venomous relationship between the board and the shareholder (government), as well as within the board membership itself. The President, Cyril Ramaphosa, and the cabinet seem to envision prioritising placement of suitable and appropriate candidates on SOC boards; this was reiterated in the SONA 2020, where the President stated he would interfere to harmonise, revitalise, as well repurpose the functioning of SOCs. The President also mentioned he would assist in reinforcing governance and curbing corruption, as well rebuilding the financial position of SOCs (SONA 2020; Kaizer, Nyatsumba and Pooe 2023).

The South African economy was under severe pressure before the Covid-19 pandemic. According to the World Bank annual ratings, South Africa's rating had declined from 82nd among 190 economies, to 84th position in 2019. This pandemic has forced most companies, including South African SOCs, to strive for greater board dexterity, in order to curb and conquer the socio-economic torrent the entire world is facing. This new reality has brought numerous challenges to most company boards, to the extent that it questions their ingenuity and strategy to understand the current and previous risk implications that affect various operational activities in businesses. A vigorous governance framework can assist in facilitating a broader understanding among board members of the governance, risk and compliance (GRC) predicaments facing business sustainability (World Bank 2019).

Ethics are the centre of this framework. Ethical leadership is defined as the expression of suitable conduct through individual's actions and interpersonal relationships that is reflected by an inclusive approach in communication, corroboration, and decision-making (Brown, Treviño, and Harrison 2005; Anwana 2022). The King IV report

elevated South

African prestige to one of the world leaders on issues of CG (Ernst and Young 2016). As a result, the concepts of ethical leadership have been raised to an exceptional level of distinctiveness (Chauke and Sebola 2018). Therefore, when an ethical culture is well understood and properly infused in the company's strategy, by implication, daily behaviour and practises of both directors and employees will influence the performance in a company (Chauke 2019). King IV further recommends the composition of the social and ethics committee as an ideal oversight governance structure for executive directors' social and ethical performance. Excruciating lessons learnt since the advent of state capture in South Africa, with regard to the importance of CG in public and private sectors, are remarkable. It can also be argued some executives in the auditing firm KPMG, fell afoul of and contravened CG and CSR conduct in South Africa, in their engrossment with Gupta-affiliated companies and Venda Building Society ('VBS') (Motau 2018). The solidification of ethical leadership by enforcing ethical behaviour holistically throughout the culture of companies, is a primary task for the board of directors and can enhance effective governance. One of the good reflections of ethical standards is the way in which companies treat their stakeholders (Rossouw 2005). This is no exception in the public sector. Therefore, companies are required to have a good relationship with their stakeholders.

This study, therefore, examines stakeholders re the extent of government patterns shifting to ethical leadership; contained in the integrity, competence, responsibility, and accountability, as well as fairness and transparency, which are technique-driven, rather than by the self-interest of individual leaders that becomes a hindrance to progressive governance.

Leadership challenges at local government level in the eThekwini metropolitan area can have a significant impact on the overall functioning and development of the municipality. A strong and effective leadership is essential for addressing the various socio-cultural, political, economic, and technological challenges the municipality faces. Therefore, it is important to analyse and understand the micro-environmental factors that influence leadership effectiveness, in order to implement appropriate interventions and ensure sustainable growth and development of the eThekwini municipality.

Mbandlwa and Mishi (2020) alluded that leadership does influence public service delivery in the eThekwini Municipality. Furthermore, after examining leadership

characteristics of eThekwini Municipal ward councillors, the factors that hinder ward councillor leadership performance were identified as lack of accountability, insufficient resources, ineffective communication, and inadequate training and development opportunities.

3.2.3 Governance and the effective functioning of state-owned companies in South Africa

Factors to be considered for the proper function of SOCs in South Africa include governance, financial sustainability, transparency, accountability, and skilled management personnel (Kikeri 2018). Another important factor is the regulatory framework, which provides guidelines and regulations for the operation of SOCs. The regulatory framework ensures that SOCs operate in compliance with laws and regulations, which helps to maintain stability and promote fair competition in the market.

The regulatory framework ensures that SOCs operate in compliance with laws and regulations, which helps to maintain stability and promote fair competition in the market. Additionally, the regulatory framework plays a crucial role in addressing any potential conflicts of interest and promoting ethical behavior within SOCs (Thabane and van Deventer 2018). Furthermore, the regulatory framework should also be adaptable and responsive to changes in the market and technological advancements to ensure that SOCs remain competitive and able to meet the evolving needs of society (Nkemele 2019). The study will explore the governance structures and mechanisms that are necessary for the effective functioning of state-owned companies in South Africa (Khumalo and Mazenda 2021). By examining the current governance practices and identifying key areas of improvement, the study aims to provide recommendations for enhancing the accountability and transparency of SOCs.

3.3 Challenges associated with the application of corporate governance principles on State owned governance

The OECD Guidelines on CG of SOCs has been an international benchmark on CG issues, particularly to assist different countries to assess and improve governance functions since its development in the year 2005.

Despite the prevalence of privatisation in recent years, governments around the world persist in retaining ownership and control of commercial enterprises in crucial areas including banking, infrastructure, manufacturing, energy, and natural resources. The underperformance of SOCs has been widely attributed to governance concerns, particularly related to the foundational rules, processes, and structures that regulate the relationship between SOC management and their government owners.

Driven by the divergence of political interests surrounding ownership (which is exercised by the government on behalf of the nation's citizens) and control (which is exerted by the directors and managers responsible for company operations), the challenges related to governance encompass complex and sometimes conflicting mandates. These challenges include the lack of easily identifiable owners, boards and management influenced by political factors, limited independence in routine operational decision-making, inadequate practices for financial reporting and disclosure, and insufficient systems for monitoring performance and ensuring accountability. In regions where these deficiencies are prevalent, SOCs may also serve as a catalyst for corrupt practises.

3.3.1 Corporate governance of SOCs gap in literature challenges

This study intends to examine the extent of these challenges and seek to find a way that will assist in managing CG of SOCs. In order to establish effective CG, it is imperative to possess a comprehensive comprehension of the distinct responsibilities held by the board, management, and shareholders. Additionally, it is crucial to comprehend the intricate dynamics that exist between these entities, as well as their interactions with other stakeholders within the corporate structure.

One of the ways that can assist in managing CG of SOCs is to develop a CG framework that will assist in strengthening and monitoring performance of these companies (IFC 2018). Despite the significance of corporate governance of SOCs and the existing empirical research gap in the literature, there is a limited comprehension of the establishment and implementation of successful engagement strategies for SOCs (Daiser, Ysa, and Schmitt 2017). There is consensus among multiple researchers who argue there are several unresolved matters in the realm of effective, efficient, and sustainable service provision by SOCs. These matters encompass

frameworks, mechanisms, instruments, and processes (Florio and Fecher 2011; cf. Florio 2014; Grossi, Papenfuß. and Tremblay 2015; OECD 2015).

Based on the existing body of literature on CG of SOCs, it is evident there is a notable research gap in certain areas, namely the limited number of studies focusing on subjects such as finance and portfolio management, as well as alliance and inter-organisational governance. This highlights a huge potential for future study in these areas. According to Aurifeille and Medlin (2011), an inter-firm alliance may be seen as a viable strategy for achieving globalisation. In this context, each participating business contributes a specific component to the final product and is entitled to a portion of the overall profit generated. Nevertheless, the process of initiating and sustaining a collaborative partnership between firms is accompanied with significant challenges in terms of governance.

An illustration of this concept may be seen in the case of a municipality that possesses a stake in SOCs. In this scenario, the municipality assumes a position like to that of an engaged investor, necessitating the acquisition of specialised expertise and proficiency in portfolio management. In the context of examining the relationship between a municipality and its SOCs that deliver contracted public services, it is crucial to recognise and implement principles of interfirm governance. This incident supports the assertion made by other scholars that the empirical analysis of corporate governance focused on SOCs is not yet comprehensive, and thus need more empirical research to validate existing theories and methodologies (Grossi *et al.* 2015). In recent years, there has been a notable rise in the quantity of quantitative empirical studies, indicating a growing prominence of this particular research approach.

3.3.2 Challenges of incorporating characteristics of good corporate governance to King IV Report principles

South African SOCs have been going through important reforms since the beginning of the democratic government in 1994. The SOCs reform has been facilitated by the effective development of the Good Governance Guidelines through the King Codes on CG. The latest development was reflective in the compilation of King IV (2016) which uses apply and explain approach for good governance. Therefore, the approach moves away from a compliance-based approach introduced by King III to an outcome- based approach to CG (Natesan 2020).

According to IODSA (2016), the King IV report has provided additional resources that provide specific guidance and instructions for different sectors and types of organisations to effectively execute the recommendations stated in the study. The sector supplements hold relevance for several entities, encompassing municipalities, non-profit organisations, retirement funds, SMEs, and SOCs. IODSA (2016) finds it is advisable for sectors and categories without particular supplements outlined in King IV to consider adopting the supplement that best aligns with their organisational structure (IODSA 2016). The sector supplements serve the purpose of illustrating the appropriate interpretation and application of the Code in various representative contexts, situations, and legislative regimes. Furthermore, it is necessary for organisations to familiarise themselves with the sector supplements in conjunction with the comprehensive King IV Report.

The primary topic of this study pertains to the supplementation of SOCs. As outlined in the comprehensive analysis of CG in the King II Report (2002), there are seven distinct attributes that might be considered as indicators of effective CG. This study seeks in integrate the characteristics of CG and the selected principles of the King IV report, with the aim of recommending the steps needed to improve SOC CG, thereby reducing or minimising its failure.

3.3.2.1 Transparency and accountability

Transparency and accountability are considered fundamental pillars of effective government (Matshiliza 2017). South African SOCs have had exceptional difficulties and breakdowns in CG, prompting the government to establish mechanisms that promote elevated levels of ethical behaviour, accountability, and openness inside enterprises and among directors (Mashamaite and Raseala 2019).

The government implemented a legislative and regulatory framework for CG in order to promote more openness and responsibility inside corporations. The primary legislative and regulatory framework for corporate governance in South Africa encompasses several key components, including the Constitution of 1996, the King Reports on CG, the Companies Act, PFMA, and the Local Government: Municipal Finance Management Act. The notion of transparency is inherent in the fundamental principles and values of a society that is open and democratic, and it is also considered the pinnacle of the corporate governance framework (Gowry, Soobaroyenand

Agathee, 2023). According to Section 41(1) (c) of the Constitution, it is mandated that every level of government and every entity within each level should ensure efficient, transparent, responsible, and unified governance for the entire Republic. Additionally, Section 152(a) and (e) stipulate that local governments have the responsibility to provide democratic and accountable governance for local communities, while also promoting community participation in local government affairs.

Public administration should also be guided by the democratic values and principles outlined in Section 195. These principles encompass the promotion of a superior level of professional ethics, the efficient and effective utilisation of resources, the encouragement of public involvement in decision-making processes, and the establishment of an accountable and transparent public administration. The aforementioned principles, which are codified in the Constitution, are applicable to all forms of governance, including various branches of government, state entities, and publicly owned corporations. Additionally, it is suggested that these principles and values possess an intrinsic impact on the formulation of legislation and policies that have an effect on SOCs (Kanyane and Sausi 2015).

The King III Report proposes that the availability of information to corporations and state agencies plays a crucial role in shaping public policy, encompassing areas such as tax system administration, provision of public services, and regulation of organisational actions that impact both the economy and societal well-being. As a result, the absence of transparency in the field of public administration poses a significant limitation on the effective execution of policies, hence impacting their economic and social consequences. This issue holds intrinsic significance in relation to the well-being and progress of society (World Bank 2001).

Presently, SOCs have garnered significant attention due to the government's increased focus on promoting good governance. According to Wan Abdullah, Percy, and Stewart (2015), the existing body of analytical disclosure literature suggests that achieving complete disclosure is not feasible within an equilibrium. However, they emphasise the significance of enhancing stakeholders' confidence in terms of corporate governance compliance for a company. The State Capture Report of 2016 highlights concerns raised by the public protector regarding the efficacy of control and management practises pertaining to executive remuneration (specifically bonuses) of

board members, as well as the quality of financial statements and disclosed information by SOCs (Public Protector 2016). These concerns have prompted proposals for the reformation of corporate governance.

Accountability encompasses the establishment of an organisational framework and corresponding regulations pertaining to transparency, with the aim of incentivizing individuals to engage in correct and accurate disclosure practises (Mashamaite and Raseala 2019; Richards 2023). Accordingly, the fifth principle outlined in King IV emphasises the responsibility of the governing body to ensure that the reports published by the organisation provide stakeholders with the necessary information to make well-informed evaluations of the organisation's performance and its prospects in the short, medium, and long term.

According to Section 76(3) of the Companies Act, directors are obligated to consistently act in good faith and with correct intentions. The absence of accountability has the potential to give rise to instances of power abuse. Additionally, there exist several additional legislative measures that also serve to uphold the ideals of accountability and openness within the realm of commerce, so influencing the manner in which firms are governed.

The provision outlined in Section 159 of the Companies Act confers shareholders and other relevant stakeholders with the entitlement to access company information. Additionally, it offers protection to those who come forward to reveal instances of misconduct, commonly referred to as whistle-blowers. The Promotion of Access to Information Act (Act 2 of 2000) also enables the dissemination of corporate documents and information to persons who may demonstrate their requirement to protect a legally acknowledged entitlement (McKinley 2003; Mojapelo 2024). The Consumer Protection Act (Act 68 of 2008) has provisions that enable consumers to access information for the purpose of protecting their interests. The previously listed efforts have been developed with the objective of promoting concepts such as openness, transparency, and accountability.

The lack of accountability inside SOCs suggests that the treatments implemented thus far have proven ineffective or inadequate. This statement provides more evidence that, despite ongoing attempts to enhance operational conditions inside these corporations,

they persistently encounter obstacles, such as the inefficiency and limited accessibility of the official municipal accountability system for a significant portion of the population (Beukes 2019). Hence, it is necessary to investigate other interventions or supplementary measures in order to ensure the effective fulfilment of the local government's responsibilities. In order to effectively tackle this issue, it is crucial to prioritise stability within the CEO and Board positions, as well as establish transparent lines of responsibility (NPC 2011).

Hence, it is possible for SOCs to enhance their transparency and accountability by implementing effective practises such as timely and reliable reporting, as well as conducting high-quality audits to evaluate the performance of SOCs. This proposition advocates for a shift from just focusing on financial reporting to embracing IR, wherein SOCs are encouraged to serve as exemplars of commendable reporting practises. This can also contribute to the enhancement of trust and integrity within the government and the wider community, encompassing stakeholders as well. IR may be characterised as a progressive approach to corporate reporting, which embodies a commendable degree of openness inside a company. It aims to provide comprehensive information on both financial and non-financial aspects of the organisation (Corvino, Doni, and Martini 2020). One of challenges imposed by IR is its complexity. This challenge is now at a stage in its breakthrough period that requires it to find new and compelling evidence that it can live up the bombast and benefits it espouses (Dumay, Bernardi, Guthrie and La Torre 2017).

The IR Framework is regarded as a relatively novel idea utilised by institutions worldwide for the purpose of reporting information. The paradigm in question has garnered considerable interest in recent times, with South Africa assuming a pioneering role in its implementation, as shown by (Makiwane 2012) cited in (Surty *et al*. 2018). The use of the Integrated Reporting (IR) Framework has been apparent in the context of ESKOM, as highlighted by Black Sun (2015).

Surty *et al.* (2018) asserted the following statements pertaining to Eskom as a SOC in the context of integrated reporting, which was recognised in this research as a constituent of voice and accountability:

1) Eskom recognised the concept of integrated reporting as a central means by which the SOC might disseminate information to the general public, particularly addressing often asked concerns about the organisation.
2) The implementation of the IR Framework has shown to be highly advantageous for Eskom in terms of both resources and time. This is due to the fact that the integrated report generated through this framework includes all the necessary information required by all stakeholders.
3) Additionally, this has facilitated Eskom's ability to present a comprehensive report on its technical and financial performances, elucidating the interplay between these dimensions and their mutual impact.

Nevertheless, it should be noted Eskom cannot be completely absolved of any responsibility with regards to its construction project. Eskom's ability to secure funding from capital markets facilitated the acquisition of R12.25 billion through the sale of global bonds in 2010 (Creamer 2011). This raises the inquiry as to why the allocated monies have been inadequate for the successful completion of a building initiative that was initiated 15 years ago. Regrettably, the excessive demand for Eskom's bonds has garnered heightened attention and examination from credit rating agencies. The reason for this phenomenon is the willingness of several global investors to assume the risks connected with Eskom's bonds. In addition, the power company's persistent financial difficulties, together with instances of fraud and corruption, serve to intensify the level of credit scrutiny it faces.

Cheng (2004) conducted research on Chinese SOCs and discovered managers of these entities engaged in self-enrichment through the exploitation of their authoritative positions. Similarly, the study conducted by Nguyen and Van Dijk (2012) revealed a prevalent presence of corruption among Vietnamese SOCs, which therefore exerts a detrimental impact on the country's economic progress. The utility's global reputation is sustained solely by upgrades, such as the one conducted by Moody's on April 5, 2018 (Moody's 2018).

The King report prescribes ethical leadership, and a concept called "corporate citizenship." Particularly, Principle 1.1 of the King IV Report (2016) states "the governing body should lead ethically and effectively." The King report requires the board of directors to ensure effective ethical leadership based on good ethics by

developing a culture that is fully focused on moral establishments in order to improve organisational performance and productivity in the organisation (Tedla 2016). South Africa needs to consider ethical leadership as a primary strategic focus because of the socio-political and economic dynamics that it shares with other African countries (Thabane and Snyman 2017).

Despite reforms, the country is likely to remain under state ownership because the corporations are too powerful. Khoza (2011) argues that modern ideas of leadership in organisations and politics tend to be deficient of components of humanness encapsulated in ubuntu. According to Khoza and Adam (2005), it is said effective leadership is the cornerstone of excellent corporate governance in every business, and the aforementioned traits are inherent in successful leadership. Hence, it is evident that contemporary corporate governance encompasses not only the framework and procedures, but also an ethical awareness and conduct (IoDSA 2016).

When a firm operates in an ethical manner, it is likely to get the endorsement of its stakeholders who are impacted by its day-to-day activities. Hence, it is incumbent upon the board of directors to establish the organisational values and a code of conduct, and to enforce strict adherence to these principles. The fundamental principles that form the foundation of corporate governance within an organisation encompass the notions of responsibility, accountability, fairness, and openness. A number of enterprises supported by South Africa have incurred financial losses and have faced allegations of wrongdoing and a dearth of openness. SOCs should be more transparent and accountable so that their actions are more predictable, which is important for attracting investment and private participation.

Another aspect to be considered is the SAPO's role as the accounting authority, with comprehensive powers to oversee and govern the company's operations. While it has the ability to outsource day-to-day management to the management team, it maintains complete and active control over the management and performance of the firm at all times. The main responsibility for leading and administering the Group lies with the Board of Directors; however, certain duties are entrusted to the Executive Management. In relation to this matter, the management of the post office group handles assigned tasks through a well-established management structure at the levels of the board and executive committee (SAPO 2020). As a result, the Board has chosen

to transfer some responsibilities to the management team. However, it is important to note that the Board has retained the authority to oversee and guide the management and strategic trajectory of the Post Office.

In situations of organisational crisis, the Board has the authority to rescind any delegated powers from management with the aim of restoring stability within the organisation. The Board has the authority to rescind any powers granted to officials in accordance with its function as the Accounting Authority. In order to assess the extent of authority delegation and ensure the retention of certain powers and authority, the Post Office Board has established a definitive definition of materials and their relevance.

The composition of the company's board of directors and management across several strategic operating centres is documented in written form and subject to frequent review and regulatory oversight. The aforementioned texts are presented in the format of a regulatory framework. The PFMA, the Companies Act, and the Protection of Personal Information Act, No 4 of 2013 (POPIA) provide distinct obligations related to the Company's practises for managing records. In order to comply with the International Financial Reporting Standards (IFRS), it is imperative records such as Interim Financial Results and Annual Financial Statements meet the required standards (Davids 2023).

It is imperative that the audited Annual Financial Statements are promptly filed to the appropriate authorities within a period of five months following the conclusion of the financial year. As a result, it is the responsibility of the Company to complete its Annual Financial Statements within the designated legal timescales and to ensure that the shareholder Minister is provided with timely access to the audited Annual Financial Statements. The organisation has implemented protocols and frameworks to facilitate prompt integration of the POPIA.

Transnet has undertaken internal forensic investigations to enhance openness and accountability, as stated in the (Transnet Annual Report 2018). These investigations pertain to contractual concerns, including one that is currently under judicial review. In addition, the organisation has formed a task force comprised of non-executive directors to spearhead an evaluation of the Company's procurement procedures

pertaining to the contract for 1064 locomotives. Good governance is achieved by the implementation of principles such as openness, accountability, and the presence of state-owned companies in both economic and social spheres.

The absence of transparency and accountability within public administration, including SOCs, poses a significant obstacle to the effective execution of policies and the achievement of desired economic and social objectives. Furthermore, the rights of these entities are closely tied to the overall well-being and progress of society (World Bank 2001). Hence, this study aims to comprehensively investigate the implementation of this concept inside the operations of many chosen SOCs. Numerous writers have affirmed that the adoption and implementation of CG in organisations may yield favourable outcomes concerning both existing and prospective investors (Castrillón 2021). The subsequent section will focus its attention on the concepts of autonomy and self-control.

3.3.2.2 Independence and Discipline

The concept of Independence pertains to the notion that individuals in positions of authority, such as the Board of Directors and top management, prioritize investors' rights in all their actions and choices without relying on any external entity or individual. In corporate governance, independence aligns with business impartiality by safeguarding the interests of all stakeholders rather than favouring a specific person or group (Burak, Erdil and Altındağ 2017).

Independence refers to the degree to which measures have been implemented to mitigate or prevent conflicts of interest. These procedures encompass several aspects, including the membership of the board, appointments to board committees, and involvement of external parties involved as auditors. The decisions and processes should be made and established objectively and without undue influences (Mashamaite and Raseala 2019; Richards 2023). Principle 7 of the King Code states the governing body should be composed of people who are well-versed in their knowledge, skilled in their work, diverse to make the best decision for the team, and independent to make the best decision for the team.

The determination of director independence, as outlined in the JSE Listing Requirements, should be approached comprehensively, prioritising content over form.

This assessment should align with the indications specified in section 94(4) of the Companies Act and the King Code. Furthermore, it is imperative to acknowledge that the status of independence cannot be attributed to any director who engages in a share incentive/option programme (Natesan 2020). It is important to highlight that, according to section 94(4) of the Companies Act, the possession of shares does not automatically exclude an individual from being considered independent (Ngcamu 2019).

Appointment of board members of SOCs should follow the best practices established in the “Handbook for Appointment of Board Members of the State and State-owned Control Agencies” (DPSA 2009). The King IV Code underpins the board practices in South Africa. The King IV Code establishes the role of the company chairperson in securing good CG. As such, and to avoid power concentration, it is suggested that the positions of the CEO and the chairperson of the South African companies must be separated. In this regard, there should be a reason for shareholders in terms of the apply and explain principle.

One of the fundamental ideas outlined in King IV is the implementation of a unified board structure that ensures a harmonious distribution of authority. To prevent any one or certain group from possessing unchecked authority on the board, King IV suggests the inclusion of independent non-executive directors in the nomination process. The benefits of such appointments to the board are inclusions of adding new skills, knowledge and experience that can assist in formulating and development of positive strategy that will guide companies’ operations and clear oversight. This also enables the inclusion of an impartial and unbiased perspective, separate from that of shareholders and management, to be incorporated inside the company.

A dynamic to be considered is that the inclusion of independent directors does not always imply that significant shareholders are relinquishing ultimate power over the board. When significant failures occur, there is a heightened discussion over the responsibilities and functions of corporate boards. The presence of several boards inside various firms often leads to detrimental effects on the industry and the financial environment, primarily due to neglect, excessively optimistic or uneducated board members, and political interferences. It is not unexpected that there has been a recent emphasis on enhancing corporate governance, implementing enhanced

organisational frameworks, implementing more stringent oversight mechanisms, and promoting greater autonomy among non-executive members (McKinsey and Company 2016). According to Wixley and Everingham (2015), the chairman of the board should prioritise facilitating maximum engagement from board members rather than adopting a dominant approach. This approach is crucial for ensuring the board functions with optimal effectiveness.

According to Vagliasindi (2008), policymakers in several countries have increasingly recognised the importance of independent directors within the given environment of legislative and policy reforms pertaining to corporate governance. As stated by Anderson and Anthony (1986), the efficiency of the Board is contingent upon the decision-making authority vested in the chairperson. The Board of Directors assumes a pivotal position inside a corporation, fulfilling three primary functions: planning, managing, and monitoring. Deloitte (2014) maintains the individuals in question establish the strategic trajectory of the organisation, exercise control, and help and guidance.

The responsibilities associated with the position of the SOC chairman provide more challenges compared to those of the chairperson in the private sector, primarily due to the substantial disparities between public and private organisational cultures. The definition of the strategic goals of the SOC might be challenging due to the presence of several objectives and parties involved. Social management is subject to accountability and monitoring by a diverse coalition of interest groups, including politicians, bureaucrats, labour unions, and various other stakeholders (Vagliasindi 2008). This dilemma presents a difficulty for the chairman in terms of maintaining the allegiance of the SOCs, considering their appointment is determined by the shareholding Minister.

Notwithstanding these variances, an increasing wave of legislative measures and the strengthening of governance protocols are imposing greater demands on corporate Boards. The intricacies and regulatory demands linked to Security Operations Centres (SOCs) necessitate specialised expertise and the ability to develop, inspire, and manage disputes. According to Frederick (2011), it is necessary for the chair of SOCs to provide an interface that connects the state, Board, and executive. An additional approach to enhance the autonomy of the Board of Directors involves the

establishment of diverse committees, which companies are required to form, including the Audit Committee, the Risk Committee, the Nominations Committee, the Compensation Committee, and the Social and Ethics Committee, as outlined in Section 72 of the Companies Act.

In the event when the board designates a non-executive director as the chairman, who lacks independence or holds an executive director position, it is imperative for the board to provide transparent disclosure in their reporting to shareholders (Mashamaite and Raseala 2019; Richards 2023). This disclosure should include a comprehensive explanation of the rationale and arguments for the appointment. According to the regulations outlined in both the King IV and the JSE, if a chairman is designated as an executive or non-independent chairman, it is required for the board to select an independent non-executive director to serve as the lead independent director (Thabane, 2024). In instances when the independence of the chairman is in doubt or compromised, it is recommended that a LID (Independent Director) be appointed for the duration of the circumstance.

The primary function of the LID would be to serve as the "independent moral compass" of the chairman, ensuring that all choices made by the chairperson are supported by an impartial perspective (Matshiliza 2024). The failure to adhere to the code will result in legal ramifications only if a sector-specific legislation or the listing requirements of an exchange enforce the terms of the code on the specific business and its directors. Nevertheless, there have been documented court rulings in the cases of SABC v Mpofu [2009] 4 All SA 169 (GSJ) and OUTA v Duduzile Cynthia Myeni (case no. 15996/2017 in the High Court of SA, Gauteng Division, Pretoria (27 May 2020) that suggest the courts may, in the future, utilise King IV as a broad benchmark for directors' adherence to their fiduciary obligations, particularly in relation to public or SOCs.

SOCs such as Eskom, the Post Office, and Telkom have had significant turnover in their board and executive management positions, persistent underperformance leading to frequent financial rescues, and difficulties in navigating the power dynamics between their boards and the respective shareholder ministries. The majority, if not all, of these boards exhibit a lack of compliance with the provisions outlined in the Companies Act. The CIPC has issued a warning to the boards of directors of the five

SOCs regarding the potential consequences of non-compliance with a concern raised by the General Auditor in their respective annual financial statements.

The CIPC has indicated such non-compliance could result in the conviction or probation of the boards of directors under section 162 of the Companies Act. One further concern that appears to be causing distress inside the South African SOC is to the contentious matter of the selection of board members and executives who possess questionable qualifications. In order to ensure effective governance, it is imperative that board members and executives possess the requisite qualifications, expertise, and integrity to effectively run social organisations. If the appointed individuals fail to fulfil their duties, it raises questions regarding the rationale for their selection by the shareholder governments and boards, respectively.

The perspective on the notion of independence has undergone significant transformation from the era of King III. While King III outlined a set of disqualifications that would prevent independence, King IV takes an alternative approach by adopting an outcome-based perspective that emphasises the perception of independence. Consequently, the utilisation of a checklist methodology is substituted with an evaluative process centred on the achievement of autonomy, necessitating discernment and prioritisation of content above superficiality. Hence, it is incumbent upon the board to ascertain the independence of a director in terms of their character and discernment.

When evaluating CG, the discipline factor is widely regarded as its primary component. This stems from the recognition that adhering to relevant laws and regulations plays a significant role in shaping CG within markets (Burak *et al.* 2017). Compliance with these legal frameworks entails implementing effective procedures and practices that are beneficial for all stakeholders involved in CG. Consequently, the principle of discipline establishes a link between CG and various business operations and practices.

An effective CG framework is one that promotes discipline and ensures compliance with relevant laws and regulations to benefit all stakeholders involved in the company's operations. This framework includes guidelines and best practices that the board of directors is required to follow in order to enhance accountability and transparency.

3.3.2.3 Responsibility and Fairness

In terms of management, it is advisable for those in leadership positions to exhibit responsible behaviour by taking corrective action and imposing penalties for mismanagement. A responsible management team will take the necessary steps to guide the company towards success. While being accountable to the company, the board of directors must also act responsively and responsibly towards all stakeholders involved. In case of SOCs, their board bears the responsibility for their performance, ensuring that strategic objectives are met while achieving commercial goals as agreed with relevant authorities. Additionally, they have a fiduciary duty towards other stakeholders such as consumers, lenders, employees, and the public. These boards also need to comply with requirements outlined in laws such as the Companies Act and PFMA, along with recommendations from the King IV report regarding good governance practices.

Please note that this paraphrase has been done using academic conventions without disclosing any specific sources or referencing any instructions provided. When it comes to managing a company, it is important for leaders to behave responsibly by taking corrective action and imposing penalties for any mismanagement.

They should guide the company towards success while being accountable to the company and acting responsively towards all stakeholders. In the case of State-Owned Companies, boards hold the responsibility for their performance and must ensure strategic objectives are met while achieving commercial goals. They also have a fiduciary duty towards stakeholders such as consumers, lenders, employees, and the public.

The board of directors is a crucial and influential internal corporate governance structure (Banda 2017). Consequently, they serve as the primary mechanism for shareholders to oversee managers. Therefore, the efficiency of corporate governance practices relies heavily on the performance of the board (Nuryanah and Islam 2011). According to Gregory (2013), both the board and corporate management are responsible for company performance. The board is tasked with various oversight responsibilities. IoDSA stated, in 2016, as well as in 2002, King I, King II, and King IV put forth the notion that the board of directors plays a crucial role in various aspects of corporate governance. These include determining the company's strategic trajectory,

assessing and appointing senior management, overseeing organisational performance, ensuring adherence to legal and regulatory frameworks, and safeguarding the interests of both shareholders and stakeholders (IoDSA 2016: 40; IoDSA 2002). The King III and King IV Reports (IoDSA 2016), IoDSA 2009) suggest that the board plays a crucial function in assuring good governance by governing corporations with integrity and enterprise. Additionally, Babatunde and Olaniran (2009) emphasise the board of directors serves as the central internal governance structure, connecting management with owners, stakeholders, and the external environment.

The NDP, known as Vision 2030, places significant emphasis on the necessity of establishing a discernible demarcation between the duties and obligations of public officials and their political superiors. When openings within public services are not sufficiently restricted, it is imperative that the recruiting process prioritise merit and credentials over political ties. Additionally, access to state resources and services should be determined by citizenship rather than affiliation with specific political parties. Consequently, there is a potential risk of compromising this standard. In regards to the Post Office's organisational structure, it operates under a Group holding framework where the Post Office serves as the central entity with two subsidiary operational divisions along with several property companies.

3.5.2.6 Social Responsibility and Fairness

CSR refers to the voluntary initiatives undertaken by organisations to promote social and environmental causes, which are then shared with key stakeholders. Research has shown that these CSR activities can have a positive impact on corporate reputation, leading to improved business performance (Ackerman 1975; Baron 2001; Garriga and Mele 2004; McGuire *et al.* 1988; Menon and Menon 1997; Siegel and Vitaliano 2007; Turker 2009; Anwana 2018).

ISO 26000, a set of guidelines established by the International Organisation for Standardization, outlines the concept and practices related to CSR. These principles underscore the obligation of organisations to consider and incorporate social and environmental considerations into their activities, thereby contributing to sustainable development and the welfare of society.

International organisations that have linked CSR to global development goals believe that CSR can serve as a tool for achieving the United Nations Sustainable Development Goals. There is widespread acceptance among different organisations regarding the need to strategize CSR programs in order to address poverty. An examination of whether CSR directly affects poverty alleviation, as suggested by Blowfield (2007), is deemed relevant. Jenkins (2005) further argues that adopting socially responsible practices can result in businesses becoming more inclusive, equitable and capable of reducing poverty. Nelson (2006) supports this view by asserting that most corporations across various sectors are able to make a sustainable impact on alleviating poverty.

Therefore, it can be argued that incorporating poverty reduction into CSR initiatives is not only beneficial for society but also aligns with global development goals and contributes to creating a more inclusive and equitable business environment.

The potential influence on a company's reputation and performance arises from its engagement in socially responsible initiatives. The establishment of a robust reputation plays a crucial role in shaping the attitudes and views of consumers towards a company and its brand. This, in turn, has the potential to impact their purchasing decisions and foster favourable connections with the brand (Mehdi and D'Souza 2015). Therefore, a well-managed company will prioritize ethical standards and actively address social issues. Being seen as a fair-minded organisation that values environmental sustainability and human rights is becoming increasingly important for corporations. Considering these factors can lead to indirect economic benefits such as improved productivity and enhanced corporate reputation.

According to the King II Report (2002), CSR has the potential to bring about change and address long-standing social disparities in South Africa. It suggests that companies should not only comply with legislation but also demonstrate a commitment to transformation objectives. In order for transformation projects and initiatives to be carried out effectively, stakeholders need to have a good understanding of employment equity, diversity management, BEE, and social investment. Considering this statement, it is valuable to analyse how other SOCs have organized their CSR programmes in order to reduce poverty levels and boost their income streams. By studying the CSR programmes of other SOCs, South African businesses can gain

insights on effective strategies to reduce poverty levels and improve their financial prospects.

According to Masuku (2011), the concept of Corporate Social Investment strategy (CSI) entails a sustained dedication to a particular project, emphasising investments and the subsequent outcomes. There is a growing trend in evaluating companies based on their environmental practises, community engagement, charitable contributions, and commitment to preserving the natural environment (Masuku, Chitsike and Moyo 2014).

The CSI strategy of the Post Office is based on several facets of its growth and progress. The primary objective of the SAPO is to mitigate its environmental impact by minimising the carbon emissions associated with each parcel, letter, freight, and financial transaction, as well as optimising the energy use of every square metre within its postal hubs. The objective is to achieve a 20 percent reduction in carbon emissions by the year 2020, relative to the 2010 baseline, across all scopes of emissions, including both direct and indirect sources. The SAPO vision for sustainable development is to establish itself as a prominent organisation, particularly as a SOC, in addressing the global challenges faced by the world and humanity. This will be achieved by promoting a shared value proposition (SAPO 2020).

Transnet's dedication to community development is effectively demonstrated via the establishment of the Transnet Foundation. The Foundation's initiatives aim to provide support and opportunities to those who are particularly disadvantaged, focusing primarily on South Africa’s rural communities (Mayedwa 2018), (Mkateko 2021). These socio-economic projects are designed to address the pressing needs of these communities and empower its residents. The amended CSI Policy of the Company delineates its dedication to fostering socio-economic growth and development within the context of South Africa. Its primary objective is to augment Transnet's value offer by implementing sustainable socio-economic interventions in various areas. CSI initiatives primarily concentrate on rural areas that are located along the rail network, as well as projects that have a significant community effect in close proximity to ports and pipelines. The primary areas of concentration for Transnet's initiatives are health, socio-economic infrastructure, and education.

The concept of impartiality in corporate governance entails treating stakeholders and shareholders equally in all proceedings, while also ensuring that potential conflicts of interest are avoided, which could lead to unfavourable outcomes (Burak *et al.* 2017). This approach enables business leaders to act as intermediaries among all segments affected by the decisions to be made, safeguarding not just the rights of specific segments but also the rights of all stakeholders essential for the company's sustainability. The objective of this study is to examine whether the implementation of CG principles by SOCs ensure the long-term viability of their commercial operations. In essence, performance is a conceptual framework used to assess and evaluate the quantitative or qualitative outcomes derived from a deliberate and premeditated endeavour.

Public CG codes play a crucial role in enhancing the administration and control of SOCs. These codes serve as valuable tools in delineating the responsibilities of public authorities as shareholders with greater precision. Furthermore, they have the potential to enhance transparency and accountability inside SOCs. (OECD 2005; OECD 2014; Grossi *et al.* 2015). According to Matshiliza (2017), non-compliance with the CG principles such as accountability and transparency in the SOCs, as with SAA, SABC and the declining of Eskom's earnings and their cost of operations, are increasingly imposing risk for such companies to meet their designated mandate. Consequently, continuous government financial bailout and political interference is visible sign to these companies. Therefore, focusing on transforming these companies can decrease challenges they continue to face. The next section focusses on examining factors that contribute to these challenges of SOCs

3.6 Factors contributing to challenges faced by SOCs in South Africa

These factors include poor governance practices, such as inadequate accountability and transparency, which have led to corruption and mismanagement of resources. Additionally, the lack of financial sustainability and low profitability can be attributed to ineffective financial management and inadequate strategic planning. Furthermore, lack of skills, political interference, and insufficient oversight mechanisms also contribute to the challenges faced by SOCs in South Africa (Gumede 2018). Over the course of time, several stakeholders, including the Presidency, the National Assembly,

corporate entities, civil society organisations, and ordinary individuals, have witnessed a decline in the condition of SOCs.

3.6.1 Poor corporate governance practises

Poor governance practices in South African state-owned companies have a significant impact on their performance and overall economic development (Daiser, Ysa and Schmitt 2017). These companies have been plagued by issues such as corruption, mismanagement of resources, lack of accountability and transparency, and political interference (Kikeri 2018). These actions have impacted the performance of companies and hindered their ability to effectively achieve their objectives (Kikeri 2018). These principles were extensively discussed above.

3.6.2 Lack of skills qualification and experience

In the examination of the qualifications of the former COO, the previous Public Protector released a highly critical report titled "*When Governance and Ethics Fail*." This report revealed concerning findings regarding the overall condition of corporate governance at the SABC. The aforementioned discoveries indicate the presence of significant corporate governance shortcomings at the SABC, which can be characterised as pathological. These flaws include the SABC Board's inability to fulfil its responsibility of offering strategic supervision to the National Broadcaster, as outlined in the SABC Board Charter and King III Report.

The Executive Directors, specifically the Group CEO (GCEO), COO, and Chief Financial Officer (CFO), did not adequately provide the required assistance, information, and direction to enable the Board to effectively fulfil its fiduciary duties. Additionally, Mr. Motsoeneng himself acknowledged his actions led the Board to make decisions that were both irregular and unlawful. The Board exhibited dysfunctionality and, throughout its tenure, enabled Dr. Ngubane to essentially assume the role of an Executive Chairperson by granting multiple pay increases to Mr. Motsoeneng. Further to this, Mr. Motsoeneng has been granted permission by consecutive Boards to act in a manner that surpasses legal boundaries, therefore diminishing the authority of the GCEO and leading to instances of illicit behaviour within the workforce, notably within the Human Resources and Financial Departments.

In a recent incident that has garnered significant attention, the shareholder minister has made amendments to the MOI of the SABC. These amendments provide her the authority to oversee the nomination, suspension, and firing of the CEO, COO, and CFO. Subsequently, the speaker proceeded to present the Broadcasting Amendment Bill, which, if approved, would grant her the authority to directly propose candidates for board positions to the president for appointment, thereby excluding the National Assembly from the oversight of this procedure.

3.6.3 Factors to minimise SOCs failure

Factors assisting to minimise state-owned companies' failure in South Africa play a crucial role in ensuring sustainable economic growth and development. These factors are effective governance and oversight, competent and skilled management teams, access to adequate financial resources, proper strategic planning and implementation, strong market positioning and competitiveness, efficient operations and cost management, continuous innovation and adaptation to changing market conditions, transparent and accountable decision-making processes, and a supportive regulatory framework (Bekwa 2023).

Its therefore important that SOCs must take cognisance of these factors since they can directly impact their performance and long-term viability (Myeza, Nkhi and Maroun 2021).

3.7 Stakeholders perspective on CG of SOCs

The importance of maintaining a good reputation is crucial for organisations as it plays a significant role in attracting and retaining customers, investors, and other stakeholders. Therefore, organisations must prioritize good CG to ensure transparency, accountability, and ethical conduct in order to build and maintain a positive reputation in the eyes of the public. In the context of South Africa, adherence to the King Committee reports and their recommendations on CG is essential for organisations to demonstrate their commitment to ethical practices and gain the trust and confidence of the public.

Organisations in the eThekwini metropolitan area can enhance their reputation and build trust among stakeholders by implementing good CG practices as outlined in the

King Committee reports. Organisations that fail to prioritize good CG may face negative consequences such as reputational damage, loss of stakeholder trust, and potential legal and regulatory ramifications. These consequences can have long-lasting and detrimental effects on an organisation's overall performance and sustainability. In summary, the adoption of good CG practices, as recommended by the King Committee reports, is crucial for organisations operating in the eThekwini metropolitan area to effectively manage their reputation, gain stakeholder trust, and contribute to the sustainable development of the region.

In the OECD Guidelines on CG of SOCs (SOC Guidelines), it is emphasised that the state ownership policy should have a comprehensive understanding of the duties of SOCs towards stakeholders. Additionally, the guidelines require SOCs to provide reports on their interactions with stakeholders (OECD 2020). Stakeholders have a crucial role in driving the adoption of corporate governance practises inside firms, since they provide as a significant source of motivation. According to the stakeholder theory, a thorough examination of an organisation's conduct towards its recognised stakeholders and the subsequent measures taken is essential for comprehending corporate governance (Zhua, Liub and Laic 2016).

The King Report emphasises the need of acknowledging and recognising the interests and requirements of stakeholders, particularly when making significant choices that impact them. The ultimate accountability of the board of directors lies with the company's owners. Hence, it is important for shareholders to assess the board's performance to the best of their abilities, through the exercise of their rights to nominate and dismiss corporate directors. The board of directors is essentially controlled by the shareholders. The governing body adopts a stakeholder-inclusive strategy in fulfilling its CG responsibilities. This may be accomplished by organising meetings with diverse stakeholders and actively identifying the stakeholders of the organisation to ascertain the areas of emphasis and direction that would optimise value.

3.7.1 Public perception on CG of SOCs in South Africa

The public perception of SOCs in South Africa is widely negative due to ongoing scandals within these entities, resulting in significant financial deficits, unqualified audit opinions, poor performance, frequent bailouts, high turnover rates, and numerous

resignations among board members and CEOs. These issues severely undermine sustainable CG practices (McGregor 2013; PwC 2011; IODSA 2011; Kanyane and Sausi 2015; Matsiliza 2017). Public perception regarding management of CG in SOCs at eThekwini metropolitan area is also crucial for building trust and confidence in the system. Without public trust and confidence, the effectiveness of CG in SOCs at eThekwini metropolitan area will be greatly diminished. Therefore, it is vital for the eThekwini metropolitan area to prioritize transparency and accountability in their CG practices to ensure that the public perceives their actions as ethical and trustworthy.

The eThekwini Municipality is among the eight metropolitans in South Africa with an annual budget of R39 billion. In order to ensure openness and good governance, effective leadership and well-defined policy frameworks are needed given the magnitude of the budget. Based on the preceding report from the AG, it is evident the eThekwini Municipality has encountered a series of unsuccessful attempts in attaining an unqualified audit opinion over multiple successive year (AGSA 2013).

It is imperative for the eThekwini Municipality to acknowledge and tackle this matter, while implementing efficient corporate governance strategies to facilitate the appropriate administration of public monies and restore public confidence in their financial undertakings. The dual governance structure in eThekwini Municipality poses significant challenges for the administration and management of municipal land (Bux, Anderson and O'Farrell 2021).

3.7.2 Implementation of CSR to gain positive public perception

Companies that actively implements and promotes CSR initiatives, have the opportunity to gain a positive public perception and enhance their corporate reputation, ultimately leading to increased profitability and long-term success (Botshe 2016). As suggested by Morsing and Schultz (2006), the dissemination of information about corporate ethics, social investments, and initiatives can elicit positive perceptions from stakeholders and government authorities. Joseph (2013) argues businesses have an opportunity to contribute to societal well-being and resource distribution through CSR practices, as highlighted by Jamali and Mirshak (2007).

However, Ramlall (2012) raises doubts regarding the actual effects of such socially responsible actions on society. He emphasises it is crucial for companies such as

Eskom not only to engage in CSR activities but also to actively measure their impact on the well-being and development of local communities they serve. Overall, CSR initiatives have a significant impact on various aspects of business, including brand loyalty, image and awareness, long-term commitment, and profitability (Anwana 2018).

The consequences were evident in claims of social and environmental injustice. Such allegations, whether valid or not, can significantly harm a company's reputation and lead to undesirable outcomes such as boycotts by consumers, attacks on company assets including the fleet, operational restrictions through new legislation and regulations, difficulties in attracting talented employees, and loss of employee support. One area where CSR is commonly applied is community engagement – a process wherein companies collaborate with individual citizens and community groups to address issues that impact their societal well-being (Bowen, Newenham-Kahindi and Herremans 2010).

The eThekwini metropolitan area focuses on issues on community participation in decision-making processes, job creation and skills development, environmental conservation, and social development. By actively engaging with the community and addressing these issues, businesses such as Eskom can build a positive reputation and strengthen their relationship with stakeholders. Abdulla and Aziz (2013) suggest the acquisition of a strong reputation by a business has the potential to provide a competitive advantage that may significantly impact customer satisfaction. Therefore, SOCs such as Transnet and Eskom should strive to maintain a positive reputation through their operations and projects, as it can contribute to customer satisfaction and ultimately enhance their competitive advantage. One of the examples of these projects at Transnet in the eThekwini metropolitan area, is the construction of the Durban Dig-Out Port, which aims to increase capacity and efficiency in handling container cargo. By investing in such projects, Eskom can similarly enhance its reputation and contribute to the economic development and growth of South Africa.

From an internal standpoint, the implementation of CSR is anticipated to serve as a source of motivation for employees and exemplify effective management practises and a shared organisational vision, ultimately leading to increased productivity (Royle 2005; Anwana 2018). According to Gradl and Knobloch (2010), adopting an external viewpoint in the

implementation of CSR is anticipated to result in the establishment of a favourable reputation for the firm within the community in which it operates.

This study aims to investigate the relationship between SOCs and their stakeholders by examining their attitudes towards CG practices. Specific focus will be placed on selected SOCs. The study will analyse the impact of corporate governance practices on the perception and trust of stakeholders in SOCs in South Africa, with the aim of identifying potential strategies for improving corporate governance and rebuilding trust in these entities. The findings from this study could potentially inform policy recommendations and actions to enhance the corporate governance practices of SOCs in South Africa, leading to improved trust and long-term sustainability of these organisations.

The establishment and enforcement of efficient corporate governance measures are of utmost importance for SOCs in South Africa to restore confidence among stakeholders and secure their enduring viability (Anwana 2022). South Africa has demonstrated a proactive stance in acknowledging the significance of effective governance in managing risks and promoting transparency. This commitment is exemplified via the adoption and implementation of corporate governance rules and codes of conduct, notably the King Report.

3.7.3 Public perception regarding CG of various SOCs

Stakeholders are categorised into different groups. According to a study conducted by Mehdi and D'Souza (2015), stakeholders can be classified as either internal or external. On the one hand, internal stakeholders include managers, shareholders, company employees, and labour unions. On the other hand, external stakeholders consist of the general public, such as customers, communities, governmental bodies and regulatory agencies, as well as suppliers, competitors, and advocacy groups.

These classifications help to determine the level of influence and interest that each group has in an organisation's decisions, policies, and operations (Mkhize 2018). Furthermore, King IV CG guidelines emphasise the importance of identifying and managing stakeholders effectively, to ensure the long-term sustainability and success of a company. To establish effective stakeholder engagement strategies, it is crucial for organisations to properly identify and categorise their stakeholders.

3.7.3.1 South African Broadcasting Corporation (SABC)

The SABC has had a long and painful history, but still remains dedicated to stakeholder involvement. For years, the company was an ambassador for the apartheid government, but after 1994, when South Africa became an inclusive democracy, it was still a sustainable organisation. This service broadcaster, which is required by law to be universally accessible, has a duty to be universally appealing, pay attention to the needs of the minorities as well, and to contribute to a sense of community and a sense of national identity (Nyembezi, Rootman, and Tait 2019).

Although the Broadcasting Act was not implemented until 1999, the political will was strong enough to protect the broadcaster. The SABC enjoyed the benefits of being relatively stable, and financially viable. Therefore, such advantage was used by this company to commission high-quality dramas such as "Isidingo," "Generations," and "Yizo Yizo." Senior journalists produced its news and current affairs programmes, such as “Special Assignment” and it had a group of investigative reporters.

According to Section 8a of the Broadcasting Act of 2002, the SABC is mandated to offer a broadcasting service that accurately reflects the diverse population of South Africa. In order to meet this responsibility, the SABC requires enough resources and a secure financial system. Fourie (2003) and Mendel (2011) have argued that the allocated funds should be sufficient to enable the SABC to fulfil its legislative obligations, which encompass a wide range of activities. These responsibilities include providing broadcasting services in 11 different languages and catering to the specific requirements of those who are deaf or blind.

The SABC effectively caters to a vast number of South African individuals by providing content in their respective native languages. The presence of a robust physical infrastructure enables a significant portion of the population to reside in a nation grappling with issues of inequality. With its array of 19 radio stations and four television channels, this media platform is more adept at safeguarding the interests of the people in comparison to other forms of media.

Ukhozi FM, the largest radio station operated by the SABC, has a significant impact on the everyday lives of about 7.7 million individuals in South South Africa. However,

there was a noticeable shift in the landscape, leading to a decline in the market share of the broadcaster and commercial success. This was primarily due to the emergence of numerous community and regional commercial radio stations, the introduction of a new free-to-air broadcaster called etv, and the availability of more affordable packages from DSTV, a direct broadcast satellite service operating in SSA.

These developments were specifically targeted towards the expanding black middle-class demographic. Simultaneously, the broadcaster was subject to politicisation. The organisation began to see instances of CEOs departing from their posts before to the completion of their designated tenure, sometimes accompanied by substantial financial compensation packages. President Thabo Mbeki started utilising the SABC as a medium through which he might be safeguarded. The Sisulu Marcus Report, published in 2006, brought to light the broadcaster's practise of blacklisting commentators who expressed unfavourable views towards the individual in question.

The SABC allegedly attempted to conceal a video clip depicting the vocal disapproval directed against Deputy President Phumzile Mlambo Ngcuka. The prevailing culture of censorship persisted via the implementation of restrictions on the dissemination of information on protection from violence, as well as the enforcement of a need to exclusively present favourable stories concerning President Jacob Zuma. Chapter IV of the Broadcasting Act (1999) is established in opposition to the interests of the South African people. The primary objective of the SABC as a public service broadcaster was to serve as a practical platform for the comprehensive and equitable protection of individuals' Constitutional rights, namely the rights to freedom of expression and access to information.

In the context of a growing nation such as South Africa, public broadcasting, namely radio, assumes a crucial role in disseminating pertinent information that holds significance in the daily lives of the general populace. The platform has the capacity to fulfil the informational requirements of the South African population, while also catering to the needs of minority groups, whose initiatives may not yield financial gains. Therefore, a public service broadcaster that adheres to its guiding principles has the potential to enhance national identity and coherence, as well as foster a feeling of community within a vulnerable nation.

The SABC, as with the nation it represents, embodies a multitude of paradoxes. While it is true individuals exist with malicious intentions within this particular organisation, it is important to acknowledge the presence of several individuals who exhibit commendable qualities and contribute positively to its functioning. The continued existence of the broadcaster can be attributed to the presence of kind individuals. In order to safeguard its political and economic interests, it is imperative for the government to allocate the necessary financial resources to the SABC to mitigate its ongoing financial crisis. Recently, there has been criticism directed at them for their failure to acknowledge the concerns of their stakeholders in their choice to refrain from airing movies that may be distressing to their audience. This decision was made amidst a social protest led by unhappy citizens who resorted to burning schools in the Limpopo province.

The SOCs have been documented as breaching their obligations towards stakeholders, and the absence of accountability and transparency in their operations has exacerbated the strained relationship between the SOCs and its stakeholders. However, it is important to note that the social responsibility provided by these organisations to society carries significant credibility for these institutions, notwithstanding the absence of any cash collected from consumers. Furthermore, each SOC establishes its own objectives for corporate governance, which undergo regular monitoring and periodic revisions.

The latest modifications in the legislative and regulatory framework pertaining to the SABC have significantly enhanced stakeholder satisfaction levels. The SABC has implemented a significant increase in the mandated proportion of local content for television and radio broadcasts, raising it to 90 percent. The decision received praise from artists and the Department of Arts and Culture, due to the anticipated rise in royalties for their music and stories being broadcast on radios and television, as opposed to the allocation of increased royalties to international musicians. The stakeholder theory places significant importance on the board of directors' responsibility to consider the values, attitudes, and expectations of their primary stakeholders. In this context, a stakeholder refers to any individual or group that possesses a vested interest in the company and has the potential to influence or be influenced by the company's objectives (Mehdi and D’Souza 2015).

The comprehension of SABC about the influence of stakeholder interactions on its responsiveness, sustainability, and corporate reputation is evident in its annual report for the year 2020. In this context, a concerted effort was made to engage in cooperation and establish consistent communication with important stakeholders in order to establish enduring relationships. During the period being evaluated, the organisation strategically focused on certain stakeholder groups in order to identify suitable partners for collaboration. The entities encompassed within this category include governmental organisations, the business sector, foreign organisations, civil society, and employees of the SABC.

The broadcaster collaborated with the IEC, in order to organise and execute roadshows in all nine provinces. The primary objective of these initiatives was to provide political parties and their constituents with educational resources pertaining to the forthcoming National Elections, as well as to disseminate SABC coverage strategies. Concurrently, the roadshows afforded the targeted stakeholders with an occasion to voice their issues and inquiries pertaining to the distribution of press coverage allocated to the political parties.

Reflecting on the abovementioned stakeholder engagement projects at the SABC clearly indicates a lack of financial sustainability, which leaves a crucial question to be examined, why the company is still encountering difficulties in remaining afloat financially. The next section will explore factors influencing SABC financial sustainability.

3.7.3.2 Transnet

Transnet SOC Ltd (hereafter referred to as Transnet or the Company) actively organisation. This engagement serves the purpose of addressing critical aspects of the SOC’s corporate strategy and operations, as well as fostering development of relational capital. Transnet ensures stakeholder engagement practices actively align with the Company's strategy and business operations, therefore, enhancing risk management, bolstering reputation, and fostering sustainable commercial value.

Transnet maintains ongoing engagement with many parties. In the year 2019, there was a noticeable rise in the recognition of the importance of engaging stakeholders. This period, spanning from April 1, 2018 to March 31, 2019, is referred to as the 2019

financial year in this report. The recently appointed Board of Directors has been diligently striving to restore and enhance the trust of Transnet's stakeholders. • They hosted their first stakeholder breakfast with financial institutions, investors, business organisations and the media to update the South African public on the status of the Company, to emphasise their commitment to transparency and good governance as well as their commitment to stabilise Transnet.

• The Board further held a number of employee engagement sessions. The purpose of these sessions was to share their vision as well as to provide a platform through which employees can engage with the leadership.

Transnet's reputation was negatively impacted by allegations that questioned the integrity of its governance mechanisms, leading to a challenging working environment. In 2014, Transnet made an announcement on the awarding of a contract for R50 billion for the construction of 1,064 locomotives. The contract was divided among four train makers (Faull *et al*. 2014; Staff Reporter 2014a; Staff Reporter 2014; Bhorat *et al*. 2017). The contract was given to four businesses: Bombardier, General Electric, China North Rail, and CSR.

The Gupta family and Duduzane Zuma represented these companies (Faull *et al.* 2014; Bhorat *et al*. 2017). NUMSA highlighted issues regarding patronage and conflict of interest related to the contracts, which were subsequently brought to the attention of the Public Protector. NUMSA expressed dissatisfaction with the use of the contracts, alleging that they were employed to financially benefit a certain minority group consisting of commercial and political elites. According to Faull *et al*. (2014), NUMSA (2015), and Bhorat *et al*. (2017), it has been observed the concerns raised by NUMSA were supported by media reports, which alleged that Iqbal Sharma, an individual associated with the Gupta family and responsible for overseeing the tender allocation, stood to gain from the tender as well (Faull *et al*. 2014; Staff Reporter 2014a; Bhorat *et al*. 2017; Sharife 2017; Skiti 2017).

Sharma's appointment to the Transnet board was made by the former Minister of Public Enterprises, Malusi Gigaba (Faull *et al.* 2014; Skiti 2017; Staff Reporter 2017b). Gigaba's initial intention was to designate Sharma as the chairwoman of the Transnet board. However, this proposal did not receive Cabinet approval due to

concerns over Sharma's close association with the Gupta family (Bhorat *et al.* 2017). Subsequently, a novel body inside the Transnet board, known as the Board Acquisition and Disposals body, was created, with Sharma elected as its head. (Bhorat *et al*. 2017)

Negative responses and consequences were also documented in relation to voice and responsibility, which are linked to instances of financial mismanagement, detrimental business reputation, and erroneous assumptions. Adverse responses and consequences were clearly documented in SABC news pieces, alongside other news sources. According to Ntshangase (2017), the literature has substantiated the presence of adverse governance concerns associated with Eskom. The inadequacy of any of these resources will have detrimental effects on Eskom's operational efficiency.

The value chain of the SOC encompasses several crucial activities, including the production, transmission, distribution, and commercialisation of energy. Additionally, the SOC is responsible for the development of new power generation infrastructure and networks (Eskom 2018). According to Eskom (2018), the aforementioned critical functions are facilitated by competencies in finance, human resources, procurement, risk and sustainability, IT, telecommunications, stakeholder management, and corporate communications. Hence, it can be inferred issues pertaining to governance inadequacy are linked to the World Governance Indicators (WGI), in relation to voice and accountability. Transparency may also be fostered through informal mechanisms, such as stakeholders engaging in regular interactions and maintaining frequent discussion.

> "Frequent meetings that are held between the board, senior management and relevant departmental officials on the performance and strategic issues facing the enterprise, effectively maintains a 'no-surprises' approach between parties and enables departmental officials to provide timely and informed advice to ministers. Ministers will also face scrutiny through practices that promote continual accountability" (PWC 2011).

Principle 16 of the King Code report deals with an inclusive stakeholders' approach.

3.7.3.2 Eskom

The majority of stakeholders express a desire for the energy transition in South Africa to encompass principles of justice and sustainability. This includes ensuring universal and equal access to energy resources, as well as fostering economic possibilities accessible to all members of society. Currently, the situation does not align with the aforementioned assertion. According to the WEF (2014), South Africa's ranking in terms of preparedness for a sustainable energy transition is positioned at 114th of 115 nations.

Numerous specialists in the energy industry contend the prevailing problem, along with its preceding occurrences, may be attributed to the systemic malfunction of a vertically integrated monopoly, which is inherently linked to elevated costs. In addition, Eskom has impeded the participation of emerging entities and sustainable technologies in the industry by leveraging its monopolistic authority to enact anti-competitive measures, thereby hindering the progress of independent power contracting initiatives and undermining municipal distribution systems. The lack of transparency and accountability commonly observed in monopolistic entities has manifested in Eskom, fostering a climate conducive to the proliferation of corruption and maladministration.

Eskom has emerged as a central figure in the narrative of state capture in South Africa, with the Portfolio Committee on Public Enterprises investigation into charges of state capture at Eskom, as well as the 'Zondo Commission', shedding light on the intricate aspects of this phenomenon.

This study aims to investigate the factors contributing to stakeholders' perceptions. The management of Eskom has faced significant criticism from both the corporate community and the general public since 2008, mostly as a result of the electrical shortages that started in 2007. During this era, the occurrence of load shedding had a notable negative effect on enterprises and productivity. Gigler and McMillan (2018) conducted research in which they computed the net present values of operational profit for enterprises categorised as energy-intensive and moderately energy- intensive. This study provides evidence in support of the aforementioned claim. The study primarily examined companies operating in the mining sector, where electricity constitutes a significant portion of the manufacturing process. However, the researchers extended their analysis to project data trends until the year 2041.

According to Gigler and McMillan (2018), the enterprises experiencing the most significant decreases in operating profit were those with high energy consumption, specifically Evraz Highveld Steel (17.1 percent), Implats (14.1 percent), and PPC (12.4 percent). These findings were derived by extrapolating data under a high-tariff scenario (Gigler and McMillan 2018)

Since 2008, there has been a notable escalation in the cost of power. According to the principles of economic theory, an optimal price is one that aligns with the marginal cost, as stated by Pindyck and Rubinfeld (2013). Contrary to the user's assertion, it might be argued that Eskom, being a monopoly, possesses the ability to exert control over the pricing of power. Since 2008, Eskom has consistently submitted requests for rate hikes, citing the need to prevent power disruptions as its primary justification. Altman (2008) argues that Eskom's anticipated price hikes go beyond what is necessary to retain confidence with its creditors and allow for excessively rapid returns of loan money.

The public's view of Eskom has experienced a decline throughout the course of time. The reasons for this situation are not attributed only to the occurrence of blackouts, but also to the extensive level of financial support provided to Eskom, wherein the state assumes responsibility as a guarantee for its debt (Liu *et al.* 2017). Eskom has been provided with equity infusions, loans from the government, and access to the capital market. Based on the findings of the DBSA (2012), Eskom has been able to get access to a wider range of financial resources, including but not limited to the African Development Bank, export credit agencies, commercial paper, and several other funding avenues.

In 2008, the Minister of Public Enterprises at the time, Alec Erwin, made a declaration about an R60 billion equity infusion into Eskom. This decision was made subsequent to the approval of Eskom's rate hike by NERSA (IOL 2008). The approval of a sum of R60 billion was granted with the purpose of facilitating Eskom's recuperation of its primary energy expenses within a span of five years. This implies that the government infused funds or money into Eskom's financial statement with the intention of enhancing the utility's appeal and facilitating greater access to borrowing. When questioned by the media, the Minister was noncommittal in response to inquiries about the potential impact of this injection on Eskom's development plan. He said that there

was a lack of clarity regarding the specific purpose of this injection, emphasising that it primarily served as shareholder support (IOL 2008).

The corporate conduct policy of Eskom is founded on 10 ethical principles, which are intended to empower workers in all roles and capabilities. These principles serve as a foundation for promoting ethical behaviour in work interactions and among stakeholders (Miles 2019). According to Potts and Matuszewski (2004), as cited in Mokoena (2005), there exists a belief that ethics should be deeply embedded into the organisational culture. Consequently, it is imperative for the board to possess knowledge or actively promote an understanding of the significance of corporate ethics and values. As a vital principle in CG, the OECD (2005) states significant shareholders, including the coordinating or ownership entity

> "should not make any abusive use of the information they might obtain as controlling shareholders or board members. For non-listed SOCs, other shareholders are usually well identified and often have privileged access to information, through board seats for example."

To this end, the following information should be disclosed as per the guidelines of the OECD (2005):

Currently, SOCs have garnered significant attention due to the government's increasing focus on promoting good governance. According to Wan Abdullah *et al.* (2015), the existing body of analytical disclosure literature suggests achieving complete disclosure is not feasible within an equilibrium. However, they emphasise the significance of enhancing stakeholder confidence, in terms of CG compliance for a company.

The State Capture Report of 2016 highlights concerns raised by the public protector regarding the control and management of executive remuneration (bonuses) for board members, as well as the quality of financial statements and disclosed information by SOCs. These concerns have prompted proposals for the reform of CG (Public Protector 2016). Hence, SOCs have the potential to enhance transparency and accountability by implementing timely and dependable reporting mechanisms, as well as conducting rigorous audits to evaluate their performance. This proposal suggests expanding the scope of reporting beyond only financial reporting to integrated

reporting, wherein SOCs would serve as exemplars for implementing effective reporting practises. This can also facilitate the development of trust and integrity within the government and the wider community, while encompassing stakeholders as well (Matshiliza 2017).

The idea behind the formulation of a practise suggestion in the King Code acts as a guiding framework for companies, providing direction on the objectives they should aim to accomplish via the implementation of said practise. However, the application is voluntary. The King IV Report of 2016 states principles are constructed in a hierarchical manner, with each principle built on the foundation of the preceding one (King IV Report 2016). The third iteration of King's principles had a total of 75 guiding tenets. The set of 75 principles outlined in King III has been superseded with a revised set of 17 principles in King IV. The primary distinction between King III and King IV lies in the presumption of the application of principles in King IV. The primary aim, as stated in the 2016 King IV Report, is to improve and strengthen the practise of good governance.

Hence, it is imperative for the board of directors to consistently integrate attributes of CG into their behaviour. The objective of this study is to analyse the extent of CG in SOCs. The directors bear the obligation and are held accountable for making decisions grounded in principles of honesty, competence, accountability, and fairness, as well as openness.

Considering the circumstances, it is evident effective CG primarily revolves around ensuring compliance. Good governance entails the establishment of mechanisms to protect shareholder interests and mitigate any conflicts of interest (Mbambo 2017). In adhering to the national mandate of creating these companies, it must ensure they promote socio economic transformation in South Africa. The next section will focus on examining the role played by these companies in facilitating economic growth and development within the country.

3.8 The role of South African SOCs in promoting socio economic transformation

SOCs in South Africa play a crucial role in promoting socio-economic transformation. They are instrumental in driving the government's agenda of economic inclusion,

particularly for historically marginalized communities (OECD 2018). These companies, owned at least partially by the State, provide public services such as telecommunications, transport, water, and electricity. The role of these entities is crucial in addressing the infrastructure gaps in South Africa and promoting economic growth. By investing in and managing infrastructure projects, SOCs contribute to the creation of jobs, enhancement of connectivity, and improvement of public services (Owen 2013).

Various SOCs, including Eskom, Telkom, PRASA, and Portnet, as well as Petronet, play a crucial role in the progress of urban infrastructure and have the potential to significantly impact urban development by controlling transportation systems, in addition to infrastructural and communication networks. Managing and maintaining these systems effectively is essential to ensure the success and sustainability of cities. Therefore, promoting sustainable and integrated urban development requires collaboration among these organisations to optimise efficiency in urban infrastructure delivery, while meeting the needs of an expanding population.

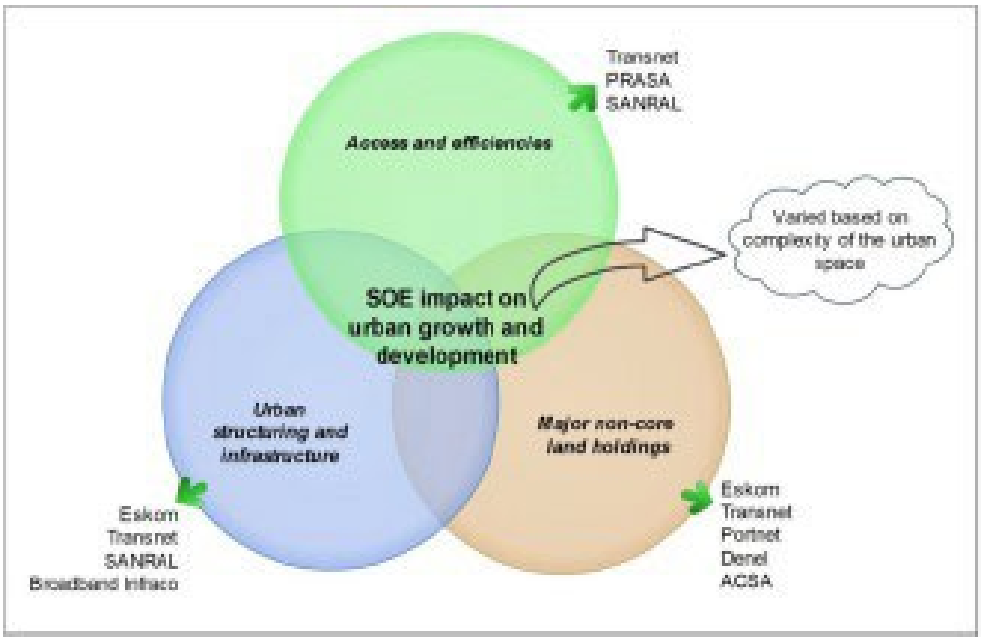

Figure 3.4: SOC impact on urban growth and development

Source: Owen (2013)

In South Africa, transformation is perceived as the substance to address the country's socio-economic problems and their related impact on various sectors and the economy at large. Transformation is typically driven by a combination of regulatory

requirements, adherence to international standards, and the pursuit of best practices. Furthermore, transformation is also driven by the need to address social inequalities, promote inclusivity, and ensure equal access to resources and opportunities for all members of society.

The integration of sustainable practices in urban infrastructure is crucial for the long-term viability and resilience of cities. These infrastructure projects are crucial for addressing disparities in the market and providing vital services such as energy, transportation, and water that enable urban areas to flourish. Hence, it is imperative for different organisations involved in funding and implementing large-scale public transport infrastructure projects, to collaborate effectively, while ensuring equity through access and quality of social services to all citizens (Raseala and Mashamaite 2018).

Macroeconomic policies introduced by the government such as the RDP, the GEAR, the ASGISA, the NGP as well as the NDP, with more than 25 years of democratic governance, informs the South African response to socioeconomic issues (Mosala, Venter and Bain 2017). To rapidly accelerate growth and investment, most scholars highlighted government should stipulate public policy objectives aimed at invoking growth and development. Therefore, there is a need for the government to delineate its transformation goals for a particular sector, making it much easier for both private and public entities to select and craft its implemented strategies to accomplish indicated goals.

The ANC government has acknowledged economic transformation as an important element of turning the country into a non-racial, non-sexist, shared and democratic South Africa. In consideration of the earliest ideology entrenched in the Freedom Charter, specifically in the National Democratic Revolution (NDR), on how to accomplish transformation is expressed twofold. In the first instance, transformation can be achieved radically by allowing political dominance to be transferred into economic power through the process of nationalisation. Second, by adopting a more liberal approach, where macro-economic development and growth of company earnings are promoted, rather than radical redistribution. Different scholars, as indicated by Mosala *et al.* (2017), agree the NDR should be a foundation of policy formulation approach by the government. These policies were crafted to rectify past

economic imbalances. Furthermore, promulgation of various pieces of legislation complemented these policies. Some of these legislations include: the Employment Equity Act, 1998, the Mineral and Petroleum Resources Development Act (MPRDA), 2002, and the Broad-based Black Economic Empowerment Act (B-BBEE), 2003.

Notwithstanding all these policies, as well as relevant legislation that influenced NDR principles, inequality, poverty and unemployment still prevail in South Africa. This is evidenced by various service delivery protests and mass actions in different sectors particular to SOCs. The types of violence reported in protests for service delivery include intimidation (33 percent), personal attack (27 percent), damage to property (19 percent), arson (14 percent) and looting (seven percent), while grievances cited between 2012 and 2016 reported in the popular media include municipal services (58 percent), party political (15 percent), governance (14 percent) and socio-economic challenges (12 percent) (Ngcamu 2019).

3.8.1 Socio-economic challenges in South Africa

Socio-economic challenges in South Africa, such as information asymmetry and corruption in state enterprises, have posed significant obstacles to infrastructure development and economic progress (Madonsela 2019). Addressing these challenges requires a coordinated effort from various stakeholders, including the government, SOCs, and private sector organisations.

South Africa continues to be a dual economy with high and persistent inequality rates, ranking among the highest in the world (Mtapuri and Tinarwo 2021). This inequality is exacerbated by exclusionary practices and an economic growth model that lacks a pro-poor focus and fails to generate enough employment opportunities. Furthermore, wealth disparities are even more pronounced, leading to limited intergenerational mobility, as inequalities tend to persist over time without significant change. An enabling environment that supports renewable energy investments and job creation is crucial for addressing the economic challenges and social inequalities in South Africa (Madumi 2018).

SOCs play a crucial role in addressing various socio-economic challenges and promoting development (Qhobosheane 2018). To address the challenges faced by South African network industries, it is important to prioritise certain interventions.

These include implementing efficient economic regulation, upgrading and maintaining infrastructure, ensuring access to quality services, and improving SOC management. Furthermore, it is important to maintain a balanced supply-demand ratio and meeting the country's economic growth and human development needs. The current situation in South Africa is marked by significant unemployment rates and widespread corruption, which pose a threat to the country's financial and economic stability. Despite ample research documenting the role of SOCs, there seems to be insufficient action taken to address their mismanagement, which further jeopardises sustainable development in South Africa

Based on the findings of StatsSA (2023), it was observed in the year 2022, South Africa experienced a decline of 0.7 percent in its real GDP during the second quarter (Q2 2022), following two consecutive quarters of positive growth. The fall in the national economy was exacerbated by the severe floods in KZN and implementation of load shedding, further undermining an already fragile economic state that had just achieved pre-pandemic levels of recovery.

The power, gas and water delivery industries experienced significant disruptions in economic activity mostly as a result of load shedding caused by insufficient generating capacity. The water supply had interruptions as a result of both the floods in KZN and the drought in the Eastern Cape.

The economy experienced a prolonged recovery period of more than two years following the adverse effects of the Covid-19 pandemic. It was not until the first quarter of 2022 that the real GDP managed to regain its pre-pandemic levels (Figure 2). The period of economic recuperation was of limited duration, as seen by the 0.7 percent contraction in the second quarter of 2022, which caused the GDP to go below the pre-pandemic level of R1 148 billion, recorded in the fourth quarter of 2019 (StatsSA 2023).

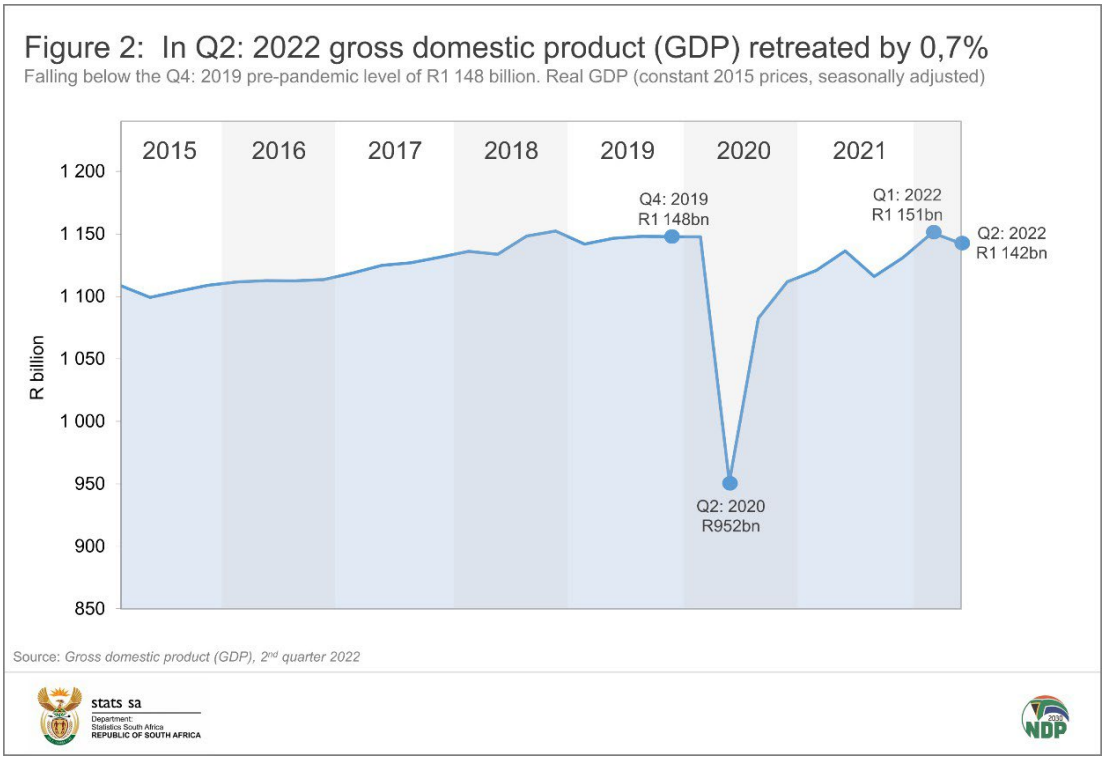

Figure 3.5: GDP 2022 Q2

Source: StatsSA (2023)

Load shedding has a significant influence on several facets of the South African economy. This includes decreased productivity in industries and businesses due to interrupted power supply, increased operational costs for companies that require continuous electricity, reduced investor confidence due to unreliable energy supply, and potential job losses as businesses struggle to operate during power outages. Load shedding also affects the daily lives of individuals, as it disrupts household activities such as cooking, heating, and lighting. Furthermore, the economic consequences of load shedding extend beyond immediate impacts. They can have long-term and catastrophic effects on the country's economic growth.

South Africa's GDP has recovered to pre-pandemic levels, but employment remains below the 2019 figure (Bhalla, Bhasin and Virmani 2022). As of Q2 2023, there were still around 74,000 fewer jobs compared to the end of 2019. Women and youth are particularly affected by this situation. Inequality in South Africa remains one of the highest globally, with poverty estimated at 62.6 percent in 2022 based on the upper-middle-income country poverty line - a slight decrease from its peak during the pandemic (Bhalla, Bhasin and Virmani 2022). The increasing social demands for government support pose a risk to public finances' sustainability if they are fulfilled.

Despite a favourable global environment, South Africa's domestic challenges significantly impacted its GDP growth. The country experienced a decline in economic expansion from 4.7 percent in 2021 to just 1.9 percent in 2022 due to increasing severe constraints (Van Niekerk and Viviers 2014; Hausmann, et al 2023).

As a result of increased load-shedding and transportation constraints, manufacturing production remained stagnant, whereas the mining sector witnessed a decline in output. Nevertheless, it is worth noting that the expansion of the economy was significantly influenced by the banking, transport, personal services industries, and domestic commerce. Despite this positive trend, the labour market continued to be weak. The employment ratio saw a slight increase from 35.9 percent in September 2021 (during the pandemic) to 39.4 percent at the end of 2022 and further rose to 40.1 percent in the second quarter of 2023. To address these challenges, the Covid-19 Social Relief of Distress Grant was extended until March 2024, after being initiated in May 2020 (Ranchhod and Daniels 2021).

Moreover, the socioeconomic challenges were exacerbated by the increase in fuel prices and inflation rates for staple goods such as bread and cereals. This had a disproportionate impact on individuals with lower incomes, specifically those in the bottom 20 percent. Inflation averaged approximately 6.9 percent overall, revealing cyclical patterns across different income segments of society; however, it reached 8.2 percent for those at the least advantaged end of the income distribution spectrum (Nkosi and Govender 2022).

3.8.2 Alignment of NDP to the United Nations and African Union Sustainable Development Agendas

State owned companies in South Africa can play a significant role in achieving the goals outlined in the National Development Plan and aligning with the United Nations and African Union Sustainable Development Agendas. These companies can contribute to sustainable development by implementing environmentally friendly practices, investing in renewable energy sources, promoting social and economic inclusion, and supporting local communities (Busari and Ndlovu 2012). Additionally, state-owned companies can also play a crucial role in driving economic growth and job creation, particularly in sectors that align with the priorities of the National

Development Plan and the United Nations and African Union Sustainable Development Agendas (Efobi, Belmondo, Orkoh, Akinyemi, and Beecroft 2018:2884).

It is important to note, however, that simply aligning national development plans with the Sustainable Development Goals is not enough (Sultana, Endut and Hussain; 2021). Countries must also prioritise effective implementation and monitoring of progress. This requires robust data collection and analysis, strong governance structures, adequate financing, and active engagement of all stakeholders, including the government, civil society, private sector, and local communities (Mubecua and David 2019).

Socio-economic transformation in South Africa can be achieved through aligning SOCs operations with sustainable development goals, promoting inclusive growth, reducing inequality, and prioritizing education and training as key priorities. This can be done by strengthening the governance and accountability mechanisms of state-owned corporations, promoting transparency and integrity in their operations, and ensuring that their activities are aligned with the principles of sustainable development (Gazzola, Pezzetti, Amelio and Grechi 2020). By doing so, state-owned corporations can play a crucial role in driving socio-economic transformation in South Africa, creating opportunities for employment and economic growth, and addressing key issues such as poverty elimination and inequality (Mubecua and David 2019).

3.9 Conclusion

Numerous academics have emphasised the need for effective CG, particularly in light of the financial and economic crisis experienced by numerous corporations in 2008, as well as notable instances of corruption, extensive resource mismanagement, and bankruptcy (PwC and IODSA 2011).

The chapter discussed instances of CG mishaps and failures, which highlight the abuse of SOCs in impeding resource allocation and hindering the potential of both the public and private sectors. The purpose of discussing these corporate scandals was to emphasise the significance of CG in SOCs and the repercussions from failing to adhere to its principles.

Generally, the improvement of governance in SOCs has been slower compared to the private sector, both inside South Africa and abroad. The discourse thereafter delved into the evolutionary trajectory and historical context surrounding the CG of SOCs in South Africa. This encompassed an examination of the inaugural King Report in 1994, up until the most recent iteration of the King Report in 2017.

Various theories of CG have been created to address the issue of board of directors' accountability and methods for its determination. These ideas have provided insights into the development of CG. The discourse mostly revolved around both domestic nations and the global sphere. Over the past two decades, a variety of management strategies and practises have been widely accepted and applied by the majority of governments, with the aim of restructuring public administration (Gumede and Dipho 2014). Since the onset of the 1990s, individuals in South Africa from various political and professional backgrounds have consistently conveyed deep concerns regarding the management of SOCs and the state of CG.

CHAPTER FOUR
RESEARCH METHODOLOGY

4.1 Introduction

The previous chapters discussed a comprehensive literature review on public perceptions regarding the management and CG of SOCs in South Africa, with several key challenges identified. The aim of this chapter is to give an overview of the methods and approaches used in conducting this study. Research involves a thorough and deliberate exploration for knowledge and understanding of both social and physical phenomena. According to Howell (2013), methodology refers to the overall research strategy that outlines how the project should be carried out and which methods should be utilized. The main purpose of research methodology is to address the research questions (Kumar 2014; Pandey and Pandey 2021). The research design of this study involves a combination of qualitative and quantitative methods, allowing for a comprehensive analysis of the corporate governance practices and perceptions in state-owned company in the eThekwini metropolitan area.

It is important to note that this section provides an outline of the methods and procedures employed in this investigation. Convergent parallel mixed-methods was the selected approach, encapsulating both qualitative and quantitative strategies. Therefore, using this method the researcher was able to collect both qualitative and quantitative data. Data was analysed individually and independently, using analytic techniques mentioned below. Thereafter, the results were merged and compared for further analysis, in order to validate and collaborate them to produce a better understanding of the study (Creswell and Plano Clark 2011).

The use of convergent parallel mixed methods helped the researcher of this study to achieve the most accurate results in terms of public perceptions of SOC management and CG in South Africa.

This chapter is divided into various sections that address the study purpose, research design, philosophy, methods and research setting, along with delineation, population and targeted population, sampling, data collection, pilot study used administration of

research, data analysis, validity and reliability of instruments used as well as procedures and ethical consideration.

4.2 Research philosophy

The research onion framework, developed by Saunders, Lewis, and Thornhill (2016), provides a concise visualisation of the interconnection between philosophical paradigms and research strategies. This model outlines a structured approach, starting from the outermost layer of philosophical orientation and progressively unfolding inward to determine the research approach, strategy, and specific techniques and procedures. The linkage between paradigms and research strategies has been further elaborated upon by scholars such as Bryman, Lincoln, Guba, and Parkhe (1993). Accordingly, the researcher employed this conceptual framework to guide the study.

The concept of research paradigm is fundamental to the understanding of the various approaches and methodologies employed in the pursuit of academic and scientific inquiry. This study has considered such research paradigms. At the core of a research paradigm lies three interrelated components: ontology, epistemology, and methodology (Assalahi, 2015).

Ontology refers to the nature of reality and the assumptions about the way the world operates (Assalahi, 2015), (Trownsell 2022). Researchers with different ontological beliefs will have divergent perspectives on the phenomena they study. For instance, a positivist ontology assumes that there is a single, objective reality that can be observed and measured, while an interpretivist ontology holds that reality is socially constructed and multiple. Therefore, the assumption in this study is that state owned companies in South Africa are a reality that can be observed and measured to some extent but also acknowledges that public perceptions are socially constructed based on individual experiences and perspectives.

Epistemology, on the other hand, concerns the nature of knowledge and how it can be acquired. Positivist epistemologies believe that knowledge is objective and can be accessed through empirical observation and testing, while interpretivist epistemologies view knowledge as subjective and influenced by the researcher's own biases and

perspectives (Saliya, 2017), (Schmitt 2017), (Saliya 2023). Therefore, the inclusion of both positive and interpretivist elements in this study suggests that a pragmatic research paradigm may be appropriate, as it allowed for the combination of quantitative and qualitative methods to provide a more comprehensive understanding of the research problem (Kaushik and Walsh 2019).

The methodology component of a research paradigm encompasses the specific approaches, techniques, and tools used to gather and analyse data (Omodan 2024). The two main philosophical perspectives are positivism and interpretivism. Positivism, which aligns with the quantitative research method, is a realist approach that enables researchers to adopt a rational approach to justify theories, hypotheses, or variables under investigation. This paradigm involves an arrangement where the researcher and participants engage in an interview, with observations used to elicit the necessary information for the experiment, allowing the researcher to draw inferences (Borrego, Douglas and Amelink 2009; Ramukumba 2014). In contrast, interpretivism, which corresponds to the qualitative research method, is a constructivist approach that emphasizes the subjective experiences and interpretations of individuals. This paradigm focuses on understanding the complex world of lived experience from the point of view of those who live it. The mixed-methods approach utilised in this study integrates the strengths of both the positivist and interpretivist paradigms, allowing the researchers to capture a more comprehensive understanding of the research problem. The subsequent section will examine the inner layers of the research onion framework (Ryan 2018), detailing the design and methodological approaches employed to implement the mixed-methods research strategy.

4.3 Research Design

According to Creswell and Plano-Clark (2011) and Creswell and Creswell (2018), “a research design is the ‘procedures for collecting, analysing, interpreting and reporting data in research studies”. It is a strategy used by the researcher to address the research problem through the integration of several aspects in a consistent way. Furthermore, it enunciates the techniques used to collect data, answer the statements, as well as address objectives that direct the study.

In research, there are different types of research designs such as descriptive, exploratory, correlation, survey, as well as explanatory designs. Therefore, this study is both descriptive and exploratory in nature. According to Lelissa (2018) descriptive research identifies the characteristics of variables, provides facts and reveals reference to the event or the organisation. Subsequently, answering the questions of what, how and why the events of occurred, and providing information that can be vital prior to considering corrective steps or changing practices. It is also exploratory as it seeks to explore and understand the topic in general through conducting in-depth interviews with the corporate governance experts. As stated above the research design outlines the overall structure and objectives of the study, addressing the fundamental questions of "what" is being investigated and "why" it is important. In contrast, the research methodology focuses on the practical implementation aspects, detailing the specific "how" of data collection and analysis techniques. The subsequent section delved into the details of the research methodology employed in this study.

4.4 Research methods

A research strategy (or methodology) describes the systematic process of how research is conducted to solve an inquiry problem. The researcher chose to utilise both quantitative and qualitative methods to gain a complete understanding of public perceptions and obtain detailed insights. By employing a mixed methods approach, the study was able to comprehensively analyse public perceptions of corporate governance (Dizon, Grimmer and Kumar 2011). A convergent parallel mixed-methods design was used in this study. Prescott (2019) states in convergent parallel design, qualitative and quantitative data are collected and analysed independently and given equal priority in answering the research question. The convergent design is best suited

for obtaining different but complementary data on the same topic overcoming weaknesses of one method and developing a more complete understanding of the research problem (Mark and Sylivia 2022).

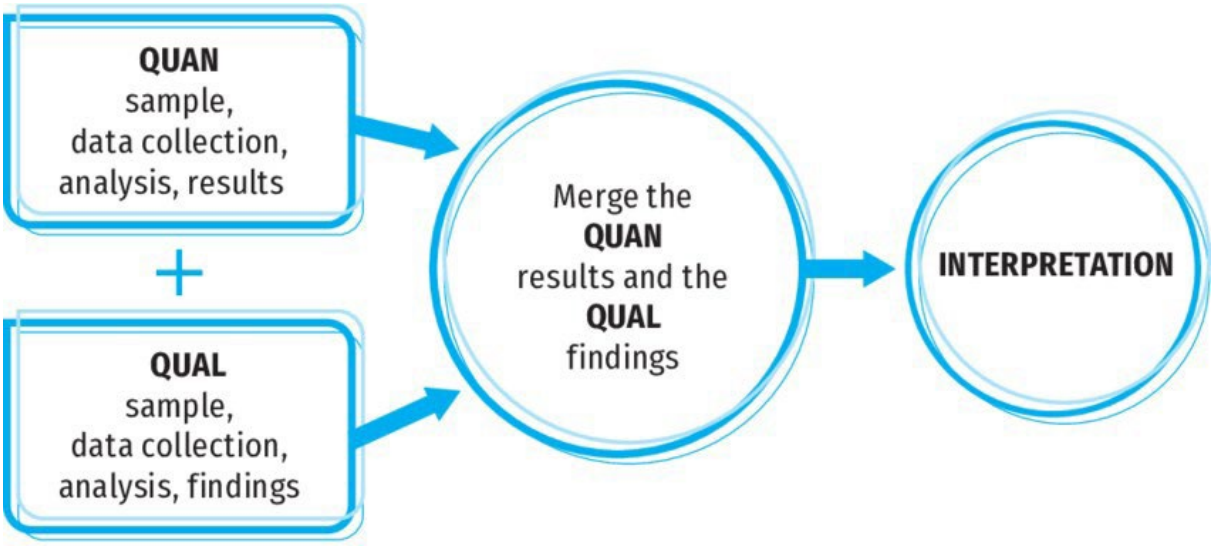

Figure 4.1 Convergent Parallel Mixed Methods Design

Source: Piano and Creswell (2015)

Therefore, surveys and interviews were conducted simultaneously, analysed the results of each, and reported findings in a manner that compared and contrasted them in relation to one another. The reason for choosing this method was aimed at identifying distinctions among the variables within the study and drawing definite conclusions regarding how corporate governance practices, public trust in SOCs, as well as their management and performance impact SOCs. Therefore, the quantitative survey component allowed the researchers to gather broad, generalisable data on the public's views and attitudes, while the qualitative interviews enabled a deeper exploration of the underlying factors and contextual dynamics shaping these perceptions. The quantitative and qualitative research methods will be discussed separately to emphasize the salient findings and insights from each component of the study.

4.4.1 Research method for quantitative research

Quantitative research is a formal, objective, systematic process in which numerical data obtain information about the world (Mohajan 2020). This research method describes variables; examines relationships among variables; and determines cause-and-effect interactions between variables (Mohajan 2021). With survey research, Sukamolson (2007) explains it incorporates using a scientific sampling method and a questionnaire that is designed to measure characteristics of a selected population, using statistical methods.

Quantitative research is appropriate for this study because it quantifies the problem, gathers numerical information and is a process that uses systematic measurements and statistical analysis to examine a social phenomenon (Gray *et al.* 2017). It uses measurable information to articulate data and discloses underlying patterns in research (Babin and Zikmund 2015). Furthermore, quantitative methodology used to determine whether, and to what degree, a relationship exists between two or more variables within a population (Apuke 2017). Therefore, the study sought to determine the percentage of respondents who believed the management of SOCs in the eThekwini metropolitan area was effective, as well as the percentage who believed it was inefficient. Additionally, the quantitative data allowed for statistical analysis, such as calculating measures of central tendency and conducting inferential tests to determine whether there were any significant differences in perceptions based on demographic factors such as age, gender, or race. The population of 400 respondents were surveyed through hand-delivered questionnaires and the ones sent through emails to the respondents that find it easier to respond online. Thereafter, quantitative data were collected through the questionnaire, provided valuable insights into the prevalence and distribution of different perceptions among the public in South Africa.

4.5 Population and target population

4.5.1 Background

The eThekwini Metropolitan area, located in the province of KZN in South Africa, is home to the city of Durban. This region is not only a major economic hub but also has

a significant number of SOCs operating within its boundaries. These SOCs are vital to the local economy and have a direct impact on the lives of the people who reside there.

The purpose of this study was to examine the public perceptions regarding the management and CG of SOCs in the eThekwini Metropolitan area. SOCs are entities that the government owns and operates. They are accountable for the provision of essential services, such as electricity, telecommunications, and transportation, as well as contributing to economic development through numerous industries. The eThekwini Metropolitan area is home to several prominent SOCs, including the Durban Port Authority, uShaka Marine World and Transnet. Since this area covers a diverse range of sectors, including transportation, energy, telecommunications, and tourism with the population of approximately 4.5 million people (StatsSA 2023). In terms of gender the municipal population comprises of 49.9 percent men and 50.1 percent women (IDP 2023).

The Map of the eThekwini Metropolitan area covers a vast geographic area, including the city of Durban and surrounding suburbs.

Figure 4.2: Geographical map of eThekwini Municipality

Source: Municipalities.co.za

These suburbs are populated by a diverse range of residents, including different socioeconomic backgrounds, age groups, and ethnicities. The individuals who are located within the municipal area consist of residents from numerous indigenous backgrounds.

According to statistics from the IDP (2022), the majority of the population in eThekwini Municipality is made up of individuals from the African community (74 percent), followed by those from the Indian community (17 percent), White community (7 percent), Coloured community (2 percent), and other nationals (0.4 percent). In terms of education, 26 percent of the population has attained some secondary education, while 25 percent have completed primary education. Additionally, seven percent have had no formal schooling. Furthermore, only a small portion of the population achieved tertiary-level education.

Among learners who attended school and participated in government nutritional programs in eThekwini Municipality, there was a higher percentage compared to national averages for metros at that time: specifically, it reached 64 percent, whereas, on average across metros, it was around 59 percent (IDP 2022). Analysing data further reveals that in 2016 approximately 70 percent learners aged between 7-24 were attending educational institutions within eThekwini Municipality—a figure slightly below the national average for Metros at 72 percent. Lastly, it should be noted a mere seven percent of individuals aged 18-29 are enrolled in higher education institutions.

4.5.2 Target population

The target population is defined as the individuals who meet the criteria set for inclusion in the study and from whom the sample will be drawn (Casteel and Bridier 2021). To ensure a representative sample, a simple random sampling technique was employed for the larger group, while purposive sampling was used to select the corporate governance experts based on their expertise and professional background. This study adopted a mixed methods approach, which comprised of both qualitative and quantitative methods. Therefore, the target population of the possible participants

for sampling frame included two categorises, namely the 400 public individuals between the ages of 20 and 60 years old (larger group) and 15 corporate governance experts such as academic professors and business analysts (specifically public sector). The researcher opted for individuals who are affected by the services provided by the SOCs. However, people below the age of 18 are eliminated due to ethical considerations. Furthermore, individuals who are residing outside of the eThekwini Metropolitan area are also excluded due to challenges that may result in recruiting and engaging them.

The assumption was, with in-depth interviews, the researcher was able to gather richer quality information from the experts that assisted the researcher in gaining background information and understand why the existing situation took place. More than half (55 percent) of the population within eThekwini metro are aged between 20 and 59 years, whereas eight percent of the population is older than 60 years (Cooperative Governance and Traditional affairs (COGTA) district developmental model 2021). The percentage of the sample size is smaller than the target population and can, therefore, be geographically and age restricted. This process enabled the researcher to identify and describe the population that represented the entire target population, allowing for an accurate judgement with regard to the larger group to be maintained (Reddy and Ramasamy 2017).

Hence, it is worth noting that this research was conducted in the eThekwini Metropolitan area situated on the eastern coast of South Africa in KwaZulu-Natal Province. It should be noted that eThekwini is the third largest metropolitan municipality in the country, following Johannesburg and Cape Town. This indicates a significant increase in population within the eThekwini metropolitan area as its population has shown growth from 3.09 million individuals in 2001 to 3.44 million in 2011 with an average annual percentage change of 1.13 percent (StatsSA 2011). Moreover, current predictions estimate a population of roughly 4.5 million in the area, which emphasises the need for research and interventions in various aspects, such as healthcare, infrastructure, and resource management, to meet the growing demands of this region.

The graph shows the highest population concentrations occur in the central and northern regions. The Urban Core is the centre sector of the municipality and has a

population of approximately 1.18 million (34.54 percent). The northern region follows with approximately 1.15 million people (33.61 percent). The southern region accommodates roughly 758,000 people (22.03 percent), while the outer west region has the smallest population, totalling around 338,000 people (9.82 percent) according to Census 2011 data. According to the Community Survey 2016, roughly 70 percent of municipal income comes from salaries, 10 percent from other sources, 10 percent from grants, and an additional two percent from pensions (Statistic SA 2023).

According to the StatsSA Forecast 2020, the population of eThekwini is predominantly young, with approximately 59.74 percent individuals under the age of 35years. Specifically, those between the ages of 0-14 make up around 25.28 percent, while those in the age group 15-34, account for approximately 34.46 percent. The portion consisting of individuals aged between 35 and 59 represents roughly 31 percent, whereas those aged over 60 comprise only 11 percent. The working-age group, which spans from 15 to 59 years old, encompasses approximately 65.37 percent of the population. In terms of the population dependency ratio, it stands at 53/100. This indicates that for every person between the ages of 15 and 64, there are approximately 53 dependents who rely on them for support. It should be acknowledged, in situations where employment rates are low, there is a greater economic reliance on each working individual by the young, elderly, and unemployed compared to the overall population dependence rate.

4.6 Sample and Sample size

The distinction between sampling and sample size is that sampling refers to the process of choosing a subsection of individuals or elements from a broader population for study, whereas sample size specifically refers to the number of individuals or elements included in the chosen sample.

Kumar and Pansari (2015) described sampling procedure as a system of selecting suitable individuals as representative of the entire population, known as the sample. There are two broad sampling methods used in research, which are probability and non-probability methods (Sekaran and Bougie 2010). Probability sampling, according to Uprichard (2011), refers to when all elements in the population involved have an equal chance of being selected as the sample of the study. Probability sampling can

take various forms under the randomisation principle, including simple random sampling, systematic sampling, stratified sampling, and cluster sampling.

As explained by Wadsworth (2016), non-probability sampling is a qualitative technique that does not provide an equal chance in subject selection from the population. This sampling approach avoids the randomisation principle when collecting data for the study. Elements of the study were chosen based on the researcher's assessment, making them non-random and subjective. Because it is narrative in nature and does not require data analysis, it is easier to conduct at a low or no cost. This study employed convenience and judgmental/purposive sampling techniques.

4.6.1. Sampling method for the quantitative study

The study used random sampling as it is considered a rigorous form of sampling that helps ensure the sample is representative of the population, enabling the researcher to generalize the findings. As the population size is too large to access, the convenience sampling technique was used. as it gave access to a large number of respondents within a short time. That is, the researcher approached respondents who were accessible geographically (proximity to the researcher), were available at a given time, and were willing to fill the questionnaire.

4.6.2. Sampling size for quantitative study

When using an online sample size calculator, it was found at a confidence level of 95 percent and confidence interval of 5, a population value of 4.5 million results in a sample size of 384 respondents (Survey Systems 2022; StatsSA 2020). However, the researcher decided to make it 400 to cover for any unpredictable or unattended issues with the quantitative questionnaires such as incomplete questionnaires or those that could not be returned to the researcher.

4.6.3 Quantitative data collection instrument

In the quantitative phase of the study, participants were given detailed information regarding the data collection process and provided their consent. They had a clear understanding of the ethical considerations involved in gathering data. Before administering the survey questionnaire, participants completed an informed consent

form that confirmed their permission for participation.

This study employed a questionnaire with closed-ended questions as the measuring instrument for quantitative research, to ensure the results are valid and reliable in relation to the research content and predictability. The variables were measured across the specified SOCs using the questionnaire.

The questionnaire was designed using Google forms, to produce an online, electronic, self- administered questionnaire, with questionnaires also hand delivered to respondents in close proximity to the researcher, who preferred to manually complete the questionnaire. In this study most of the questionnaire responses were based on the Likert Scale. According to (Nayek and Narayan 2019), an online survey questionnaire benefits the researcher in various ways, such as convenience, enhanced responses, and assisting in upholding respondent anonymity.

4.7 Pilot study

Nayek and Narayan (2019), stated the key purpose of a pilot test is to establish the strength, weakness and quality of questions in the questionnaire, in order to avoid ambiguity and bias of the instrument. Pre-testing of a questionnaire was an essential step to be conducted in this study.

During the survey development process the aim was to increase the validity and reliability of testimonial survey evidence. The focus was on how participants/ respondents were answering questions considering different challenges that participants may be experiencing when they were answering the questions. That abetted them to interpret and answer questions according to the purpose the study. Furthermore, it aided in determining whether they understood the questions, or they possessed the required knowledge.

For the quantitative method, 15 general public respondents from across eThekwini metropolitan area were, therefore, selected using convenience sampling with participants preferred who were easily accessible, willing and readily available for the purpose of the pilot study. For the qualitative research, at least 2 research experts (academic professors or business analysts) within the field of CG were consulted to improve the quality of the instrument prior to data collection.

A pilot research aids in the identification of questions that indicate discomfort or

embarrassment, as well as determining whether the instructions were clear and easy to follow. Before the main study, a pilot study was conducted. According to Bell (2002), pilot research is conducted to determine whether the phrasing and format of questions

would cause problems in the main study. The responders from this pilot survey, however, were not included in the main study. Through pilot the researcher was able to ascertain that the survey instrument was appropriate for the South African context and adequately captured the key dimensions of public perceptions.

4.8 Administration of research study

It is always important to select the correct method as to how the researcher will administer the study for a reasonable outcome.

4.8.1 Administration of quantitative research study

Quantitative surveys are a type of data gathering technique used to collect short answers from individuals and organisations. Categorical questions (such "yes/no") and interval/ratio questions are the most common sorts of questions (e.g., rating-scale, Likert-scale). This study used that method to collect data based on behaviours, traits, or opinions as well as demographic data like gender, income, and occupation. Therefore, the researcher distributed 400 questionnaires to the respondents for quantitative study via google forms link. The emails sent by the researcher had the information letters and consent forms attached. Additionally, the survey does not a low a participant to proceed with answering the questionnaire, prior to giving consent. Nowadays, surveys are frequently found online, which is a more convenient technique than the conventional pen-and-paper method.

Participants were able to access and complete the survey at their own convenience, eliminating the need for face-to-face interactions (Nguyen *et al.* 2021). Links were distributed through various channels such as email, social media, as well as embedding it on a website. This thus ensured anonymity and confidentiality for all participants by aiding their voluntary and unbiased participation (Johnson and Onwuegbuzie, 2004). The survey data was then analysed using structural equation modelling (SEM) techniques to uncover the underlying relationships and predictive factors shaping public perceptions.

4.9 Data analysis

The objective of all data analysis, whether in a positivist or naturalistic research paradigm, is to organise and elicit meaning from the data collected and make realistic conclusions (Bengtsson 2016).

4.9.1 Data analysis for quantitative method

According to McParland, Johnston and Cooper (2022), a quantitative research study involves the collection and analysis of numerical data to conclude. In this study, data analysis was carried out using SPSS version 28.0. Frequency analyses were conducted to determine the frequency with which respondents provided specific responses to particular questions and validate data coding. Descriptive statistics were used for summarising the collected data, while correlation analysis examined relationships between pairs of variables and assessed their strength.

Inferential analysis, in the form of multiple regression, was used to determine the degree of influence that different explanatory variables had on the dependent variable. Pearson's correlation analysis was used to investigate the relationships between the variables in the study.

Comparisons of categorical variables were performed using Chi square and Fishers exact tests as well as Cronbach’s coefficient alpha was used to measure internal consistency to evaluate reliability of the results. This measure of consistency assisted to assess the internal reliability of the data collected in the study, indicating how closely related multiple items or variables were to each other in measuring the construct of public perceptions. It is important to note that reliability does not address whether the study would yield the same results if other researchers replicated it.

Furthermore, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test were used to assess the suitability of data for factor analysis. By conducting these tests, the researcher can determine if the sample size is sufficient and if the data is suitable for analysis. The results obtained was orderly arranged according to the research objectives and will be presented using tables and graphs.

4.10 Analysis of mixed method data

This analysis involved combining qualitative and quantitative data, conducting a thorough examination of the data, identifying patterns and themes, and drawing meaningful conclusions. It is crucial to note that the analysis process varied depending on the specific research design and objectives. For the purpose of this study the research design and objectives indicated that the information was ascertained from both the public at large as well as corporate governance expects who provided a comprehensive data about the phenomena investigated.

Furthermore, this exercise included the involvement of various steps. First and foremost, the researcher familiarised themselves with the data by reviewing all qualitative and quantitative data collected. Then, the researcher organised the data in a logical and structured manner, such as through coding or categorisation. Finally, the researcher analysed the data by examining the relationships between the qualitative and quantitative findings, identifying any discrepancies or convergences, integrating the findings from both qualitative and quantitative data (Maxwell 2016). Furthermore, provided a comprehensive and holistic understanding of the research problem that abetted in drawing interpretations based on the combined data as well as considering the strengths and limitations of each data type (Enosh, Tzafrir and Stolovy 2014). Therefore, it was important to understand that the challenges of using mixed method was to ensure that the integrated data produces accurate and valid results.

In this study, the researchers opted not to use triangulation, as the primary goal was to gain a more comprehensive understanding of public perceptions rather than to validate the findings through multiple data sources. Instead, they employed a data integration approach, whereby the quantitative and qualitative findings were synthesized to provide a more nuanced and holistic understanding of the research problem.

By not relying solely on triangulation, the researchers were able to leverage the complementary strengths of the quantitative and qualitative components to provide a richer and more contextualised understanding of public perceptions regarding SOC governance in South Africa. Specifically, the quantitative survey data offered broad, generalizable insights into the public's overall views, while the qualitative interviews

enabled a deeper exploration of the complex, context-dependent factors shaping these perceptions.

The integration of the quantitative and qualitative findings allowed the researchers to develop a more complete and insightful understanding of the research problem. For example, the survey data revealed a generally positive public perception of SOC governance, but the interview data provided valuable context by highlighting how these perceptions are influenced by factors such as the political climate, leadership competence, and media coverage.

Overall, the mixed-methods approach employed in this study enabled the researchers to gain a multifaceted understanding of the public's perceptions regarding the management and corporate governance of state-owned companies in South Africa.

4.11 Factor Analysis

Data reduction is the primary objective of the statistical method known as factor analysis (Bandalos 2017). Factor analysis is a process whereby values of data observed are expressed as functions of a number of a possible cause, in order to find the important one. When conducting survey research, factor analysis is frequently used to represent a large number of questions with a few fictitious factors. It is used to determine whether the three measures actually measure the same thing. In that case, they can be joined to form a new variable called a factor score variable, which will hold the score of every respondent on the factor. Factor techniques are useful in many different contexts, such as determining whether, for example, a decathlete requires a few fundamental skills or whether the skills required are as diverse as the ten events. While the factors used in factor analysis need not be real, they are often given names and treated as if they were real entities in practice (Bandalos and Finney 2018). This analysis was used in the study to determine whether the items or variables being measured were actually reflective of the intended aspects of the phenomenon under investigation.

4.11.1.3 Chi-square analysis

Chi-square analysis refers to a statistical method used to determine if there is a significant association between two categorical variables. This study used chi-square analysis to examine the relationship between public perceptions of corporate

governance and demographic variables such as age, gender, and education level. Additional statistical techniques, such as correlation analysis and regression analysis, were used to explore the relationships between variables and make predictions about public perceptions of corporate governance based on the survey data.

4.12 Validity and reliability/trustworthiness

4.12.1 Validity

Validity is referred to by De Vaus (2014) as a measuring instrument's ability to measure what it was designed to measure. Furthermore, validity is described as the process of ensuring data received from documents, interviews, observations, and questionnaires are correctly and appropriately analysed, as planned, with the appropriate research mechanisms (Drost 2011; Kumar 2011).

The measuring instrument should, as Karun (2013) suggests, be able to establish a link between the research objectives of the and the questions in the instruments that is logical, where statistical analysis can demonstrate this link. Seven ways to ensure or test validity are set out by Zohrabi (2013), they are: literature reviews by experts in research, triangulation, member confirmations, and long-term observations, in addition to peer examinations, participatory or collaborative modes, and researcher bias. Continuous reviews were also provided by the supervisor and an expert colleague, from start to completion of the research. Questions were adjusted in the questionnaire, as advised, so that appropriate data matching the research objectives, was collected.

4.12.1.1 Quantitative research validity

Smith (1991) states that validity means the extent to which a concept is accurately measured. According to Bless *et al.* (2006), validity is tested by content validity, construct validity and criterion validity. Content validity is where the researcher ensures that the instrument contains a representation of all the elements of a construct. Construct validity is the degree to which the instrument measures the construct it is designed to measure. Criterion validity is the degree to which the instrument accurately predicts the outcome measure.

The researcher ensured that both internal and external validity were addressed in this study (Andrade 2018). Internal validity is concerned with the ability to draw valid

conclusions about the effects of the independent variable on the dependent variable within the specific study context, while external validity refers to the generalisability of the findings to other populations, settings, and time periods. The emphasis on both internal and external validity was crucial as it established a robust framework for the findings, allowing them to be applicable not only within the confines of this study but also across similar contexts in the broader field of corporate governance and management in state-owned enterprises. Furthermore, external validity was also be ensured, because the researcher applied the outcome to the bigger population, with the survey instrument tested for validity with principal component analysis, using SPSS version 28.0. The validity of the research instrument was further strengthened through a pilot testing phase. The researchers subsequently developed and administered an online survey questionnaire using Google Forms (De Vaud 2014). The questionnaire was pilot-tested with a panel of 15 respondents to refine and enhance the instrument prior to the full-scale data collection. This pilot testing was crucial in refining the questionnaire, ensuring that the questions were clear, relevant, and effective in capturing the respondents' perceptions regarding management and corporate governance. This process ultimately helped to improve the overall quality of the data collected for the study. Subsequently

4.12.2 Reliability

Onions *et al.* (2012) define reliability as the degree to which a measurement process consistently generates the same results on repeated trials. This confirms Kumar (2011), who stated it is the stability or consistency of scores over time. Furthermore, those factors that affect the reliability of a research instrument, as explained by Miller (2011), are ambiguity in questionnaire and interview questions, the culture and mood of respondents, and any physical environmental changes in the settings for data collection.

In ensuring the reliability of the instrument involved, the researcher conducted the pilot test. This was done by administering the instrument to a small sample of participants prior to conducting the actual study. During the pilot test, the researcher collected feedback from participants on the clarity, comprehensibility, and appropriateness of the instrument items and instructions. This assisted in identifying any potential issues or areas of confusion, with the researcher making the necessary revisions to the

instrument for improved reliability, while also assessing participant response consistency and determining the internal consistency reliability of the instrument.

A further aspect, interviewer – interviewee interactions, also affects reliability as it invites fear or discomfort to the interview platform (Miller 2011). For this study, interviewees were interviewed in their comfort zones (specified boardroom). The researcher accepted the suggestion and used content analysis to assist in assessing trustworthiness. Cronbach's alpha was used to test the reliability of the instrument. This was done by using SPSS version 28.0. to ensure questions were consistent and stable overtime (Creswell and Plano Clark 2011). The acceptable range of scores was values of 0.7 and above.

4.13 Research method for qualitative research

The second method is qualitative research design and is done through interviews. Qualitative research consists of a number of differently developed methods that are best suited to address questions of particular interest. There are, however, some general themes of qualitative research design that apply across all approaches and methodologies.

As described by Galletta (2013: 24), semi-structured interviews are adequately structured interviews that focus on specific topics linked to the phenomenon of study, providing a way for participants to propose new meaning to the research focus. The main purpose of semi-structured interviews is to collect high-quality data, which assisted the researcher to understand a problem from the viewpoint of the participant. The researcher did salvage the data and gain richness of information from participants' responses regarding public feelings, attitudes, beliefs, and opinions. Important information, ideas from different people that contribute more on unpredicted table issues on the topic became evident from this engagement.

This type of interview was relevant and efficient for this study because only 15 members were interviewed, comprising of a small group of corporate governance experts (Adams 2015: 493). Therefore, that assisted in maintaining a constructive guided conversation between the researcher and the participant. Interview schedule of questions was developed which sought to obtain facts, opinions and attitudes.

4.14 Population

The study population refers to the group of people from which the sample is drawn (Krieger 2012: 369). According to Sekaran and Bougie (2013), the target population is the total number of elements in the study, such as a group of people or things in which the researcher is interested. Creswell and Poth (2018) furthermore, state these individuals must all have an experience regarding the phenomenon explored and can enunciate their lived experiences.

Understanding CG in an organisation is a vigorous process which includes a clear understanding of various relationships between stakeholders and other role players that are involved in facilitating the effective and sustainable company. These dynamic relationships require a deeper insight on the stakeholders operating in driving governance within an organisation. This requires a comprehensive and intensive social enquiry which requires a restricted target population who understands corporate governance phenomenal. When considering the homogeneity of the target population, the research study can ensure that the insights and perspectives gathered from the selected sample of corporate governance experts in SOCs are relevant and applicable to the broader population of corporate governance experts in similar organisations.

4.15 Sampling method and sample size for the qualitative study

On the other hand, for the qualitative study, the researcher used her judgement in determining the participants. The researcher also utilised snowball sampling, where initial participants who declined to participate, were asked to refer other individuals who may have relevant perspectives on the topic. The basis was to select respondents who are informative (experts), which assisted the researcher in gathering in-depth information. This information was an important indicator of trust, transparency, and accountability in the operation and decision-making processes of SOCs.

The researcher approached experts to seek their consent to participate in the study by sending invitation letters informing them about the study and its importance. When the consent from willing and interested participants had been received, they were interviewed at the time they were comfortable with, at the place convenient to them. However, the researcher suggested the use of DUT boardroom. Two days before the

set date, the researcher reminded the participants about the appointments for the interviews.

The research also used platforms such as MS Teams and Zoom video calls/meetings to conduct interviews for those participants who preferred this method. Judgmental sampling is a non-probability sampling approach, also known as purposive sampling methodology, in which researchers rely on their own judgement when selecting members of the public to participate in the study. Researchers frequently feel that by using competent judgement, they may acquire a representative sample while saving time and money. Therefore, this method, just like convenience sampling method, increased the possibilities of obtaining more accurate results with a minimum mistake.

The researcher also employed the snowballing sampling technique, wherein a participant may refer the researcher to someone that they know who may be an expert in the field.

4.15.1 Sample size for qualitative study

The aim of this study was to examine the public perception regarding the management and CG of SOCs in South Africa and the role such companies play in the socio-economic development of the country.

Data was collected from 15 experts, although the sample was small, however, in-depth interviews gave richer quality information, meaning, they assisted the researcher in gaining background information and explored why the existing situation took place.

4.16 Qualitative data collection instrument

The research instrument for qualitative research was a semi-structured interview schedule with open-ended questions, aligned with the research objectives. In the qualitative study, the researcher invited 15 participants to conduct semi- structured interviews with. The researcher asked participants' permission to audio record their responses. Participants were recorded only when provided the researcher with consent or permission. Any participants who did not feel comfortable with the recording were allowed to write their answers on the provided interview guide, which enabled

them to respond to a specific set of open-ended questions, expressing their opinions and feelings.

While there were no more Covid-19 restrictions, some interviewees preferred not to have any form of physical contact, circumvented through online interviews, using Zoom and Microsoft Teams. Where the interview took place was negotiated by both parties. The DUT boardroom was suggested but any place interviewees found convenient also sufficed. The interviews were conducted within the estimated time of 30 minutes, considering both safety and confidentially of participants.

4.17 Administration of qualitative research study

The most common data collection approaches for qualitative research are document analysis, (non-) participant observations, semi-structured interviews, and focus groups. For the purpose of this study,15 respondents we interviewed through semi-structured interviews. These interviews provided in-depth qualitative data that complemented the quantitative data collected through the online survey (Busetto, Wick and Gumbinger 2020).

Thereafter, the researcher reviewed and organised open-ended responses from participants. Then, common themes and patterns were then identified within the data by conducting a thematic analysis as well as content analysis. Content analysis and thematic analysis are both approaches used in the analysis of qualitative data, but they have some key differences (Dawadi 2020).

On the one hand, content analysis typically involves examining the content or text of the data, looking for specific words, phrases, or patterns that are relevant to the research question. Thematic analysis, on the other hand, focuses on identifying and analysing themes or patterns in the data, looking for underlying meanings and connections between different elements. Content analysis is more focused on the surface-level content of the data, while thematic analysis delves deeper into the underlying meanings and interpretations. Both approaches can provide valuable insights, but they have different purposes and analytical methods. This combination of methods allows for a more robust and nuanced analysis, as it incorporates both the quantitative aspects of content analysis and the qualitative aspects of thematic analysis (Nowell, Norris, White and Moules 2017).

4.18 Data analysis for qualitative method

According to its definition, qualitative research is "the study of the nature of phenomena," which includes "their quality, different manifestations, the context in which they appear, or the perspectives from which they can be perceived," but excludes "their range, frequency, and place in an objectively determined chain of cause and effect" (Busetto, Wick and Gumbinger 2020).

For the purpose of this study, qualitative data gathered from the experts` opinion was analysed qualitatively by means of a content analysis method. Content analysis allows the researcher to organise information collected into categories or themes. This analysis is a method that is distinct in that it may be applied in an inductive or a deductive approach and has both a quantitative (Krippendorff 2004) and a qualitative (Berg 2001) methodology. Content analysis enable the researcher to plan, execute, communicate, reproduce and critically evaluate the data.

The researcher was guided through technical and procedural aspects of analysing qualitative data with specific attention to reliability and rigor. Audio recordings were transcribed into written procedures and transcripts, which were then be analysed using qualitative data management software. The data obtained from interviews was also undergo coding to identify any recurring themes. To provide factual information, the frequencies of important categories in the qualitative content analysis was represented as percentages or actual numbers (Krippendorff 2004; Maguire and Delahunt 2017).

With this approach, the researcher aimed to provide answers to inquiries regarding how many messages are included in a message set rather than reporting all relevant facts (Krippendorff 2004; Maguire and Delahunt 2017). During a qualitative content analysis, data was presented in words and themes, allowing for some interpretation of the findings. The choice of analysis technique relied on how thoroughly the researcher wants to include the informants' views into the study. This in turn influenced the quantity of informants required and how data was collected (Burnard 1991; Polit and Beck 2006).

4.19 Qualitative research validity

According to Creswell and Plano Clark (2011) the emphasis is more on validity than on reliability to determine accuracy, trustworthiness, credibility, dependability and

transferability. Since the study was conducted through convergent parallel mixed method triangulation of both sets of data were used to test validity. The use of semi-structured interviews with the identified 15 experts further validated the accuracy of the data gathering and analysis. Pilot testing was done with 3 participants. Conducting a pilot study enables researchers to identify and address potential ethical and practical challenges that could undermine the main study or infringe on participants' rights.

4.20 Qualitative research Reliability

In the field of social sciences, there is a debate surrounding the concept of reliability. Instead, qualitative research places greater emphasis on the credibility and quality of the study. Reliability is determined by not only consistency but also careful implementation of research practices, which are evident in how research procedures are documented and transparently presented. Additionally, conclusions drawn from this type of research should acknowledge both its limitations and biases (Cypress 2017). Furthermore, qualitative research recognises the importance of context and subjective understanding, making it essential for researchers to address potential biases and provide a comprehensive account of the research. Content analysis was used to increase the trustworthiness and credibility of the findings.

4.21 Ethical Consideration

During the data collection process for this study, ethical considerations were upheld by ensuring that informed consent was obtained from all participants and respondents. They were fully informed about the purpose of the study, the research process, and any potential risks or benefits of participation. Furthermore, they were assured that they could withdraw from the study at any time and that their participation was entirely voluntary. Furthermore, measures were taken to protect the confidentiality and anonymity of the participants and respondents as well as translating questionnaires and interview in a language that they can understand (Nayak and Narayan 2019).

Therefore, they were requested to sign informed consent forms. Letters of information were sent to both participants and respondents so that they can have informed knowledge about the interviews and surveys. After signing their consent, they were contacted to arrange time and date for the interview. Collected data was stored in the USB password protected, so that only the researcher can have access. The completed

hard copies of questionnaires were locked in the supervisor's office for the period of five years to prevent/avoid unauthorised access, then after that they will be shredded.

Fundamental human rights are guaranteed in South Africa's Constitution (1996), which include freedom, equality, and human dignity. According to Welman *et al.* (2010), four important principles must be considered when data are collected, namely: informed consent; deception; privacy and confidentiality, as well as cross-cultural representation. The study was thus guided by all these principles to ensure data collected from participants were provided voluntarily, with participants and respondents informed and kept safe from harm. This was to guarantee potential participants were completely informed, particularly because some responses were collected online.

It is worth noting Buchanan and Hvizdak (2009) also mentioned

> "Respondents indicated that online survey challenges traditional research ethics principles such as consent, risk, privacy, anonymity, confidentiality, and autonomy, and adds new methodological complexities surrounding data storage, security, sampling, and survey design".

Therefore, for the purpose of this study, informed permission was obtained from participants before considering their opinion, with this as a separate document from the questionnaire, which was the first page of the online survey, with participants required to check a box to indicate consent prior to accessing the survey. This ensured participants accessed the same information they would have received before doing an offline survey.

4.22 Anonymity and confidentiality

While CG deals with how businesses are conducted, confidentiality and anonymity are ethical practices created to protect the privacy of human subjects while collecting, analysing, and reporting data (Coffelt 2017).

In online survey research, privacy, anonymity, and secrecy are significant ethical considerations (Nayak and Narayan 2019). Although they are frequently used interchangeably, it is critical to distinguish between anonymity and confidentiality. Anonymity refers to the practise of not exposing the identity of a research participant or the originator of a specific viewpoint or opinion. Confidentiality refers to the practise

of not releasing to third parties the opinions or information obtained throughout the study process. The expanding functionality of survey tools has the potential to threaten both anonymity and confidentiality. Therefore, it is focal to note, for the purpose of this study, IP addresses and unique tracking links should be stripped from the dataset, preferably before saving the data file to the researcher's computer. The researcher offered security to participants and institutions to bridge gaps in ethical attitudes and to develop a sustainable culture of integrity of the study.

The information collected was utilised purely for the research project, and no names of participants or subjects of the study were recorded. Codes were assigned to participants and subjects involved. Participants were coded participant 1, participant 2 and so on. The interviews were held privately, and data collected by dicta phones were safely kept in the researcher's personal laptop, used specifically for the study. All participants were handled with care and respect and were informed of their rights before engaging them. Ethical clearance was obtained from the relevant bodies prior to commencing the research. The proof of ethical clearance was included in the Appendix section.

4.23 Concluding summary

The research methodology is related to the study, its objectives, and research questions. The chapter provided an outline of the research methodology and mixed method research used in this study, with the selection of a participant sample from the target population also discussed. For the quantitative survey, judging and convenience sampling methods were utilised, and respondents selected based on the researcher's assessment and respondent accessibility. Furthermore, validity and reliability were discussed, and methods for testing them proposed, along with the data collection procedures and response rate followed. Finally, the research instruments used to collect, measure, and analyse data appropriate for the methodology were detailed. The next chapter will discuss the key findings and their implications for the management and corporate governance of SOCs in South Africa.

CHAPTER FIVE
ANALYSIS OF RESULTS, INTERPRETATION AND DISCUSSION OF FINDINGS

5.1 Introduction

The previous chapter detailed the research design utilised in this study. The primary objective of this chapter is to offer a comprehensive analysis of both quantitative and qualitative data collected, which will be interpreted and discussed with regard to the study's objectives. As already discussed in previous chapter that this study employed a mixed-methods research approach. The concurrent mixed methods design was chosen as it enabled the researcher to corroborate and validate the findings from the two data sources, leading to a more robust and reliable set of conclusions. The integration of the quantitative and qualitative data occurred during the interpretation phase, where the researcher analysed how the two datasets converged to address the research questions.

This was done to systematically investigate and analyse public perceptions regarding the management and corporate governance of state-owned enterprises in South Africa. Furthermore, this chapter presents the results and discusses the findings obtained from both quantitative and qualitative methods. The analysis and findings obtained from the quantitative component are presented, deliberated and interpreted first.

5.2 Analysis of results from the quantitative study

Quantitative data was gathered using a questionnaire distributed to 400 respondents, all of which were returned, resulting in a 100 percent response rate. The data collected from these responses was analysed using SPSS version 28.0; results will be presented through descriptive statistics conveyed via graphs, cross tabulations as well as other illustrative figures reflective of the quantitative data that has been collected.

Inferential techniques include correlations and Chi-square test values; interpretations are based on p-values. The literature review laid down a strong foundation for this study by providing an extensive overview of issues threatening growth and sustainability within state-owned companies in South Africa. Consequently, it also contributed towards developing research objectives and designing the research

questionnaire.

5.2.1 The research instruments

The research instrument employed a survey design with 30 items, excluding biographical data, measured at nominal or ordinal levels. The questionnaire was structured into 5 sections, one on demographic information such as gender, age, race, education level, and work experience. The remaining four sections were designed to gather data on various aspects of the research topic, including the contributions of state-owned companies to socio-economic development, public attitudes and opinions on corporate governance and management of SOCs, internal and external challenges faced by SOCs, as well as strategies to improve and minimize the challenges faced by these entities, as illustrated in Table 5.1 below.

Table 5.1: Survey Instrument Question Numbers

Survey instrument question numbers	Items with respect to the objectives investigated
1-5	Biographical data
6-10	Contribution to socio-economic development
11-15	Public attitudes and opinions on corporate governance and management of state-owned companies
16-25	Internal and external challenges faced by SOCs
26-25	Steps to be taken to improve and minimise SOCs failure.

The questionnaire used a Likert Scale format with only closed-ended questions to gauge the respondents' understanding and familiarity with corporate governance and management of state-owned companies. Respondents had to choose their responses from pre-determined statements. The study examined the connection between the different variables using cross-tabulations, while also carrying out a reliability test on the questionnaire sections. This ensured that the survey questions were reliable and accurately measured the constructs of interest. Furthermore, the literature review also helped in identifying potential gaps in existing research and provided insight into the appropriate methodologies and survey instruments used in similar studies.

5.2.2 Factor analysis

Factor analyses were conducted to assess the reliability and validity of the research instrument. Factor analysis is a statistical method primarily used for data reduction. It is commonly employed in survey research, where a researcher aims to represent multiple survey questions with a smaller number of hypothetical factors (Yang 2005), (Yon and Pearce 2013). For instance, in a national political opinion survey, participants may respond to three separate questions about environmental policy, addressing local, state, and national perspectives. While each individual question may be an inadequate measure of environmental policy attitudes, the collective responses can provide a more comprehensive assessment. Factor analysis can determine whether these three measures indeed capture the same underlying construct. If so, the responses can be combined to create a new variable, a factor score, which represents each respondent's standing on that factor.

Factor analysis techniques have diverse applications. A researcher may use them to investigate whether the skills required for success in a decathlon are as varied as the ten events, or if a smaller set of core skills are necessary. Factor analysis does not require the belief that factors are inherently real; in practice, however, the identified factors are typically interpreted, named, and treated as meaningful constructs.

The results of the factor analysis conducted in this study indicate that the research instrument demonstrated strong reliability and validity in measuring public perceptions of the management and corporate governance of state-owned companies in South Africa. Specifically, the Cronbach's alpha coefficient of 0.92 suggests a high level of internal consistency, while the four-factor solution accounted for 65.7% of the total variance, providing evidence of the instrument's construct validity (Tavakol and Wetzel 2020). The factor analysis findings are consistent with the literature on the use of this statistical technique to establish the psychometric properties of research instruments (Suryani *et al*. 2022; Tavakol and Wetzel 2020). Confirmatory factor analysis, in particular, is a powerful tool for testing specific hypotheses about the underlying structure of a set of variables (Shrestha 2021).

Overall, the factor analysis results lend credibility to the quantitative findings of this study, which shed light on the multifaceted perceptions of the public regarding the management and

governance of state-owned companies in South Africa. Furthermore, in the factor analysis conducted, some items were found to cross-load onto multiple factors, meaning they had relatively high loadings on more than one latent factor. This indicated that the item is not clearly associated with a single underlying construct, or that the constructs themselves are not as distinct as theorised. Upon closer examination of the cross-loading items, the researchers deliberated on whether to exclude them from the final scale in order to enhance the discriminant validity of the measurement model. However, the researchers prioritized the conceptual significance of the items, acknowledging that retaining them could offer additional nuance or insight, even if it came at the cost of some statistical rigor.

5.2.2.1 Reliability and Validity analysis

The two most crucial components of accuracy are validity and reliability. Multiple measurements are taken on the same subjects in order to calculate reliability. An officially produced construct is deemed to be "acceptable" when its reliability coefficient is 0.60 or more. The Cronbach's alpha score for each item that made up the questionnaire is shown (Table 5.2) below.

Table 5.2: Reliability analysis

	Section	**Number of Items**	**Cronbach's Alpha**
B	Contribution to socio-economic development	5	0.811
C	Attitudes and Opinions	5	0.704
D	Internal and External challenges	5	0.610
E	Steps to be taken to improve and minimise failure	5	0.609
All items included		25	0.773

Every section's reliability scores are higher than the recommended Cronbach's alpha value. This illustrates these research sections have a level of acceptable, and consistent scoring.

A summarised table reflecting the KMO and Bartlett's Test results is presented before the matrix table(s). Two tests that show whether the data are suitable for structure detection are displayed (Table 5.2) in the KMO and Bartlett's Test table. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is a statistic that shows how much of the variance in the variables could be attributed to underlying causes. In general,

high scores (around 1.0) suggest a factor analysis could be helpful when analysing the data. In the event that the value is less than 0.50, the factor analysis results are unlikely to be highly insightful (Li, Huang and Feng 2020).

Table 5.3: KMO and Bartlett's Test

	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
Section		Approx. Chi-Square	df	Sig.
All items included	0.753	4119.574	253	< 0.001

The requirements for factor analysis are all met. In other words, the Bartlett's Test of Sphericity sig. value should be less than 0.05 and the KMO Measure of Sampling Adequacy value should be more than 0.500. (Babatunde 2016).

Validity was further assessed through exploratory factor analysis. The Rotated Component Matrix showed the items loading clearly onto four distinct factors, with all factor loadings above 0.65, indicating good construct validity (Zulkifly *et al.* 2021; Cao 2021).

Table 5.4: Rotated Component Matrix

	Component				
	1	2	3	4	
The infrastructure in South Africa is advanced due to the existence of SOCs	0.679	-0.136	0.042	0.102	B1
I know of people in our community who are employed by SOCs because of their relevant qualifications	0.706	0.001	0.104	0.083	B2
Due to the existence of SOCs in the country, the wealth of the community in our area has improved	0.732	0.191	0.102	0.113	B3
I have clean water because of SOCs	0.587	-0.118	-0.255	0.060	B4
Our community is respected by the existing SOCs	0.799	0.149	-0.035	0.142	B5
State-owned Companies in South Africa provide better services	0.365	0.548	-0.157	-0.175	C1
As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum	0.016	0.833	0.133	-0.010	C2
Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for. I purchase at reasonable prices	0.456	0.591	-0.095	-0.051	C3
The area where I live is provided with all the necessary services	0.699	0.090	-0.055	-0.057	C4
State-owned companies' staff are highly professional, and they interact with customers with dignity	0.627	-0.108	-0.088	-0.129	D1
In my opinion, State-owned companies' grab the investment opportunities to enhance their performance	0.477	0.434	-0.302	-0.171	D2
In my opinion, State-owned companies have suitable physical resources that uplift the community and assists SOCs to execute their work effectively	0.239	0.631	0.390	0.306	D3
In my opinion, State-owned companies have sufficient financial resources to sustain themselves	0.111	0.516	0.383	0.403	D4
In my opinion, State-owned companies can perform better if privatised	0.041	0.616	0.101	0.035	D5
I have learnt that SOCs are politically driven	-0.307	-0.172	0.169	0.396	D6
The dire economic situation in the country, negatively affects the performance of existing SOCs	0.017	-0.115	-0.082	0.751	D7
The inability to cope with constantly changing technology hinders good performance of the existing SOCs	-0.218	0.599	-0.057	0.026	D9
State-owned companies in South Africa adhere to international best practices relating to governance	0.201	0.079	-0.185	0.656	D10
There should be appointment of new CEOs every time when corruption is suspected	-0.077	0.662	0.203	-0.506	E1
There should be a privatisation of poor performing SOCs	-0.164	0.727	-0.082	-0.264	E2
There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs	-0.048	0.115	0.877	-0.068	E3
There should be a separation of SOCs and government in decision making	0.009	0.153	0.725	-0.076	E4
In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs	-0.127	-0.149	0.768	-0.066	E5

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

The statements that constituted section B loaded perfectly along a single component. This implies the statements that constituted this section perfectly measured what it set out to measure. It is noted the variables that constituted the other sections loaded along 2 or 3 components (sub-themes). This means respondents identified different trends within the section. Within the section, the splits are colour coded.

Below is the data presentation, from the responses given by the participants, in tables and graphical forms. The survey data was analysed using descriptive statistics and regression modelling to identify key predictors of public attitudes.

5.2.3 Descriptive analysis

Descriptive statistics such as frequency, percentages, mean and standard deviation were used to summarise the data below.

5.2.3.1. Biographical data

The collection of biographical data aimed to provide contextual insights that may have influenced the study's findings. This section comprised five variables, which were analysed independently. Examining factors such as the respondents' age, gender, highest educational attainment, current position, and work experience was crucial to establishing the relevance and context of the findings. However, no personally identifiable details were gathered in order to maintain the confidentiality of the respondents. The analysis of the biographical data is presented in this section below.

- **5.2.3.1.1 Gender of the respondents**

The respondents were asked to indicate their gender and Table 5.4 below indicates the results. The gender distribution shows that the majority of respondents were female at 65%, compared to 35% male.

Table 5.4: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	140	35,0	35,0	35,0
	Female	260	65,0	65,0	100,0
	Total	400	100,0	100,0	

5.3.1.2 Age of the respondents

The respondents were asked to indicate their age and Table 5.5 below indicates the results. The age distribution shows that the largest group of respondents (35%) were in the 45-50 age range, followed by 40-44 (25%), 51-60 (20%), 30-39, and 20-29 age groups. Females in the 30 to 39 years age group formed 8.0% of the total sample. The majority of females (30.4%) were in the age group of 40 to 44 years. The majority of males were in the age group of 45 to 50 years. This analysis indicates that the participants were fairly representative across gender and age groups

Table 5.5: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 - 29	20	5,0	5,0	5,0
	30 - 39	60	15,0	15,0	20,0
	40 - 44	100	25,0	25,0	45,0
	45 - 50	140	35,0	35,0	80,0
	51 - 60	80	20,0	20,0	100,0
	Total	400	100,0	100,0	

5.2.3.1.2 Race of the respondents

The respondents were asked to indicate their race and Figure 5.1 below shows the results.

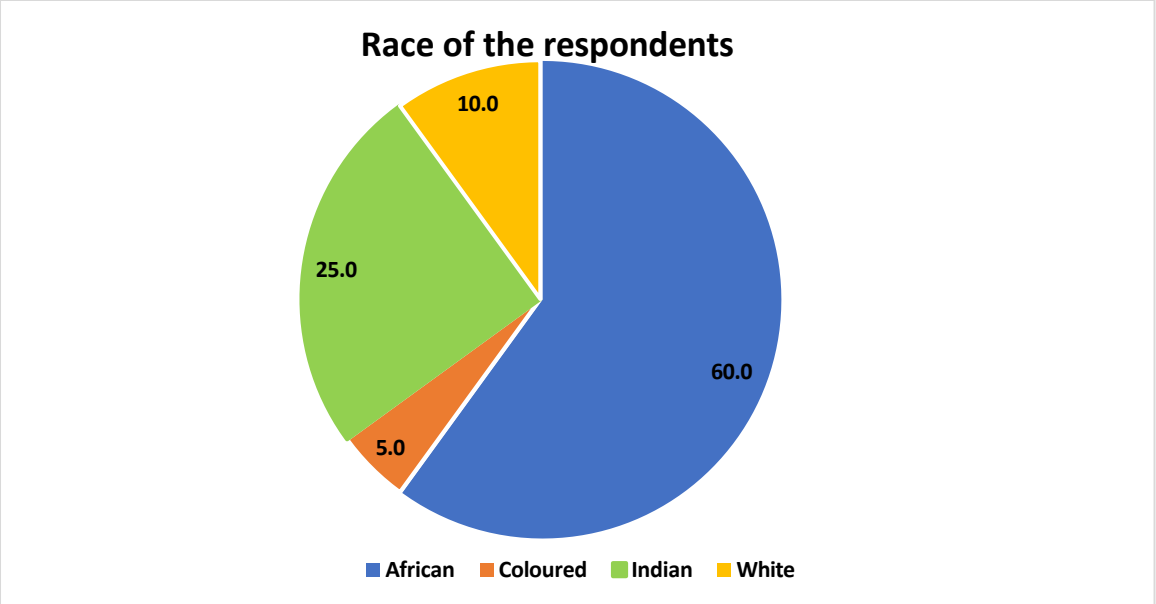

Figure 5.1: Race of the respondents

Figure 5.1 shows 60 percent respondents are African, five percent are Coloured, 25 percent respondents are Indian, and 10 percent are White. The findings show the majority respondents are African. This might be an indication that the study area is dominated by Africans or the other population groups were not willing to participate in the study.

The result is not markedly different from the composition of the overall population within the eThekwini metropolitan area, which is estimated to be 74 percent African, two percent Coloured, 17 percent Indian, seven percent White, while foreign nationals make up the remaining percentage (StatsSA 2022).

- **5.2.3.1.4 Level of Education**

The respondents were asked to indicate their level of Education and Figure 5.2 below shows the results.

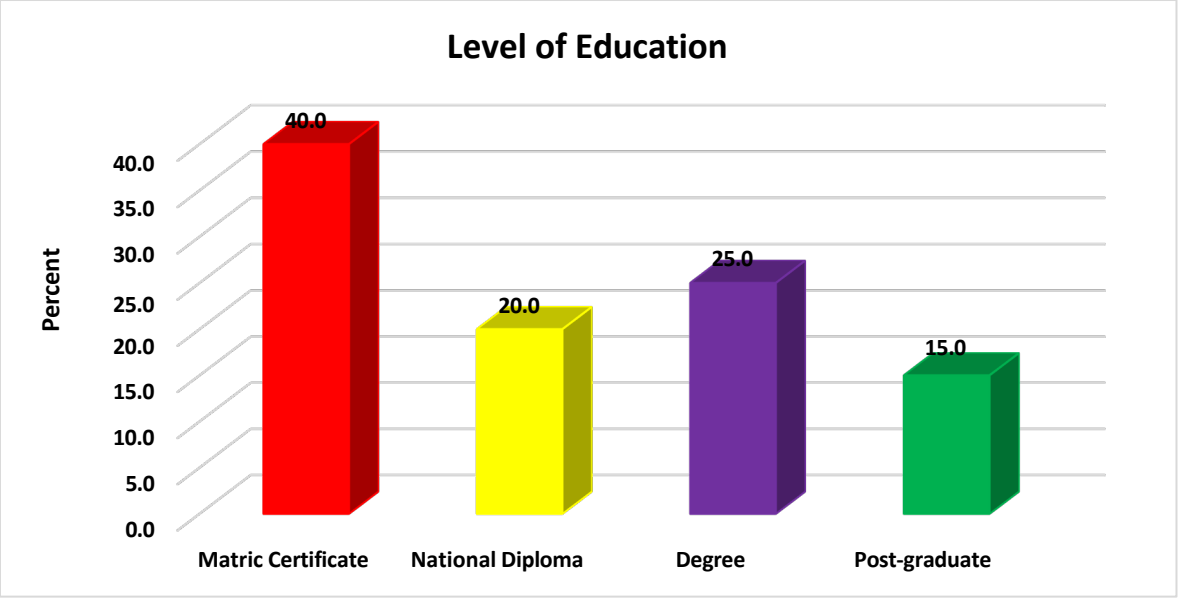

Figure 5.2: Level of Education

Figure 5.2 shows 40 percent respondents have a Matric certificate, 20 percent have a National Diploma, 25 percent have a degree and 15 percent respondents have a post-graduate qualification. Based on the findings, it is evident a significant portion of the respondents hold at least a Matric certificate. This data is valuable as it suggests a

substantial number of participants possess a higher level of education. Consequently, the collected responses are likely to come from knowledgeable individuals.

There were approximately 15.3 million learners enrolled in schools in the year 2022. The highest proportions of these learners were found in KZN (21.6 percent) and Gauteng (21.5 percent) (StatsSA 2022). The education profile study for residents in the eThekwini Municipality, as discussed in Chapter 4, reveals a considerable portion of the population has achieved different levels of education. Specifically, 26 percent have completed secondary education, while 25 percent have accomplished primary education. Additionally, it is notable seven percent of the population does not possess any formal schooling. Moreover, of the total population studied, only a small fraction (five percent) holds tertiary-level qualifications.

It is pertinent to mention, within the educational landscape of this municipality, schools associated with government nutritional programmes exhibited higher participation rates (64 percent), surpassing the national average for metropolitan areas (59 percent). Examining attendance rates at educational institutions, among individuals aged between 7 and 24 years residing in eThekwini Municipality during 2016, revealed a rate of approximately 70 percent, slightly lower than nationwide metro averages at 72 percent. Furthermore, the municipality faces a challenge in terms of higher education enrolment, with only seven percent individuals between the ages of 18 and 29 years currently enrolled in tertiary institutions. This underscores the importance of implementing measures to enhance both access to and quality of tertiary education within the area (StatsSA 2022).

- **5.2.3.1.5 Work Experience**

The respondents were asked to indicate the years of work experience and Figure 5.3 below shows the results.

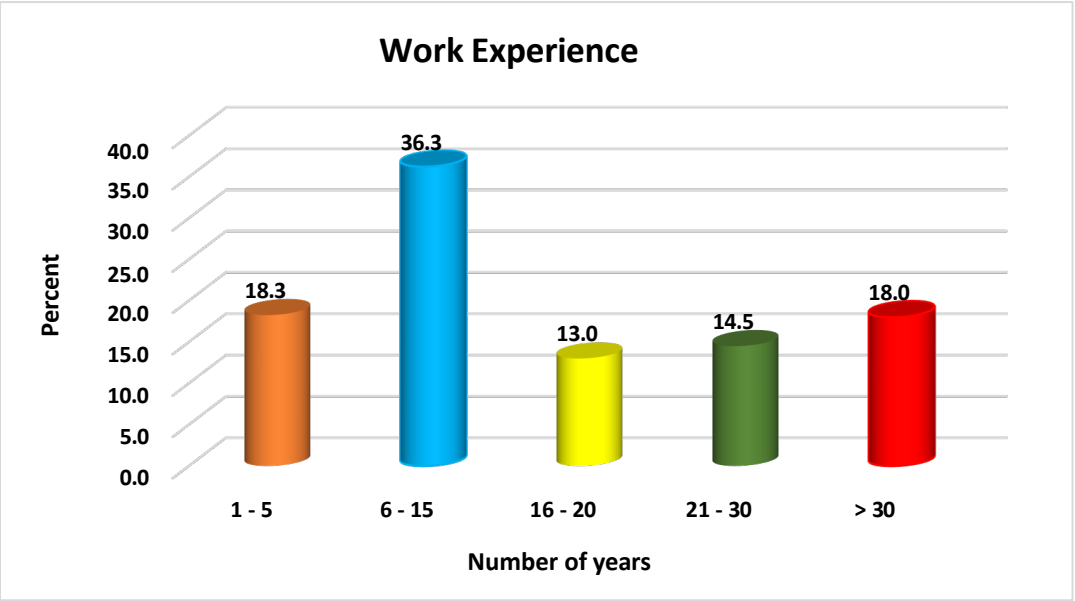

Figure 5.3: Work Experience

Figure 5.3 reveals 18.3 percent participants reported having 1-5years work experience, while 36.3 percent had 6-15years work experience. Additionally, 13 percent mentioned having worked for between 16 and 20 years, whereas another group comprised of 14.5 percent, claimed to have accumulated their careers over a span ranging from 21 to 30 years. Finally, a mere 18 percent had an extensive background exceeding 30 years. It can be inferred from these findings, the majority falls into the category of holding between six and 15-year tenures.

Significantly, $p<0.001$, the examination demonstrates more than 80 percent respondents were continuously employed for at least five cycles. This element not only indicates their active involvement within job markets but also testifies to receiving input predominantly influenced by seasoned practitioners' perspectives.

Section B: Contribution to Socio-economic Development

5.2.4 Socio-economic development analysis

The analysis of the results of contribution to socio-economic development are presented in this section. The analysis initially focuses on the scoring patterns of the participants, examining their responses for each variable in each section. This information is presented through summarised percentages for the variables that make

up each section. Subsequently, the results are further examined, based on the significance of the statements.

The respondents were asked to indicate their level of agreement with various statements that speak to socio economic development. The aim of these questions was to determine the perceptions of the public regarding the role SOCs play in the contribution to socio-economic development. The results are presented below in both the table summarising the scoring patterns and in Figure 5.4.

Table 5.6: Summary of the scoring patterns: Socio-economic development

		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Chi Square p-value
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	
The infrastructure in South Africa is advanced due to the existence of SOCs	B1	52	13.0 %	52	13.0 %	28	7.0%	268	67.0 %	0	0.0%	< 0.001
I know of people in our community who are employed by SOCs because of their relevant qualifications	B2	52	13.0 %	52	13.0 %	108	27.0 %	188	47.0 %	0	0.0%	< 0.001
Due to the existence of SOCs in the country, the wealth of the community in our area has improved	B3	28	7.0%	108	27.0 %	132	33.0 %	132	33.0 %	0	0.0%	< 0.001
I have clean water because of SOCs	B4	80	20.0 %	71	17.8 %	28	7.0%	221	55.3 %	0	0.0%	< 0.001
Our community is respected by the existing SOCs	B5	79	19.8 %	56	14.0 %	133	33.3 %	132	33.0 %	0	0.0%	< 0.001

The following patterns are observed:

Three statements show (significantly) higher levels of agreement, while other levels of agreement are lower (but still greater than levels of disagreement); Collectively, two statements (B4 and B5) indicate marginally higher levels of disagreement (that is, if you add Strongly Disagree + Disagree). Three statements indicate a high proportion of neutral scores.

The significance of the differences was tested and shown in Table 5.5 above.

5.2.4.1 Discussion on the patterns of scoring

To determine whether the scoring patterns per statement were significantly different per option, a Chi square goodness-of-fit test was done. Statements B1, B2 and B4 indicate significantly higher levels of agreement compared to the other options. These relate to the provision of clean water due to the good infrastructure and well qualified staff within the ambit. However, less than half the respondent's agreed staff are well qualified, with higher levels of agreement for the other two statements.

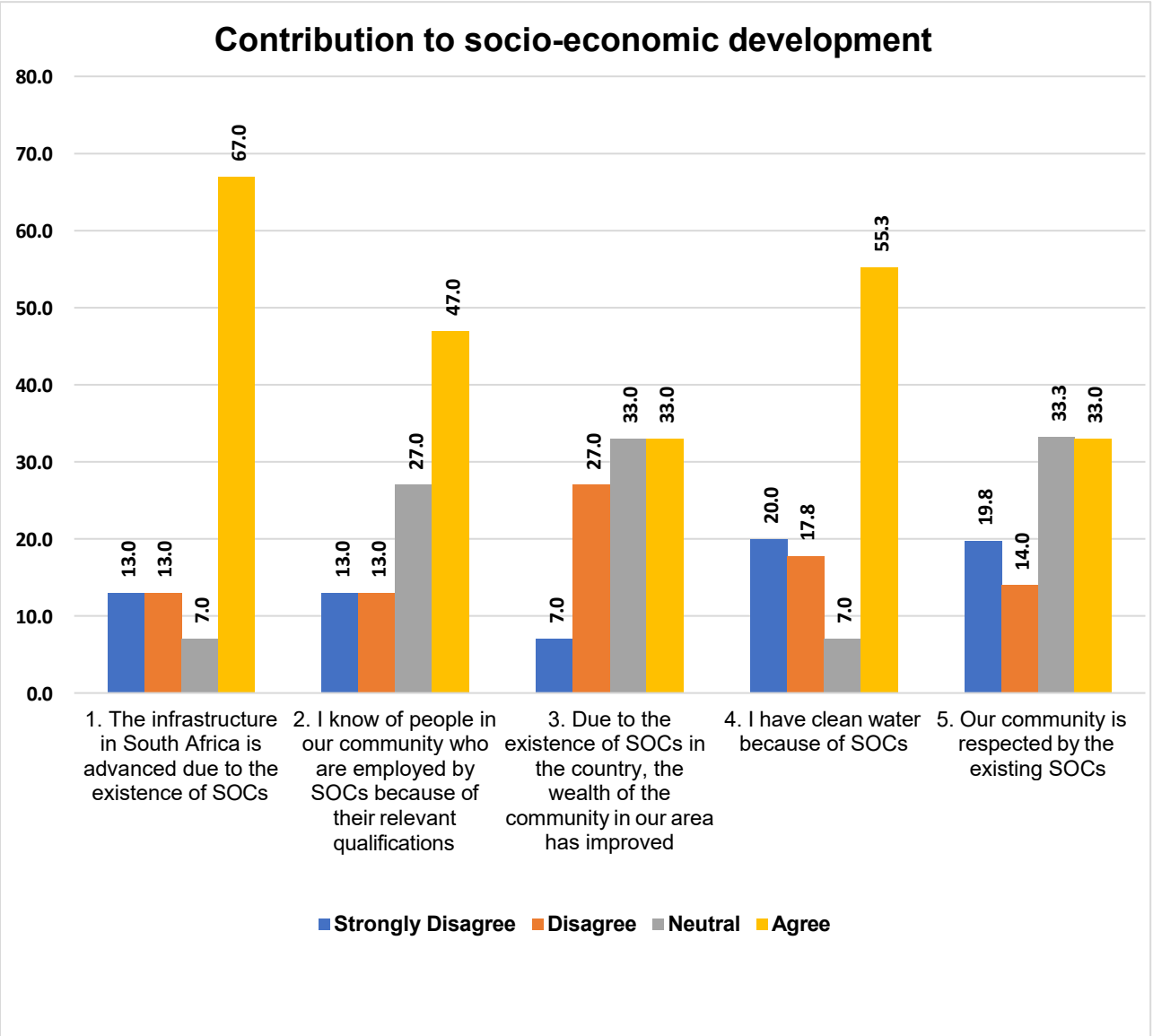

Figure 5.4: Contribution to socio-economic development

From the results shown in Figure 5.4 above, the patterns observed include that all statements show high levels of agreement, while other statement show some level of respondents being neutral but still greater than levels of disagreement.

The results shown in Figure 5.4 above for the individual sub-theme reveal:

- **The infrastructure in South Africa is advanced due to the existence of SOCs:** The majority of 67 percent respondents agreed the infrastructure in South Africa is advanced due to the existence of SOC, seven percent remained neutral, 13 percent and 26 percent collectively disagreed/strongly disagreed with the statement. The findings show the majority respondents agreed with the

statement. The study by Gumede (2012) argues these SOCs are capable of playing a significant role in the uplifting of socio-economic transformation in South Africa. The results of this study, therefore, concurs with the argument that Gumede raised.

- **I know of people in our community who are employed by SOCs because of their relevant qualifications:** The majority of 47 percent respondents agreed they know of people in their community who are employed by SOCs because of their relevant qualifications. A further 27 percent respondents were neutral, 26 percent respondents collectively disagreed/strongly disagreed with the statement. The findings show the majority respondents agreed with the statement. According to Moeti (2013), these companies are established for commercial and non-commercial purposes and are partially or wholly owned by the government.
- **Due to the existence of SOCs in the country, the wealth of the community in our area has improved:** Agreement was indicated by 33 percent respondents that due to the existence of SOCs in the country, the wealth of the community in their area has improved. While 33 percent respondents remained neutral, 34 percent respondents collectively disagreed/strongly disagreed with the statement. The findings show the majority respondents agreed with the statement.

  There is a need for an urgent government intervention to assist in developing a strategy that will focus on redistribution of wealth, while aligning economic growth within the country (Ndhambi 2015). This can be done by implementing different developments that can provide financial injection in the short-term, while maintaining a focus on long-term sustainable growth. The IMF (2020) iterates the South Africa economy would experience lethargic growth in 2020.

But the construction sector which is critical to infrastructure development has shown lower growth and recovery compared to other industries (Dithebe *et al*. 2022). Currently, South African industry is plagued by challenges such as poor management, policy uncertainty, corruption, and state capture (Dithebe *et al.* 2022). The economic and financial environment in South Africa, when recovered, will assist in job creation, building investor confidence and bringing public finances under control.

- **I have clean water because of SOCs:** The survey findings indicate that a majority of 55.3% of respondents agreed that they have access to clean water due to the efforts of SOCs. However, 17.8% of respondents disagreed with this statement, and an additional 20% strongly disagreed, while 7% remained neutral. These results suggest that while the public generally acknowledges the role of SOCs in providing essential services like water supply (Ngcamu 2019), a significant portion of the population is dissatisfied with their performance and governance, as corroborated by prior research (Moletsane, de Klerk and Bevan-Dye 2014) highlighting poor service delivery as a source of public dissatisfaction.
    - **Our community is respected by the existing SOCs:** Agreement was indicated by 33 percent respondents that their communities are respected due to the existence of SOCs. A further 33 percent was neutral, while 14 percent respondents disagreed, and the remaining 19.8 percent respondents strongly disagreed with the statement. The findings show the majority respondents agreed with the statement. According to Peters (2004), CG is based on relationships. Essentially, this relationship will include a reciprocal understanding between government as a shareholder in SOCs, the company, as well as other stakeholders. This highlighted the need for SOCs to strengthen their relationships and engagement with local communities, as noted in the literature on the importance of stakeholder relationships in corporate governance (Dzomira 2020). Therefore, public perceptions regarding the management and corporate governance of state-owned companies in South Africa remain mixed. While there is recognition of the role of SOCs in providing essential services and contributing to socioeconomic development, there are also significant concerns around financial mismanagement, poor service delivery, and lack of transparency and accountability (Mofokeng and Luke 2014). The findings suggest the need for continued reforms to improve the governance and performance of SOCs in order to enhance public trust and confidence.

Section C: Attitudes and opinions

5.2.5 Attitudes and opinions

The analyses of results of attitudes and opinions are presented in this section. The respondents were asked to indicate their level of agreement with various statements that speak to their attitudes and opinions regarding SOCs in South Africa. The results are presented below in both the table summarising the scoring patterns and in Figure 5.5.

Table 5.7: Summary of the scoring patterns: Attitudes and opinions

		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Chi Square p-value
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	
State-owned Companies in South Africa provide better services	C1	137	34.3 %	103	25.8 %	108	27.0 %	52	13.0 %	0	0.0%	< 0.001
As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum	C2	107	26.8 %	104	26.0 %	53	13.3 %	108	27.0 %	28	7.0%	< 0.001
Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for. I purchase at reasonable prices	C3	211	52.8 %	57	14.3 %	80	20.0 %	52	13.0 %	0	0.0%	< 0.001
The area where I live is provided with all the necessary services	C4	132	33.0 %	108	27.0 %	0	0.0%	160	40.0 %	0	0.0%	0.006
I have no complaints about	C5	240	60.0 %	80	20.0 %	80	20.0 %	0	0.0%	0	0.0%	< 0.001

services provided by SOCs												

All statements show significantly higher levels of disagreement. Some are higher than others; possible reasons for this pattern could be the services are provided by SOCs but the public is not satisfied with such provisions.

Factor analysis shows the following three statements form a sub-theme “SOC Service Provisions”:

> “SOCs in South Africa provide better services.”
> “As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum.”
> “Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for, I purchase at reasonable prices.”

There are high levels of agreement in relation to this sub-theme “SOC Service Provisions”. C1 and C2 have similar levels of disagreement (and scoring), while C3 has a higher level of disagreement. Possible reasons for this could be the surveyed customers are not happy with services provided by the SOC; they were never approached by the SOCs to give their opinions regarding services provided; and they perceive the service fees charged by SOCs to be too high.

The other statement in this section forms a sub-theme by itself, relating specifically to Location (The area where I live is provided with all the necessary services). The findings indicate 60 percent respondents disagreed with the statement, which could mean the services are not delivered equally in their area, as in other areas, this also explains why even the response to the complaints questions is very high (disagreeing).

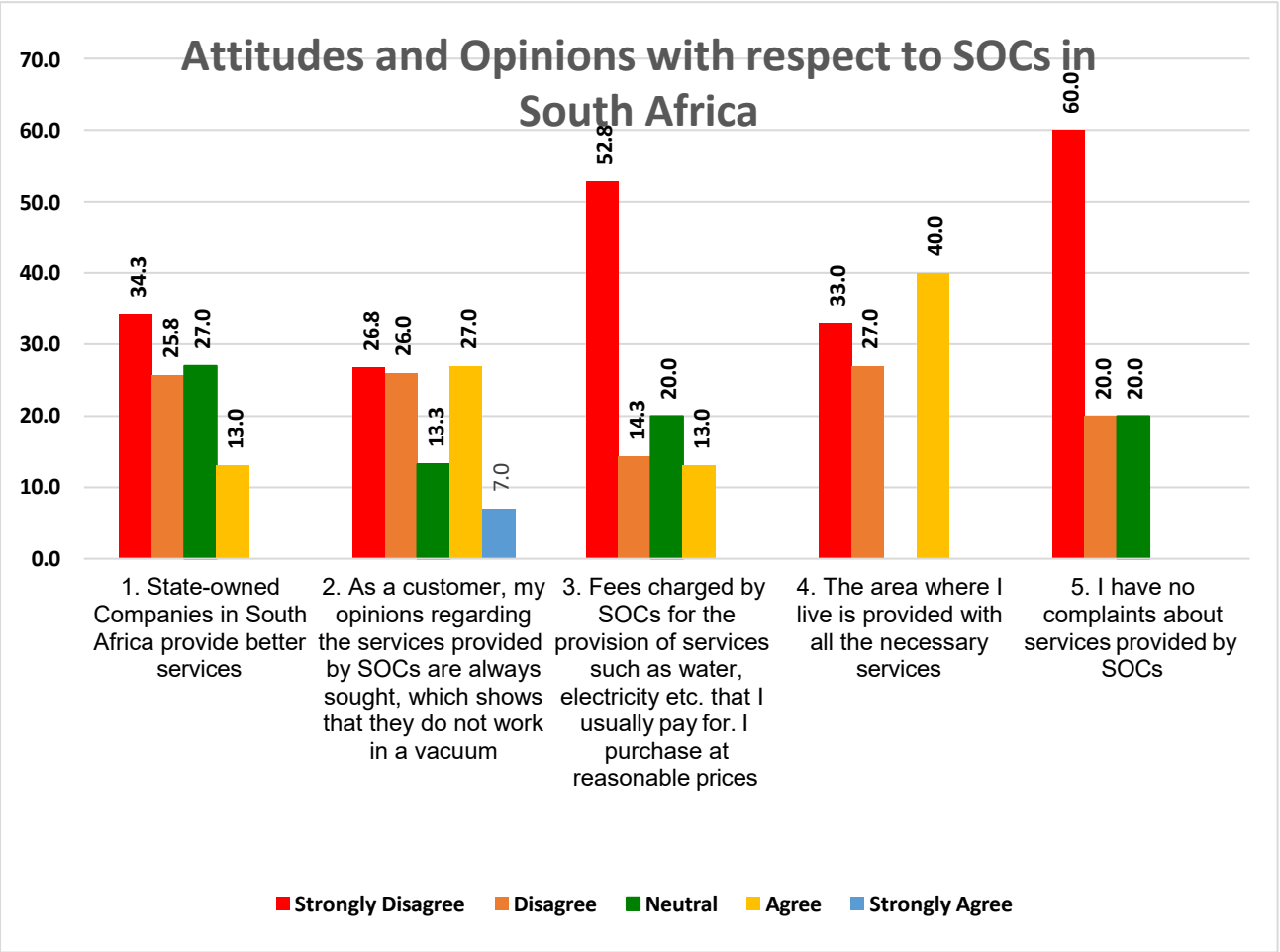

Figure 5.5 Attitudes and Opinions with respect to SOCs in South Africa

From the results shown in Figure 5.5 above the following patterns are observed:

- All statements show high levels of disagreement with the statements, whilst other statement show some level of respondents agreeing to the statements.

The results shown in Figure 5.5 above for the individual sub-theme reveal:

SOCs in South Africa provide better services: Collectively, 60.1 percent (34.3 percent and 25.8 percent) respondents strongly disagreed/disagreed SOCs in South Africa provide better services. While 27 percent remained neutral, 13 percent respondents agreed to the statement. The findings show the majority respondents strongly disagreed/disagreed with the statement. According to Buge *et al.* (2013), SOCs are regarded as an important part of development in most markets. Their duty is to provide strategic services and goods to a country's people (PwC and IoDSA 2011). The South African government aimed to provide housing, piped water, electricity, and education, as well as healthcare, and social

grants to those in need (NDP 2012). The primary objective of the SOCs was to adhere to constitutional regulations that ensured equitable rights for citizens and address the historical injustices caused by apartheid (Fourie 2001).

As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum: A majority 52.8 percent (26.8 percent and 26 percent) respondents strongly disagreed/disagreed their opinions regarding provision of services by SOCs are always sought, which shows they do not work in a vacuum. While 13 percent remained neutral, and the remaining 34 percent (27 percent and seven percent) respondents agreed/strongly agreed with the statement. The findings show the majority respondents strongly disagreed/disagreed with the statement. The stakeholder's theory acknowledges the importance of considering the concerns of stakeholders. By doing so, it ensures that the interest of stakeholders is taken care of (Lusinga and Fairhurst 2020). The theory highlights to whom the board of directors should owe their duties; it states:

> "[…] the basic goal for directors should be the success of the company in the best collective interest of shareholders, but directors should recognise, as circumstances require, the company's need to foster relationships with its [stakeholders], its need to maintain its business reputation, and its need to consider the company's impact on the community…" (Smerdon 2010).

- **Fees charged by SOCs for the provision of services, such as water, electricity, etc. that I usually pay for are purchased at reasonable prices:**

The survey results indicate that a significant majority of 67.1% of respondents strongly disagreed or disagreed that the fees charged by SOCs for essential services such as water and electricity are reasonable. While 20% remained neutral on this issue, only 13% of respondents agreed with the pricing of SOC services. These findings suggest that a substantial portion of the public does not believe SOCs are fulfilling their role as crucial providers of government revenue, urban employment, and access to vital public services in South Africa's economy, contrary to the perspective advocated by scholars like Fourie (2001). Fourie argues that SOCs play a vital developmental role, but the survey data implies many citizens are dissatisfied with the performance and pricing of SOC services (Hanyane and Naidoo 2015; Mafini 2016; Mofokeng and Luke 2014).

This indicates that exorbitant fees charged and inefficient service delivery by SOCs undermine public confidence in their ability to adequately serve community needs.

- **The area where I live is provided with all the necessary services:** Collectively, the majority of 60 percent (33 percent and 27 percent) respondents strongly disagreed/disagreed where they live all necessary services are provided. The remaining 40 percent respondents agreed to the statement. The findings show the majority respondents strongly disagreed/disagreed with the statement. The remarkable contribution made by SOCs to the economy, social development and poverty alleviation in South Africa cannot be underestimated. They provide essential services and infrastructure, as well as increasing skills, fostering entrepreneurship and creating employment opportunities. The government aims to use these initiatives to ensure SOEs contribute towards broader developmental goals and promote the transformation and competitiveness of the economy (NDP 2012). However, this study's findings show a contrast with what was published in the NDP.
- **I have no complaints about services provided by SOCs:** A majority of 80 percent (60 percent and 20 percent) of the respondents strongly disagreed/disagreed they have no complaints regarding services provided by SOCs. The remaining 20 percent respondents remained neutral. The findings show the majority respondents strongly disagreed/disagreed with the statement. Poor quality of service delivery and failure to create a conducive environment for investment have led to the depletion of public confidence and trust in the majority of South African's SOCs (Sithomola 2019), which is in line with what the respondents perceive.

Section D: Internal and External factors

5.2.6 Internal and external factors

The respondents were asked to indicate their level of agreement with statements relating to internal and external factors influencing their perceptions on SOC CG and management. The results are presented below in both the table summarising the scoring patterns and in Figure 5.8

Table 5.8: Summary of the scoring patterns: Internal and external factors

		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Chi Square p-value
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	
State-owned companies' staff are highly professional, and they interact with customers with dignity	D1	157	39.3 %	83	20.8 %	52	13.0 %	108	27.0 %	0	0.0 %	< 0.001
In my opinion, State-owned companies' grab the investment opportunities to enhance their performance	D2	132	33.0 %	135	33.8 %	80	20.0 %	53	13.3 %	0	0.0 %	< 0.001
In my opinion, State-owned companies have suitable physical resources that uplift the community and assists SOCs to execute their work effectively	D3	52	13.0 %	80	20.0 %	28	7.0 %	212	53.0 %	28	7.0 %	< 0.001
In my opinion, State-owned companies have sufficient financial resources to sustain themselves	D4	52	13.0 %	28	7.0 %	28	7.0 %	240	60.0 %	52	13.0%	< 0.001
In my opinion, State-owned companies can perform better if privatised	D5	52	13.0 %	80	20.0 %	52	13.0 %	108	27.0 %	108	27.0%	< 0.001

I have learnt that SOCs are politically driven	D6	0	0.0 %	28	7.0 %	24	6.0 %	80	20.0 %	268	67.0%	< 0.001
The dire economic situation in the country, negatively affects the performance of existing SOCs	D7	28	7.0 %	0	0.0 %	51	12.8 %	269	67.3 %	52	13.0%	< 0.001
I believe that SOCs' poor performance is caused by the community not paying their bills	D8	132	33.0 %	80	20.0 %	80	20.0 %	108	27.0 %	0	0.0 %	< 0.001
The inability to cope with constantly changing technology hinders good performance of the existing SOCs	D9	52	13.0 %	131	32.8 %	0	0.0 %	109	27.3 %	108	27.0%	< 0.001
State-owned companies in South Africa adhere to international best practices relating to governance	D10	110	27.5 %	53	13.3 %	209	52.3 %	28	7.0 %	0	0.0 %	< 0.001

This section provides a variety of scoring patterns. Some statements are significantly more in agreement, others significantly more in disagreement, and D10 reflects a significantly neutral score.

A majority respondent significantly believes SOCs have suitable physical resources contributing to their effectiveness; have sufficient financial resources to sustain themselves; but believe when privatised and not politically driven, SOCs can perform better. In addition, they believe the economic situation can improve and SOCs will be able to fit in or cope with the rapidly changing world of technology; nevertheless, there is room for excellent performance.

Some respondents, however, significantly believe SOCs do not employ professional personnel, do not take advantage of available investment opportunities and are negatively impacted by customers who do not pay their bills for services provided by the SOCs, hence, this is why these SOCs fail to create a conducive environment for every client.

Understanding the business environment is imperative to building trust between governments and stakeholders. That can consequently create positive discourse to foster an inclusive engagement between the stakeholders and the government, for economic sustainability in South Africa. A well-managed company will be aware and respond to social issues, placing a high priority on ethical standards. That will be the greatest indicator that such a company is non-discriminatory, non-exploitative, and responsible with regard to human rights issues. Consequently, the company will likely experience better productivity and a good corporate reputation, which will transform to valuable sustainable economic benefit (IoDSA 2002).

Figure 5.6: Internal and external factors

From Figure 5.6 above the following trends are noticed: All statements show a moderate level of agreement, with some showing very high agreements with the

statements. All statements show a moderate level of neutral responses, with statement 10 showing the highest level of neutral responses. All statements show a moderate level of disagreement with the statements.

The results shown in Figure 5.6 for the individual sub-themes in respect of internal and external factors, show:

- **SOC staff are highly professional, and they serve customers with dignity:** Collectively, 60.1 percent respondents disagreed (39.3 percent) or strongly disagreed (20.8 percent) that SOCs are highly professional, and they serve customers with dignity, while 27 percent agreed with the statement and 13 percent remained neutral. The employees in SOCs are expected to add a positive capital value, as with any other company; they are also supposed to assist these companies to deliver services to the public at the cost of the public. However, the majority employees employed with port operations at Transnet (for instance), have low levels of skill and high levels of illiteracy (Khanyile 2018); the company depends on casual labour.
- **In my opinion, SOCs grab investment opportunities to enhance their performance:** Collectively, 66.8 percent respondents disagreed (33.8 percent) or strongly disagreed (33 percent) SOCs grab investment opportunities to enhance their performance. However, 13.3 percent respondents agreed, and 20 percent remained neutral. Bartocho (2016) argued new sources of funding should also be acquired and this could be achieved through expanded investment plans provided by development. SOCs in South Africa are currently positioning themselves to have better resources capacity that will enable them to enhance their international economic impact. Investment in physical resources assists the SOCs to facilitate its function of producing goods and providing services (Bartocho 2016).
- **In my opinion, SOCs have suitable physical resources (e.g., facilities) that help them to perform effectively:** Collectively, 33 percent respondents disagreed (20 percent) or strongly disagreed (13 percent) SOCs have suitable physical resources (such as facilities) that help them perform effectively. Further, 60 percent collectively agreed (seven percent) or strongly agreed (53 percent), while seven percent remained neutral. According to the NDP (2013), South

Africa requires a reliable mode of transportation. However, the system is obsolete, and intermodal connections are inadequate. There is a need for better investing and prioritising transportation physical resources. Bartocho (2016) concurs, saying physical capital resource capabilities are important resources to companies, without which the company cannot operate effectively.

- **In my opinion, SOCs have sufficient financial resources to sustain themselves:** Collectively, 20.0 percent respondents disagreed (seven percent) or strongly disagreed (13 percent) SOCs have sufficient financial resources to sustain themselves. Further, 73 percent collectively agreed (60 percent) or strongly agreed (13 percent), while seven percent remained neutral. As strategic economic institutions, governments are forced to offer financial support, which has weighed the fiscal down at the same time driving government debt up (Balbuena 2014).
- **In my opinion, SOCs can perform better if privatised:** Collectively, 33 percent respondents disagreed (20 percent) or strongly disagreed (13 percent) SOCs can perform better if privatised. Further, 54 percent collectively agreed (27 percent) or strongly agreed (27 percent), while 13 percent remained neutral. Privatisation and effective government oversight have been proposed as potential solutions to improve the performance and accountability of state-owned companies in South Africa (Khumalo and Mazenda, 2021). Therefore, the above survey results reveal mixed public perceptions on this issue.

- **I have learnt that SOCs are politically driven:** Collectively, 87 percent respondents agreed (20 percent) or strongly agreed (67 percent) SOCs are politically driven. In addition, seven percent respondents disagreed, and none strongly disagreed, while six percent remained neutral. Political factors affecting the public sector refer to a variety of government interventions that may hinder or enhance the effective operation in the sector (Heracleous *et al*. 2009). Investors recognise privatisation as an approach that brings efficiency, while opponents say it hurts the poor who are left with no say in the matter (Awuah 2019).
- **The dire economic situation in the country, negatively affects the performance of existing SOCs:** Collectively, 80.3 percent respondents agreed

(67.3 percent) or strongly agreed (13 percent) the dire economic situation in the country negatively affects the performance of existing SOCs. In addition, seven percent respondents strongly disagreed, and none disagreed, while 12.8 percent remained neutral. The growth forecast for 2022 has been raised to 2.5 percent from the previous estimate of 1.9 percent during the time of the medium terms budget policy statement (MTBPS) 2022 report. However, there have been revisions made to the projected economic growth for 2023, which is now anticipated at a rate of 0.5 percent. It is estimated economic growth will expand further to reach rates of 4.3 percent in 2023 and then continue rising to reach levels of 5.1 percent and 5.2 percent% in both years, respectively (StatsSA 2023). Therefore, this is an indication that businesses, including SOCs, will definitely fluctuate as well as the economy is fluctuating.

I believe poor SOC performance is caused by the community not paying their bills: Collectively, 53 percent respondents disagreed (20 percent) or strongly disagreed (33 percent) poor SOC performance is caused by community not paying their bills. Further, 27 percent agreed, and none strongly agreed, while 20 percent remained neutral. This suggests that the public generally does not attribute the failures and inefficiencies of SOCs to non-payment of bills by community members (Kawana, 2023). The survey data suggests that the public primarily ascribes the shortcomings of SOCs to internal systemic issues such as deficient corporate governance, inefficient management, and insufficient accountability, rather than attributing them to external factors like community non-payment of bills.

- **The inability to cope with constantly changing technology hinders good performance of the existing SOCs:** Collectively, 54.3 percent respondents agreed (27.3 percent) or strongly agreed (27 percent) the inability to cope with constantly changing technology hinders good performance of existing SOCs. In addition, 45.8 percent collectively disagreed (32.8 percent) or strongly disagreed (13 percent) and none were neutral. Bornman (2014) argues digitalisation has concentrated primarily on developing countries, with South Africa in particular considered as one of the least computerised countries in the world. The lack of

network infrastructure such as electricity has been considered one of the contributing factors to this slow progress (Bornman 2016). A well-planned information management framework is required by companies to accelerate the creation and management of digital information that would assist in devising a strategy to assist in improving efficiency, customer satisfaction and malleable adjustment to environmental changes (Bose 2003).

- **SOCs in South Africa adhere to international best practices relating to governance:** Collectively, 40.8 percent respondents disagreed (13.3 percent) or strongly disagreed (27.5 percent) SOCs in South Africa adhere to international best practices relating to governance. Further, seven percent agreed, and none strongly agreed, while 52.3 percent remained neutral. With the introduction of an 'apply and explain' system, the King IV report requires companies to be transparent in the application of their CG practices, as well as keeping up with international best practices relating to governance (KPMG 2016) Maroun Coldwell, and Segal 2014). Overall, the survey results indicate that the public is largely unsure about the extent to which SOCs in South Africa adhere to international best practices in corporate governance, suggesting a need for greater transparency and communication around these issues (Stevens 2021) and (Mashamaite and Raseala 2018). Therefore, SOCs should strive to enhance the transparency and disclosure of their corporate governance practices to build public trust and confidence (Thabane and van Deventer 2018).

Section E: Steps to be taken to improve and minimise failure

5.2.7 Enhancement steps to be taken to improve and minimise failure

The respondents were asked to indicate their level of agreement with statements relating to steps to be taken to improve and minimise failure. The results are presented below in both the table summarising the scoring patterns and in Figure 5.9

Table 5.9: Summary of the scoring patterns: Possible solutions

		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Chi Square p-value
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	
There should be appointment of new CEOs every time when corruption is suspected	E1	155	38.8 %	28	7.0%	28	7.0%	81	20.3 %	108	27.0 %	< 0.001
There should be a privatisation of poor performing SOCs	E2	80	20.0 %	79	19.8 %	52	13.0 %	80	20.0 %	109	27.3 %	< 0.001
There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs	E3	0	0.0%	0	0.0%	0	0.0%	159	39.8 %	241	60.3 %	< 0.001
There should be a separation of SOCs and government in decision making	E4	0	0.0%	28	7.0%	0	0.0%	159	39.8 %	213	53.3 %	< 0.001
In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs	E5	0	0.0%	0	0.0%	0	0.0%	80	20.0 %	320	80.0 %	< 0.001

The respondents were of a view there should be an immediate appointment when CEOs are suspected to be involved in corruption; there should also be privatisation for poorly performing SOCs, with adoption of an integrated approach in strategic decision-making processes essential, or the government should totally be separated from SOC decision-making processes. Even though the respondents did not outline the specific possible enhancement steps, they all agreed there is still room for SOC improvement (Dzaga 2023).

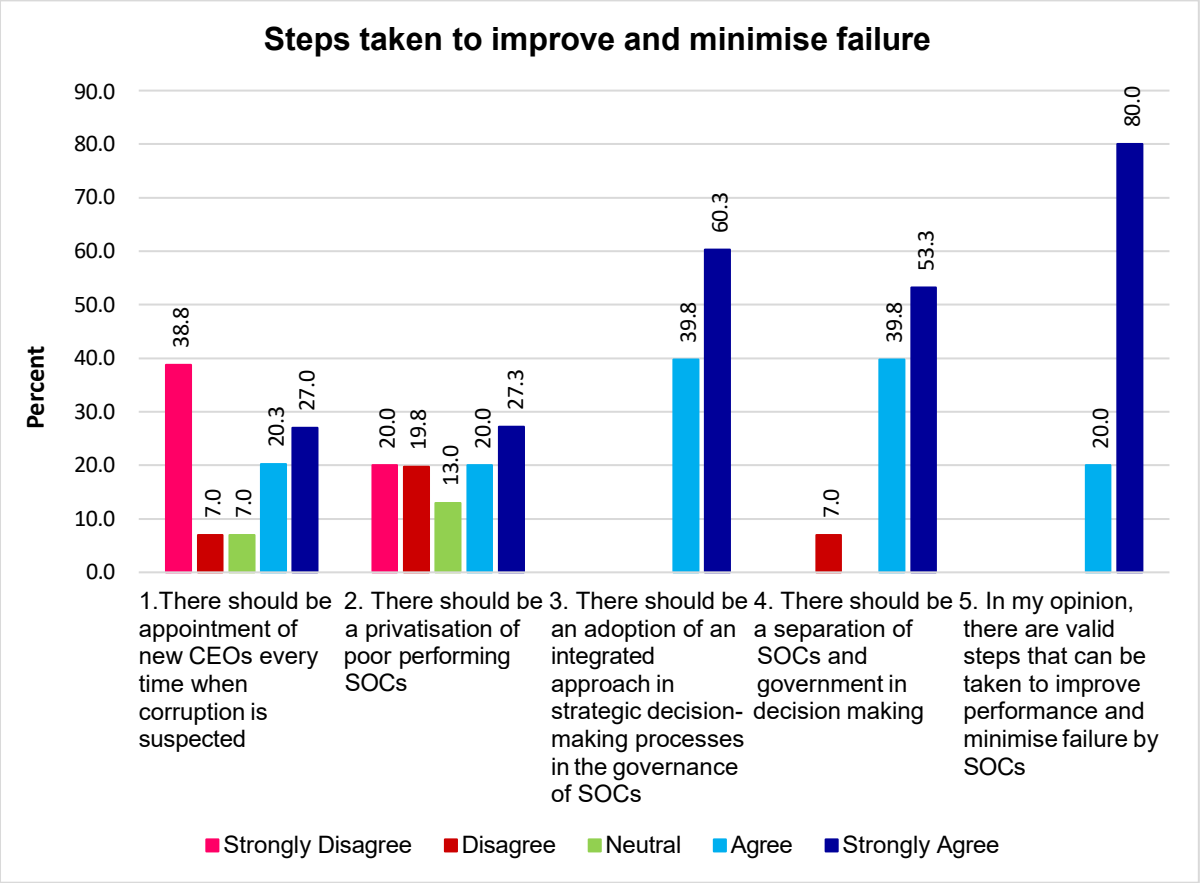

Figure 5.7: Steps taken to improve and minimise failure

From Figure 5.7 above, the following trend is noticed:

The respondents exhibited a generally high level of agreement across the proposed measures to improve and minimize failure of state-owned companies. While some statements elicited a moderate degree of neutral responses, others garnered

virtually no neutral perspectives. Furthermore, the levels of disagreement were relatively moderate, with a few statements prompting minimal dissenting views.

The results shown in Figure 5.7 for the individual sub-themes, in respect of steps taken to improve and minimise failure, suggest that:

- **There should be appointment of new CEOs every time when corruption is suspected:** Collectively, 47.3 percent respondents agreed (20.3 percent) or strongly agreed (27 percent) there should be appointment of new CEOs every time when corruption is suspected. In addition, 45.8 percent collectively disagreed (seven percent) or strongly disagreed (38.8 percent) and seven percent remained neutral. Smith (2015) emphasised political interference, together with incompetent interventions, led to most SOCs finding themselves in a huge turmoil, resulting in resignations of many top executives and CEOs. As example, there were seven changes in the position of the chairperson of the board at Prasa, as well the removal of the acting CEO in April 2018, based on allegations of corruption and sexual harassment. Such political interference caused instability at Board level and adversely affected the stability in different SOCs (Mwanza 2015).
- **There should be privatisation of poor performing SOCs:** Collectively, 47.3 percent respondents agreed (20 percent) or strongly agreed (27.3 percent) there should be privatisation of poor performing SOCs. In addition, 39.8 percent collectively disagreed (19.8 percent) or strongly disagreed (20 percent and 13 percent remained neutral. The responses here concur with some scholars' views. According to Estrin and Pelletier (2018), during the era of privatisation, many governments chose to keep control over companies operating in essential sectors, such as energy, rail transport, broadcasting services, and telecommunications. The intention behind maintaining these companies as SOCs, was to ensure the provision of services to vulnerable members of society. However, most SOCs have not been effective in fulfilling their economic function, due to underperformance when compared to private enterprises (OECD 2018).

- **There should be adoption of an integrated approach in strategic decision-making processes in the governance of SOCs:** Collectively, all respondents agreed (39.8 percent) or strongly agreed (60.3 percent) there should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs. There were no disagreements or neutral responses. The integrated approach means making strategic decisions in a holistic and comprehensive manner, considering various factors and stakeholder perspectives, rather than operating in silos or making decisions in isolation. This integrated approach is viewed as essential for improving the overall governance and performance of state-owned companies in South Africa. Therefore, implementation of an integrated approach is perceived as a crucial step towards enhancing the governance of state-owned enterprises (Mbo 2017).

- **There should be a separation of SOCs and government in decision making:** Collectively, 93.1 percent respondents agreed (39.8 percent) or strongly agreed (53.3 percent) there should be a separation of SOCs and government in decision making. Further, seven percent disagreed, and none strongly disagreed, while there were no neutral responses. Therefore, the respondents strongly supported the idea of separating state-owned companies from direct government decision-making. The vast majority agreed or strongly agreed that there should be a clear separation between SOCs and government in the decision-making processes. This recommendation reflects a desire for SOCs to have greater autonomy and independence in their strategic direction, rather than being heavily influenced or controlled by the government. The public perceptions gathered in this study indicate a recognition that the current governance structures and decision-making processes within state-owned companies in South Africa need to be reformed.

- **In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs:** Collectively, all respondents agreed (20 percent) or strongly agreed (80 percent) there are valid steps that can be taken to improve performance and minimise failure by SOCs. There

were no disagreements or neutral responses. Most SOCs are characterised by continuous underperformance, leading to poor revenue on government reserves and perpetual dependence on government bailouts (McGregor 2014). Poor CG has been highlighted as a primary hindrance to these SOEs, which finds articulation in weak managerial and financial accountability, excessive politicisation, and unclear objectives (Vermooten 2018; Kikeri 2019)

5.2.8 Inferential statistics

The analysis of the survey data suggests that there are significant challenges in the governance and management of SOCs in South Africa. The inferential statistics indicated that there are high levels of disagreement regarding the quality of services provided by SOCs, the transparency and accountability of their operations, and the competence of their staff (Ramlall 2012; Salem *et al*. 2021).

5.2.8.1 Crosstabulation

The crosstabulation analysis revealed that demographic variables, such as age, gender, and educational background, were associated with individuals' perceptions and attitudes towards the governance of state-owned companies. Chi-square tests were employed to analyse and present the crosstabulation data between these variables. A p-value less than 0.005 indicates statistical significance, while a p-value greater than 0.005 suggests non-significance. The cross-tabulated data presented in the following section highlights the statistically significant relationships observed.

- **5.2.8.2.1 Biographical Data**

The analysis of the biographical data is presented in this section.

5.2.8.2.1.1 Overall gender distribution by age

The gender composition of the eThekwini metropolitan area population is approximately equal, with males comprising 49.9% and females 50.1% of the total population (Manqele 2021). Given the complex and politically charged nature of SOC governance in South Africa, it is important to consider how various socioeconomic and demographic factors may influence public attitudes and experiences. Overall, the demographic profile of eThekwini highlights the complex development challenges

facing the metropolitan area, which require a multi-faceted and inclusive approach to service delivery and governance.

Table 5.10: Overall gender distribution by age

		Gender		Total
Age (years)		Male	Female	
20 – 29	Count	10	10	20
	% within Age	50.0%	50.0%	100.0%
	% within Gender	7.1%	3.8%	5.0%
	% of Total	2.5%	2.5%	5.0%
30 – 39	Count	28	32	60
	% within Age	46.7%	53.3%	100.0%
	% within Gender	20.0%	12.3%	15.0%
	% of Total	7.0%	8.0%	15.0%
40 – 44	Count	21	79	100
	% within Age	21.0%	79.0%	100.0%
	% within Gender	15.0%	30.4%	25.0%
	% of Total	5.3%	19.8%	25.0%
45 – 50	Count	49	91	140
	% within Age	35.0%	65.0%	100.0%
	% within Gender	35.0%	35.0%	35.0%
	% of Total	12.3%	22.8%	35.0%
51 – 60	Count	32	48	80
	% within Age	40.0%	60.0%	100.0%
	% within Gender	22.9%	18.5%	20.0%
	% of Total	8.0%	12.0%	20.0%
Total	Count	140	260	400
	% within Age	35.0%	65.0%	100.0%
	% within Gender	100.0%	100.0%	100.0%
	% of Total	35.0%	65.0%	100.0%

Overall, the ratio of male to female is approximately 1:2 (35.0 percent: 65.0 percent) ($p < 0.001$).

The table above provided an overview of the gender distribution by age group among the respondents in the study. Several key observations can be made:

1. There is an uneven gender distribution, with females making up 65% of the sample and males 35%.
2. The first category represents responses from the 20-29 age group, which is evenly split between males and females at 50% each. The data indicates that the 20-29 age group had an even gender split, with 50% male and 50% female respondents. This balanced representation in the younger cohort suggests a potential shift in gender dynamics within the South Africans particular in the workplace. Scholars have noted that gender dynamics are a key consideration for corporate governance and management (Sewpersadh 2019; Coetzee 2015). The observed parity in the younger age group implies a more balanced perception of management and corporate governance compared to older employees. However, the gender distribution becomes increasingly skewed towards females as the age groups advance, hinting at challenges in the career progression and senior-level representation of women (Martin 2013).
3. The 40-44 age group has the highest proportion of female respondents at 79%, while the 45-50 age group has an equal gender split of 35% male and 65% female. This indicates that women are underrepresented in senior management positions, which could impact their perception of corporate governance and management practices. There may be an insufficient presence of women in leadership roles within SOCs. Women between the ages of 40 and 44 may express dissatisfaction with management and governance systems that do not effectively encourage diversity and inclusion (Khwela 2019). Therefore, the abovementioned underrepresentation reflects the broader challenges of gender equality in the South African workplace (Halvorsen *et al.* 2020; Papangkorn, Chatjuthamard and Jiraporn 2022), which should be considered when interpreting the findings of this study on the perception of management and corporate governance.
4. The older age groups (51-60) show a slightly higher male representation compared to the middle age groups, but females still dominate at 60%. The observation in this category is that the gender distribution is still skewed towards females, but the representation of males is slightly higher than the middle age groups. The assumption is that the lower percentage of females in the older age groups could be due to challenges in career progression and

retention of women in senior positions. Most authors indicated that the limited advancement of women to top positions in the corporate sector in South Africa is a major concern (Mathur-Helm 2005; Zajiji *et al.* 2020; Johnson and Mathur-Helm 2011). This concern is even worse in SOCs where corporate governance and management practices may not be fully supportive of women's career development. Women are always faced with discriminatory practices, biases and unequal opportunities that hamper their progress to senior leadership positions (Musetsho *et al.* 2021).

Overall, the data suggests that gender plays a significant role in shaping the perceptions of management and corporate governance, with women potentially experiencing different challenges and perspectives compared to their male counterparts. The uneven gender distribution, particularly in the older age groups, indicates the need to further explore the impact of gender on corporate governance in state-owned enterprises in South Africa (Mathur-Helm 2005; Musetsho *et al.* 2021; Ndweni and Ozumba 2021). The implications of these findings are that despite legislative efforts to promote gender equality, state-owned enterprises in South Africa may still have work to do in fostering an inclusive and equitable work environment that supports the career progression of women.

5.2.8.2.1.2 The infrastructure in South Africa is advanced due to the existence of SOCs distribution by gender

The eThekwini Municipality remains committed to allocating substantial resources and effort towards the provision of infrastructure, with the aim of addressing prevailing deficits (Manqele 2021). The study indicated that p-value between “The infrastructure in South Africa is advanced due to the existence of SOCs” and “gender” is 0.015. This means that there is a significant relationship between the variables highlighted in yellow. That is, the gender of the respondent did play a significant role in terms of how respondents viewed the advanced infrastructure in SA due to SOCs.

Table 5.10: The infrastructure in South Africa is advanced due to the existence of SOCs distribution by gender

			Gender		Total
			Male	Female	
The infrastructure in South Africa is advanced due to the existence of SOCs	Strongly Disagree	Count	26	26	52
		% within Gender	18,6%	10,0%	13,0%
	Disagree	Count	23	29	52
		% within Gender	16,4%	11,2%	13,0%
	Neutral	Count	11	17	28
		% within Gender	7,9%	6,5%	7,0%
	Agree	Count	80	188	268
		% within Gender	57,1%	72,3%	67,0%
Total		Count	140	260	400
		% within Gender	100,0%	100,0%	100,0%

The data in the table 5.10 above shows that there are gender differences in perceptions about the role of state-owned companies in advancing infrastructure in South Africa. Specifically:

1. A large majority of female respondents (72.3%) agree that the infrastructure in South Africa is advanced due to the existence of state-owned companies, compared to only 57.1% of male respondents. It is worth nothing why women may be more appreciative of the role of SOCs in infrastructure development. The speculation is that women may be more reliant on public infrastructure and services provided by SOCs, and thus perceive their contribution more positively. On the other note male respondents seem to be more sceptical about the contribution of SOCs. Although the population at eThekwini metropolitan area is approximately equal between males and females, so gender should not be a major factor influencing these perceptions, but it was worth exploring (Turok and Borel-Saladin 2014; Patience and Nel 2021).

2. A higher proportion of male respondents strongly disagree (18.6%) or disagree (16.4%) with this statement compared to their female counterparts (10.0% and 11.2% respectively). There is a possibility that men may have different expectations or experiences with SOCs that lead them to be more critical of their role and performance. Their critical analysis could be shaped by factors such as their interactions with SOCs, their professional background, or their political leanings (Maramura and Thakhathi 2016; Jacobs *et al*, 2021). Firstly, male interaction with SOCs is based on the fact that they occupy majority of the senior leadership positions as indicated in the earlier analysis of the gender composition, so are likely more exposed to the challenges and frustrations of SOC management (Mathur-Helm 2005; Musetsho *et al.* 2021). Secondly, their professional background in male-dominated sectors like engineering and construction could lead to biases against the performance of SOCs (Ndweni and Ozumba 2021). Lastly, their political background may influence their assessment of SOCs depending on whether they are supportive or critical of the ruling party's role in managing these entities.
3. The neutral response is relatively similar between genders, with around 7% of respondents in each group selecting this option.

A significant number of males hold the perception that the development of South Africa's infrastructure has been hindered by SOCs because of problems such as inefficiency, corruption, and inadequate service provision, which overshadow any advancements that have been accomplished (Kemp 2016; Bornman 2016). The bad perception is influenced by the frequent occurrence of power outages, issues with water availability, and the unreliability of public transport. The frustrations are worsened by economic consequences, such as those resulting from Eskom's power shortages. The critical assessment of SOCs' contributions to infrastructure development is influenced by comparisons with more developed countries, bad media coverage, and unfulfilled post-apartheid aspirations (Kemp 2016).

Research by Osakwe *et al.* (2018) has shown that infrastructure development programs in Africa have the potential to diversify trade and drive economic growth. Similarly, Seetanah et *al.* (2009). found a positive correlation between infrastructure development and poverty alleviation, as improved access to transportation and

communication networks creates opportunities for entrepreneurship and local business development. Therefore, this study confirms that state-owned companies play a vital role in advancing infrastructure in South Africa, which can have significant socioeconomic benefits (Glick *et al.* 2004). Furthermore, the gender differences observed in perceptions highlight the importance of considering diversity and inclusion in the governance and management of these strategic entities.

5.2.8.2.1.3 The SOCs have sufficient financial resources to sustain themselves versus work experience

The existing literature suggests that state-owned companies possess adequate financial resources to sustain themselves, but their sub-optimal performance and the public's dissatisfaction attributes to deficiencies in governance and management practices (Kaunda 2023). The findings of the study confirm this, highlighting the fact that work experience in the eThekwini metropolitan area is negatively correlated with public satisfaction, implying that those with more exposure to the operations of SOCs are more critical of their performance and service delivery.

Table 5.11 The SOCs have sufficient financial resources to sustain themselves versus work experience

			Work Experience					Total
			1 - 5	6 - 15	16 - 20	21 - 30	> 30	
In my opinion, State-owned companies have sufficient financial resources to sustain themselves	Strongly Disagree	Count	5	5	11	6	25	52
		% within Work Experience	6,8%	3,4%	21,2%	10,3%	34,7%	13,0%
	Disagree	Count	13	2	0	1	12	28
		% within Work Experience	17,8%	1,4%	0,0%	1,7%	16,7%	7,0%
	Neutral	Count	8	14	3	2	1	28
		% within Work Experience	11,0%	9,7%	5,8%	3,4%	1,4%	7,0%
	Agree	Count	37	98	30	42	33	240
		% within Work Experience	50,7%	67,6%	57,7%	72,4%	45,8%	60,0%
	Strongly Agree	Count	10	26	8	7	1	52
		% within Work Experience	13,7%	17,9%	15,4%	12,1%	1,4%	13,0%
Total		Count	73	145	52	58	72	400
		% within Work Experience	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

The crosstabulation p-value for the statements presented above is <0.001. This means that there is a significant relationship between the variables. The work experience of the respondents had a significant influence on their response on the sufficiency of SOC's financial resources.

The findings from the study suggested that individuals with more extensive work experience tend to have a more negative perception of the financial stability and overall performance of SOCs in South Africa. These experienced employees have gained direct insights into the internal operations and financial management practices of SOCs, and they are often sceptical about the ability of these entities to maintain financial viability and operational efficiency (Nkoana and Matjie 2024).

Several factors contribute to the more negative perceptions held by those with extensive work experience. Firstly, they are aware of the weaknesses in financial management practices within SOCs, as revealed by internal financial reports and audits (Maeve, 2022). Additionally, they are cognizant of the economic challenges faced by SOCs, such as fluctuating commodity prices, currency instability, and political uncertainties, all of which can undermine their financial sustainability (Banna *et al.* 2023).

Furthermore, the heavy reliance of SOCs on government bailouts and subsidies to cover operational costs or debt repayments raises concerns about their long-term financial health and dependence on external support. The competitive landscape, where private companies often outperform SOCs, further emphasizes doubts regarding the ability of SOCs to maintain sufficient financial resources to sustain themselves in the market (Fourie 2001; Marimuthu 2021).

In contrast, individuals with 6 to 15 years of work experience tend to have a more positive perception of the financial viability and resource-generating capacity of SOCs. This may be due to a lack of exposure to the deeper structural and financial challenges faced by these entities, leading them to believe that SOCs are financially stable and capable of meeting their operational needs.

To achieve long-term sustainability, SOCs must adopt a balanced approach that considers the unique social, environmental, political, and financial contexts in which

they operate. This requires a comprehensive evaluation of their ability to meet the needs of diverse stakeholders and acquire the necessary resources for sustained growth and development (Mutize and Tefera 2020; Meintjes *et al*. 2012).

5.2.9 Correlation

Bivariate correlation analysis was also conducted on the data. The correlation coefficients are provided in the Spearman's correlation table found in Annexure 3. The results reveal the following patterns:

Positive correlation coefficients indicate a directly proportional relationship between the variables, while negative values suggest an inverse relationship. All statistically significant correlations are denoted by a * *or* **.

The correlation analysis results are summarised as follows:

5.2.9.1 Positive linear relationships

Linear relationships demonstrate a directly proportional association between variables, wherein an increase in one variable corresponds to a concurrent increase in the other. The substantive correlations selected illustrate a positive relationship between the variables under examination.

Analysis 1

Table 5.12 Chi-Square test: Due to the existence of SOCs in the country, the wealth of the community in our area has improved versus I have no complaints about services provided by SOCs.

	"Due to the existence of SOCs in the country, the wealth of the community in our area has improved"	
"There should be a separation of SOCs and government in decision making."	Pearsons Co-efficient .167**	P-Value 0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

The positive relationship between the following variable is exhibited: "Due to the existence of SOCs in the country, the wealth of the community in our area has

improved" and "There should be a separation of SOCs and government in decision making." The correlation between the two mentions variables is **0.167**.** The findings suggest that greater separation of government involvement in the decision-making processes of SOCs is associated with increased community wealth stemming from the presence of SOCs and vice versa.

Analysis 2

Table 5.13 As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum versus I have no complaints about services provided by SOCs

	As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum	
In my opinion, State-owned companies can perform better if privatised	Pearsons Co-efficient .486**	P-Value 0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

The correlation coefficient between "As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum" and "In my opinion, State-owned companies can perform better if privatised" is **0.486**.** This relationship between the two statements elucidate that the more the respondents' opinions are sought, the more they believe that SOCs would perform better if privatised, and vice versa.

5.2.9.2 Negative linear relationships

Negative linear relationships demonstrate an indirectly proportional association between variables, wherein an increase in one variable corresponds to a concurrent decrease in the other. The substantive correlations selected illustrate a negative relationship between the variables under examination.

Analysis 1

Table 5.14 Chi-square tests: "I have learned that SOCs are politically driven" versus "In my opinion, SOCs grab the investment opportunities to enhance their performance"

	"I have learned that SOCs are politically driven"	
"In my opinion, SOCs grab the investment opportunities to enhance their performance"	Pearsons Co-efficient -0.285**	P-Value 0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

The correlation coefficient between the statements "I have learned that SOCs are politically driven" and "In my opinion, SOCs grab the investment opportunities to enhance their performance" is **-0.285**.** This relationship elucidates the inversely proportionate of these two statements. The more SOCs are driven politically, the less likely they are able to grab investment opportunities, which will enhance their performance and injected external capital into the companies.

Analysis 2

Table 5.15 Chi-square test: "I believe that SOCs poor performance is caused by the community not paying their bills" versus "There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs."

	"I believe that SOCs poor performance is caused by the community not paying their bills"	
"There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs."	Pearsons Co-efficient -.442	P-Value 0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

The statements "I believe that SOCs poor performance is caused by the community not paying their bills" and "There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs." These statements yield a correlation coefficient of **-0.442**.** This indicates that the more SOCs adopt strategic decision-making processes, regarding their governance, the more poor-performance as a result of non-payment of customer bills will decrease.

5.2.9.3 Hypothesis Testing

It is necessary to always include the declaration of statistical significance when reporting findings using the standard method. A p-value is produced because of a

statistical test. A p-value below 0.05, represented by an asterisk (*), signifies statistical significance for all values. Asterisks (*) are employed to denote noteworthy outcomes, however two asterisks (**) are utilised to signify values with a p-value below 0.01. An additional Chi square test was conducted to ascertain the presence of a statistically significant correlation between the variables, specifically the rows and columns. According to the null hypothesis, there is no detectable association between the two variables. The alternative hypothesis suggests that there is a correlation between the variables. An asterisk (*) denotes a correlation significance at the 0.05 level (two-tailed), whereas two asterisks (**) indicate a correlation significance at the 0.01 level (two-tailed).

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

All statements indicated a correlation significance at 0.01 level.

The results show that there are several significant correlations between the latent variables. F1 is positively and significantly correlated with F2 ($r = 0.548$, $p<0.001$) and F3. F2 is also positively and significantly correlated with F3.

These correlations suggest that:

1) Perceptions of contribution to socio-economic development (F1) are positively related to attitudes and opinions (F2) as well as internal and external challenges (F3).

2) Attitudes and opinions are positively related to internal and external challenges.

However, F4 (steps to be taken to improve and minimise failure) does not show a significant correlation with any of the other latent variables.

Overall, the findings indicate that the dimensions of perception of management and corporate governance of state-owned companies in South Africa are interrelated, with the exception of the steps to be taken to improve and minimise failure, which appears to be distinct from the other factors.

The results provide partial support for the hypothesised relationships, suggesting that more research is needed to fully understand the complex relationships between the

different dimensions of perception of management and corporate governance in the context of state-owned companies in South Africa (Scur *et al.* 2021; Mans-Kemp *et al.* 2017; Belmonte *et al.* 2022; Ayandele and Etim 2020).

Section B

5.2.10 Structural Equation Modelling (SEM)

SEM is a statistical approach employed to investigate intricate relationships between observable and latent variables. It offers a framework for testing and validating theoretical models by integrating measurement models and structural models (Kim, Sturman and Kim 2015). In SEM, observable variables are directly measured, while latent variables represent constructs that are not directly observable but are inferred from the observable variables. This technique enables the estimation of the magnitude and direction of relationships between variables, the assessment of the overall fit of the model to the data, and the evaluation of the significance of individual paths and coefficients.

A visual representation of the revised Structural Equation Model is presented below (Figure 5.8). The model is a multivariate statistical outcome derived through the application of structural relationships, incorporating a combination of factor analysis and multiple regression analysis techniques. This model is employed to investigate the structural association between observable variables and latent constructs.

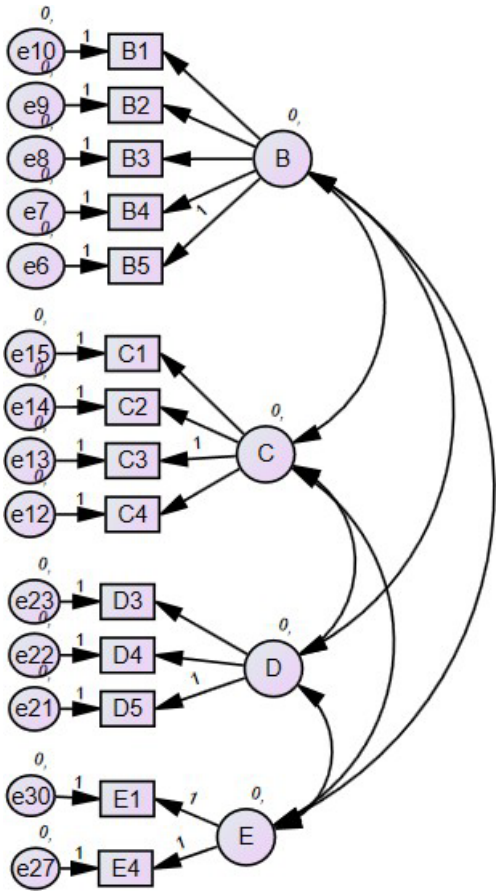

Figure 5.8: Structural Equation Model

In structural equation modelling, the chi-square test is employed to evaluate the goodness of fit between the observed data and the estimated model. The acceptability of the chi-square value is contingent on various factors, such as the degrees of freedom, the significance level, and the associated fit indices. In t/he present study, the chi-square value is 153.990, with 72 degrees of freedom, yielding a very low probability level of $p<0.001$. This suggests that the observed data deviates significantly from the estimated model. Typically, a non-significant chi-square value would indicate a good model fit, but in this case, the chi-square value is statistically significant, implying a poor fit.

To further assess the model fit, additional fit indices are examined. The Comparative Fit Index and Tucker-Lewis Index are two commonly used incremental fit indices. The CFI value for this model is 0.844, and the TLI value is 0.832, both of which fall below the recommended cut off of 0.95, suggesting a marginal fit. Therefore, based on the chi-square test and the incremental fit indices, the overall model fit is considered

inadequate (Cai, Chung and Lee 2023; Sathyanarayana and Mohanasundaram 2024). This requires further refinement of the conceptual model and the measurement of latent variables to achieve a better fit with the data. Consequently, the researcher decided not to interpret the individual path coefficients.

The SEM analysis revealed a poor overall model fit, as indicated by the statistically significant chi-square test and the marginal values of the incremental fit indices. According to the guidelines proposed by researchers, a CFI and TLI close to 0.95, and an SRMR close to 0.08 are considered indicative of a good model fit (Goretzko, Siemund and Sterner 2024).

As this was a newly developed construct, it is also expected that the structural relationships may not have fitted accurately. The sample size is also large and contributes to some of the poor fit indices, with a recommended n being around 5 – 10 times the number of parameters. It is a recommendation that the model be revised in terms of the measured variables constituting the latent variables to improve factor loadings.

B	F1	Contribution to socio-economic development
C	F2	Attitudes and Opinions
D	F3	Internal and External challenges
E	F4	Steps to be taken to improve and minimise failure

Even though the model is marginally not adequate, the results of the regression analysis are considered below for inspection purposes.

5.2.10.1 Regression Analysis

The level of significance relates to the strength of the relationships. The correlations are tested below.

Table 5.16 Covariances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
F1 <--> F2	.432	.058	7.456	***	par_10

			Estimate	S.E.	C.R.	P	Label
F1	<-->	F3	.151	.036	4.222	***	par_11
F4	<-->	F1	-.013	.039	-.337	.736	par_12
F2	<-->	F3	.305	.052	5.865	***	par_13
F4	<-->	F2	.130	.041	3.159	.002	par_14
F4	<-->	F3	.155	.032	4.926	***	par_15

Table 5.17 Correlations: (Group number 1 - Default model)

			Estimate
F1	<-->	F2	**.548**
F1	<-->	F3	**.297**
F4	<-->	F1	-.026
F2	<-->	F3	**.615**
F4	<-->	F2	**.264**
F4	<-->	F3	**.492**

Null hypothesis: There is no correlation between each of the dimensions.

Alternate hypothesis: There is a significant correlation.

In general, if the covariance between two constructs is significant, the corresponding correlation should also be significant, as correlation is a standardized form of covariance, and both measures the strength and direction of the relationship. However, significant covariance does not necessarily imply significant correlation. This is because the magnitude of correlation is also affected by the variances of the constructs, and not just the covariance. All relationships are significant ($p < 0.050$), except that between B and E. The results indicate a strong, directly proportional relationship between the latent variables, with each of the *r* estimates being positive.

5.2.11 Summary of quantitative analysis

As per the summary of the statistics, the reliability test exceeded the recommended Cronbach's alpha value, which indicated a degree of acceptable, consistent scoring

for this research. Factor analysis was performed for the Likert scale items and statements that constituted section B, which indicated this section perfectly measured what it set out to measure. Furthermore, the structural equation model was applied using the chi square test to assess the goodness of fit between the observed data and the estimated model. The chi square value resulted in a very low probability level of $p < 0.001$, however, this value is statistically significant. In addition, the agreeing and disagreeing views from respondents enabled the researcher to draw conclusions and make valuable recommendations for this study.

5.3 Analysis of results from the qualitative study

The previous section presented the quantitative findings of this study. This chapter presents the findings from the qualitative data collection of the research study. This section discusses the responses gathered from interviews conducted with 15 CG experts. The results are presented in terms of a question-by-question analysis below. There were 20 open-ended questions to be answered by CG experts. The responses from the interviews were analysed using thematic analysis.

5.3.1 Section analysis

Several open-ended questions were included in the interview guide to further explore the perspectives of participants on the effectiveness of corporate governance practices, management and the role of the state in governing SOCs. These questions were formulated to elicit the views of CG experts on public perceptions regarding the management and CG of SOCs in South Africa. The experts included both male and female academic professors and business analysts of different age groups.

The analysis of the rich interview data led to the identification of six major themes, each with several sub-themes, which are discussed in detail in the following section. Relevant literature was integrated into the data analysis and is reflected in the discussion of these themes and sub-themes. Direct quotes from the research participants, who were assigned numerical identifiers (Participant 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15), ground the findings in the data and lend credibility to the

results. The presentation of the findings is followed by a discussion and the development of a conceptual framework. The study utilised a rigorous qualitative data analysis process involving generating initial codes based on prominent patterns and underlying meanings, thematic development, and validation strategies such as such as self-reflection and peer review to ensure the credibility and trustworthiness of the finding. Concurrent triangulation was conducted: Qualitative and quantitative data are collected in parallel, analysed separately, and then merged to provide a more complete picture. This approach assisted in examining the consistencies and divergences between the findings from the two approaches.

The qualitative analysis of the interview data revealed several key themes and patterns related to the management and corporate governance of state-owned enterprises in South Africa. These themes were further explored and discussed in relation to the research objectives and existing literature on state-owned companies in the country. The key themes that emerged from the analysis are as follows:

5.3.1.1 Theme one: State of management and CG of state-owned companies

The analysis is presented under respective sub-themes. The key management and corporate governance challenges that were highlighted in the discussion include:

- **5.3.1.1.1 The involvement of stakeholder in strategic decision-making of any SOC**

The participants were asked to indicate whether as stakeholders, they were involved in the strategic decision-making process of any SOC. Table 5.10 below illustrates the results.

Figure 5.9: Involvement of stakeholders in strategic decision-making

	Frequency	Percent
Yes	8	53.3

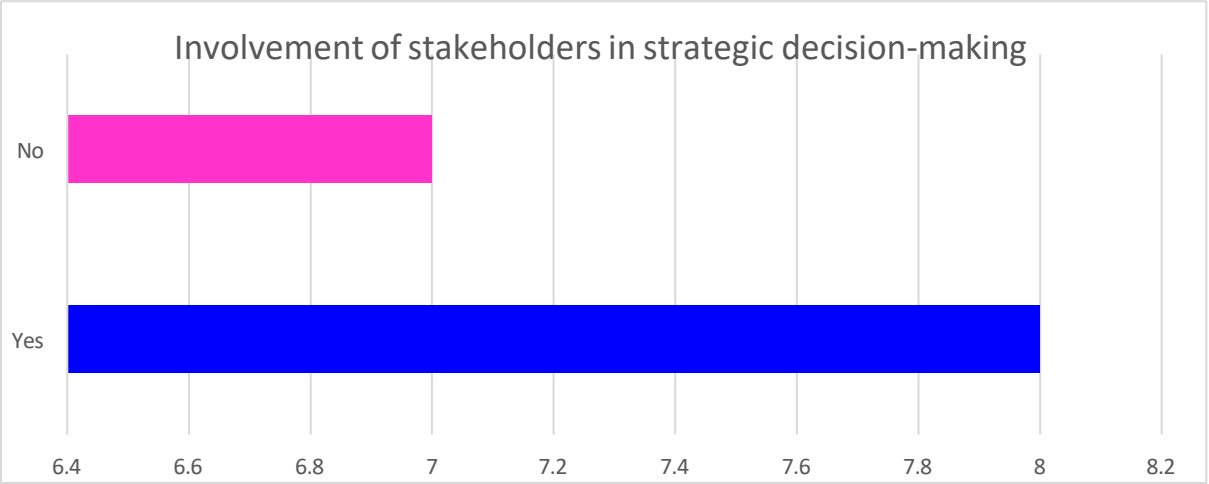

Figure 5.9 above shows that 53.3% of the participants indicated that stakeholders are involved in the strategic decision-making of the SOCs, while 46.7% indicated that stakeholders are not involved.

The qualitative analysis supports the quantitative findings by revealing that the involvement of stakeholders in strategic decision-making is a critical issue for SOCs.

- *Participant 4 noted:*

  "...the lack of stakeholder involvement in key decisions is a major weakness in the governance of SOCs. The boards and executives often make decisions in isolation without considering the input and interests of key stakeholders like employees, suppliers, and communities."

- *Participant 2 echoed this sentiment, stating:*

"SOCs need to be more transparent and accountable to their stakeholders. The current model is very top-down and does not allow for meaningful stakeholder participation in strategy and oversight."

The qualitative data indicates that while there are formal structures and policies in place for stakeholder engagement, the reality is that strategic decision-making in SOCs remains largely insular and driven by political interests rather than the input of key stakeholders (Ramantsi 2017; Qhobosheane 2018; Godinho and Hermanus 2018; Dzomira 2020; Merwe 2020). This undermines the effectiveness of corporate governance and public accountability of these enterprises.

The findings show most participants have been involved in the strategic decision-making process of a SOC.

- **5.3.1.1.2 How CEOs are appointed**

In an open-ended question, participants were asked how CEOs are appointed. Figure 5.9 below illustrates the responses received under specific themes:

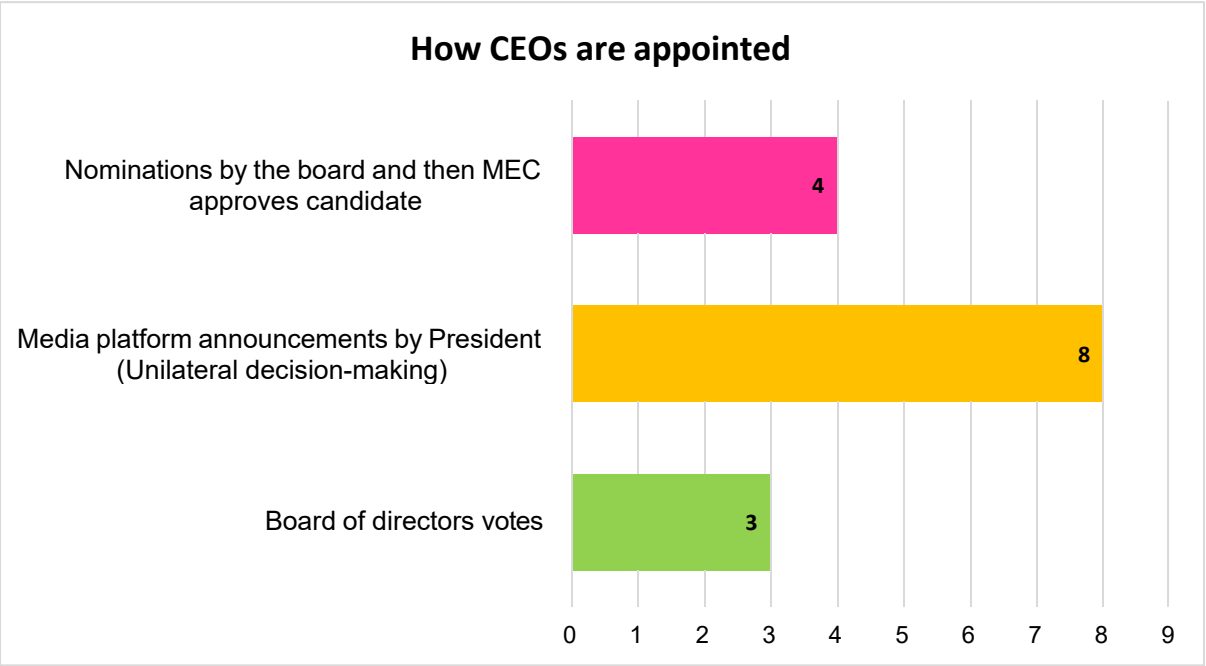

Figure 5.10: How CEOs are appointed

As shown in Figure 5.10 above, participants indicated how CEOs were appointed, with responses as follows:

> *According to Participant 1: "CEOs are appointed through the nominations by the board and thereafter the MEC approval. Sometimes it could be through media platform announcements by the president [Unilateral decision-making] and through the board of directors' votes."*

> *Participant 2 stated: "CEO appointments are predominantly political appointments rather than based on merit and competence. The government has a strong influence on the selection and approval process."*

The qualitative findings on CEO appointments corroborate the literature, which suggests that the process is often influenced by political considerations rather than being based solely on the candidates' skills and experience (Simpson 2014; Hlobo Moloi and Marx 2022). This can undermine the independence and effectiveness of SOC leadership, as the CEOs may be more accountable to political principals than to the board and other stakeholders.

- **5.3.1.1.3 Governance strategies used to manage SOCs**

The respondents were asked what governance strategies have been used to manage SOCs? Figure 5.11 below shows the responses received under specific themes:

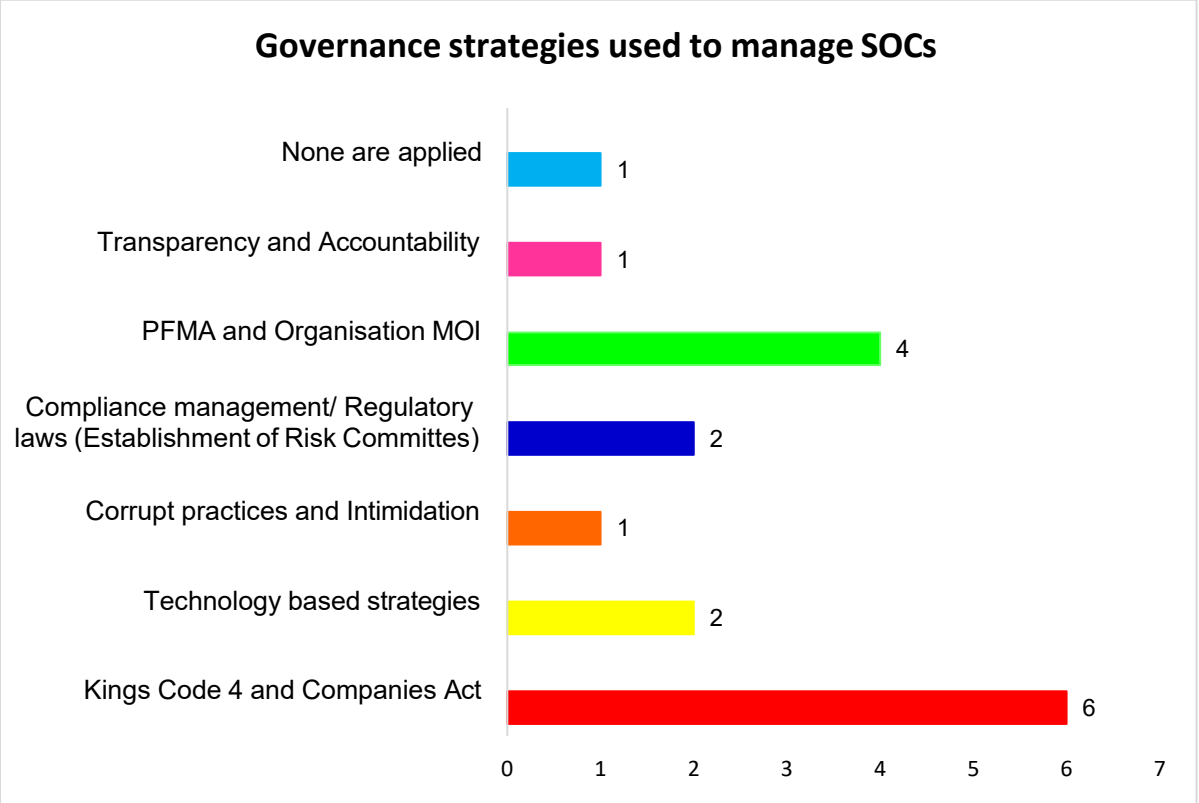

Figure 5.11: Governance strategies used to manage SOCs

As shown in Figure 5.11 above, the respondents indicated the governance strategies used to manage SOCs were as follows:

According to Participant 2 said: "We strategise and manage the company under the guidance of Kings code 4 and Companies Act as well."

- However, other respondents still believe there is no strategy applied as they said:

According to respondent 3,4 and 5 said: "There is none applied, only corrupt practices and intimidation prevail."

- *Participant 3 mentioned that "Political interference has been the main strategy, with the SOE boards and executives being used as conduits for patronage and rent-seeking."*

- *Furthermore, participant 4 highlighted that "The lack of consequences for poor performance and corruption has undermined any meaningful governance strategies."*
- *Lastly participant 5 stated that "Politicization of the boards and management appointments, with little regard for skills, experience and independence, has been the main governance strategy."*

The qualitative findings on governance strategies used to manage SOCs reveal a mixed picture. Some respondents indicated that formal governance frameworks like the King Code and Companies Act are used, while others argued that there is a lack of genuine governance strategies, with political interference, corruption, and lack of accountability being the dominant features (Gakpo 2022).This aligns with the literature, which suggests that while there are formal governance structures and policies in place, their implementation and effectiveness remain limited due to the pervasive influence of political interests (Ximena and Liu 2015; Hassan *et al.* 2017).

- **5.3.1.1.4 SOCs adherance to international best practices**

The respondents were asked whether they felt SOCs were adhering to international best practices. Figure 5.12 below illustrates the results.

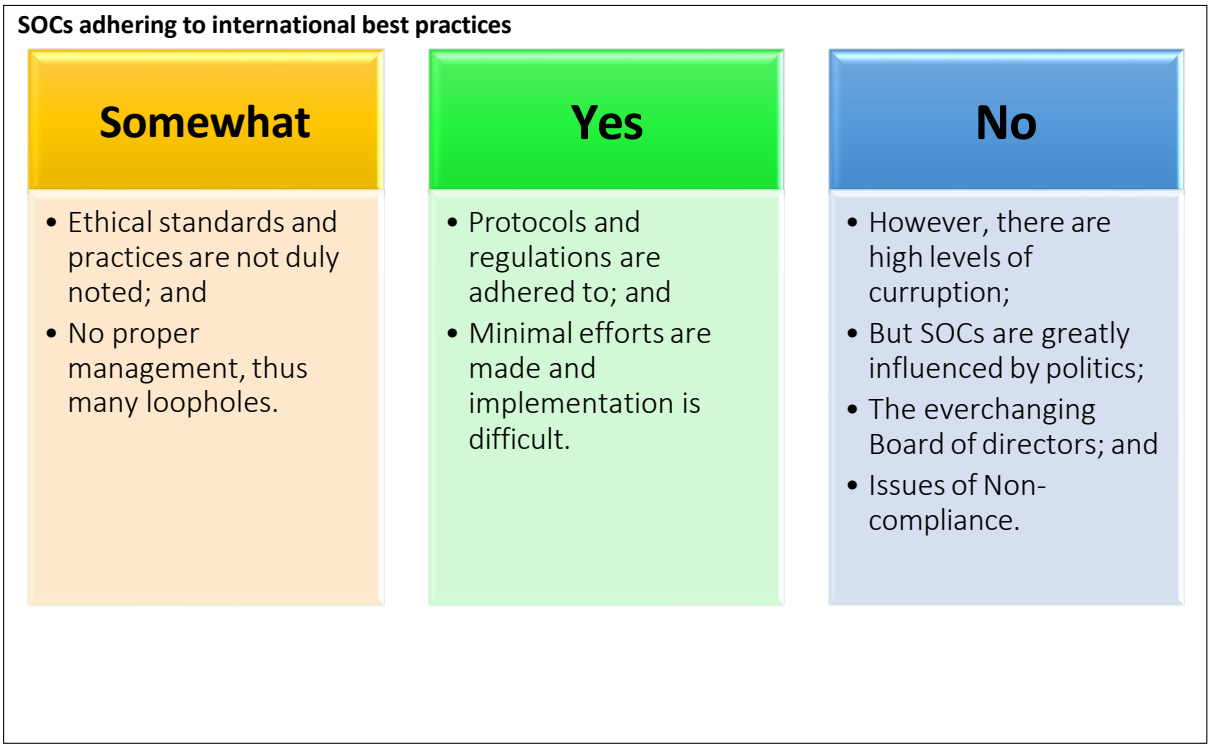

Figure 5.12: SOCs adherence to international best practices

The results shown in Figure 5.12 for the individual sub-themes, in respect of whether the respondents felt SOCs were adhering to international best practices, were as follows:

- **Somewhat:** some participants felt SOCs were somewhat adhering to international best practices; however, there were issues such as ethical standards, practices not being duly noted and no proper management, thus, many loopholes in the adherence of practices (5 participants).
- *Participant 7 stated: "There are some efforts to adhere to best practices, but major challenges remain in terms of ethical standards, transparency and accountability."*
- *Participant 10 mentioned: "On paper, the SOCs appear to be following best practices, but the actual implementation and enforcement is lacking."*
- *Participant 12 noted: "Partial adherence, at best. There are too many loopholes and lack of consequences for non-compliance."*
- *Participant 9 stated that the "adherence to best practices is superficial at best, with political interference and self-interest undermining true compliance."*
- *Participant 14 felt that "SOCs are far from adhering to international best practices, with rampant corruption, cadre deployment and lack of independent oversight."*
- **Yes**: Some participant felt SOCs were adhering to the international best practices, as protocols and regulations were adhered to; however, minimal efforts are made, and implementation is difficult (4 participants).
    - Participant 11 stated: "Yes, SOCs are following international best practices, but the implementation is challenging due to various constraints."
    - Participant 15 said: "There are efforts to adopt international best practices, but the full compliance is lacking due to political and other vested interests."
    - Participant 6 mentioned: "On paper, the adherence to best practices is there, but the actual execution and enforcement remains weak."
    - Lastly participant 13 felt that "While there is some progress, SOCs still have a long way to go to fully align with global governance standards and best practices."

In summary, the qualitative findings suggest that while there are efforts to align SOCs with international best practices, the actual implementation and adherence remain limited.

- **No**: Some respondents felt SOCs were not adhering to international best practices, because of issues of high levels corruption; SOCs were greatly affected by politics, the everchanging board of directors and issues of non-compliance.

According to respondents 2, 5 and 7 said: "No, SOEs are managed politically based on the interest of the ruling party."

- *Participant 2 mentioned: "Corruption, lack of accountability and political interference have undermined any meaningful adherence to global governance standards."*
- *Participant 5 stated: "The constant changes in leadership and lack of continuity have made it impossible to establish robust governance practices aligned with international norms."*
- *Participant 7 further added: "Given the high levels of corruption and lack of consequences, there is no genuine commitment to upholding global best practices in SOEs."*

The qualitative findings suggest a mixed picture in terms of the extent to which SOCs are adhering to international best practices on corporate governance. While some respondents felt there were efforts to align with global standards, the actual implementation and enforcement remain weak due to political interference, corruption, lack of accountability and high turnover in leadership.

- According to participant 3,6,8 and 9 said: *"Yes, they are but in minimal effort, adoption of best practices is always on paper when it comes to the implementation stage no one sees it through."*

- *Participant 3 said: "while there some progress SOCs still have a long way to go to fully align with global governance standards and best practices."*

- *Participant 6 said: "Yes SOCs are following international best practices but the implementation is challenging due to various constraints."*
- *Participant 8 said: "There are efforts to adopt international best practices, but the full compliance is lacking due to political and other vested interests."*
- *Lasty participant 9 felt that "SOCs are far from adhering to international best practices, with rampant corruption, cadre deployment and lack of independent oversight.*

Overall, the qualitative insights reveal a complex and nuanced picture, with SOCs making some progress in adopting global best practices, but still struggling to fully implement and embed them within their governance structures and organizational cultures (Chandan 2015; Kim and Ali 2017). These findings are consistent with the literature which highlights the significant governance challenges facing SOEs globally (Baum et al., 2019; Ximena and Liu 2015; Ugoani 2020; Serfontein and Govender 2020). The lack of robust oversight and the prevalence of political influence over SOE operations have undermined their ability to adhere to international best practices in areas such as transparency, board independence, and ethical conduct (Ugoani 2020)

- **5.3.1.1.5 The challenges facing SOCs in South Africa**

The participants were asked to indicate some of the governance challenges that have been facing SOCs in South Africa. Figure 5.13 below illustrates the responses received under specific themes:

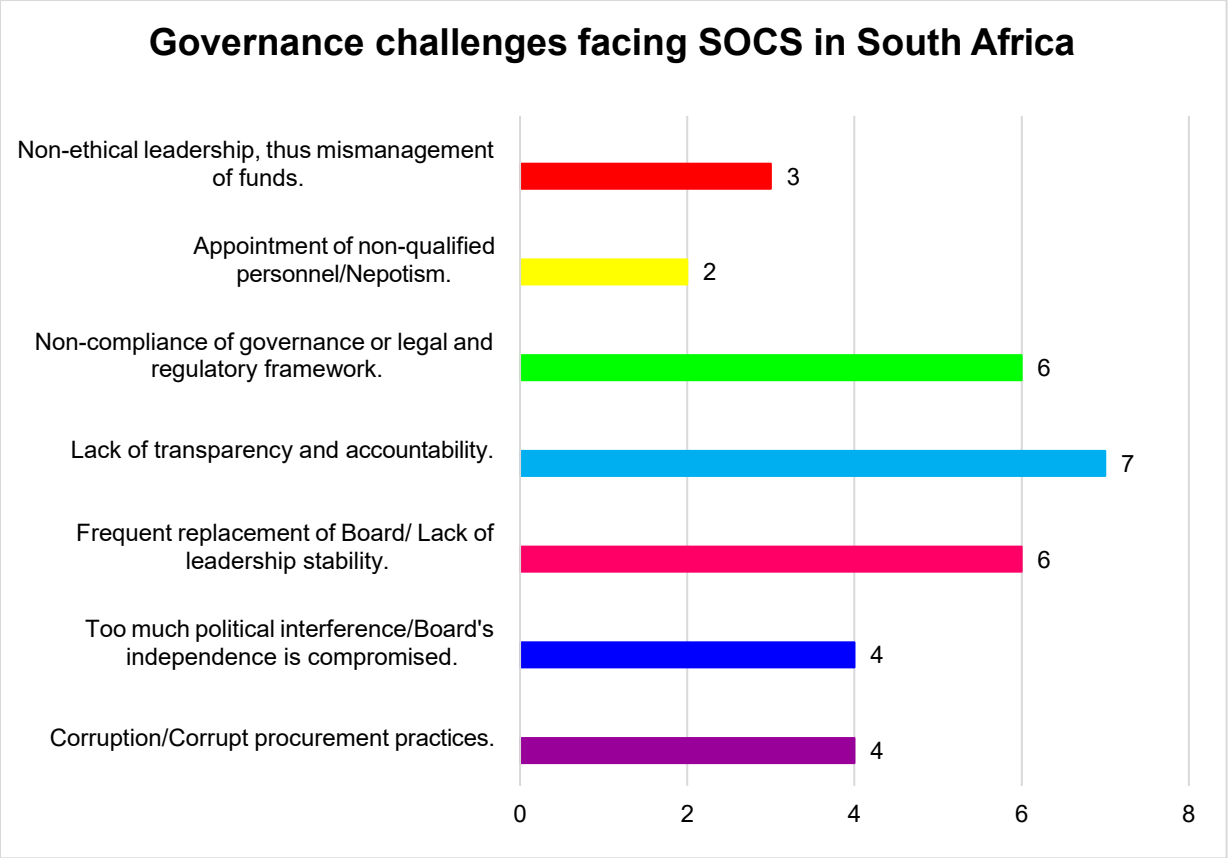

Figure 5.13: Governance challenges facing SOCs in South Africa

As shown in Figure 5.13 above, the respondents indicated some governance challenges facing SOCs in South Africa as follows:

- *Participant 3 stated: "The leadership in SOCs is unethical and has resulted in the mismanagement of funds and resources."*
- *Participant 7 said: "The lack of integrity and ethical conduct at the leadership level has severely undermined the governance of SOCs."*
- *Participant 12 mentioned: "SOC leadership has been tainted by corruption, nepotism and a disregard for fiduciary duties."*

The qualitative findings suggest that the lack of ethical leadership has been a key challenge undermining the governance of SOCs in South Africa. This analysis affirms the broader literature highlighting the critical importance of ethical tone at the top in driving organizational governance and integrity (Wessels and Wilkinson 2016).

Participants expressed great concern over the appointment of unqualified individuals to senior and executive leadership positions in SOCs, often due to political connections or nepotism rather than merit. They responded as follows:

- *Participant 4 stated: "The appointing unqualified cadres to senior positions in SOCs has severely compromised their operational and financial performance."*
- *Participant 9 said: "Nepotism and political appointments have resulted in the recruitment of incompetent individuals to lead SOCs."*

Participants highlighted the lack of compliance with relevant governance frameworks, regulations, and legislation among SOCs, which has contributed to their poor performance and mismanagement. They responded as follows:

- *Participant 5 mentioned: "The disregard for legal and regulatory requirements has undermined the integrity of SOC governance."*
- *Participant 8 said: "While the governance framework is robust on paper, the enforcement and compliance remain weak due to political interference."*
- *Participant 11 stated: "SOCs have failed to adhere to basic governance principles and legal requirements, resulting in wasteful expenditure and poor service delivery."*
- *Participant 12 indicated: "Lack of compliance with policies, regulations and best practices has eroded public trust in SOCs."*
- *Participant 3 added: "The constant changing of rules and regulations has made it challenging for SOCs to maintain good governance."*
- *Participant 7 said: "The governance and compliance frameworks exist, but the political interests override adherence to these guidelines."*

Interviewees stressed the need for greater transparency and accountability in the operations and decision-making processes of SOCs, to enhance public trust and confidence. They responded as follows:

- *Participant 1 stated: "The opacity and lack of transparency in the operations of SOCs have exacerbated governance concerns."*

- *Participant 6 said: "There is a lack of accountability at all levels of SOC leadership, which has enabled the misuse of public funds."*
- *Participant 10 mentioned: "SOCs are characterised by opaque decision-making processes and an unwillingness to disclose information to the public."*
- *Participant 12 indicated: "The absence of robust oversight and accountability mechanisms has allowed unethical practices to thrive in SOCs."*
- *Participant 3 added: "The politicisation of SOCs has compromised their transparency and made it difficult to hold leaders accountable."*
- *Participant 4 said: "The governance challenges in SOCs are compounded by the lack of independent oversight and the dominance of political interests."*
- *Participant 8 felt that "The consolidation of power within SOCs, with limited external scrutiny, has enabled the abuse of public resources."*

Participants noted the instability of leadership due to the frequent replacement of board members and executives, which has undermined the continuity and effectiveness of governance. They responded as follows:

- *Participant 2 stated: "The constant turnover of board members and executives in SOCs has undermined their ability to implement long-term strategies and maintain good governance."*
- *Participant 5 said: "The frequent replacement of leadership in SOCs has made it difficult to establish continuity and accountability."*
- *Participant 9 mentioned: "The instability in the leadership of SOCs, with political appointees being removed and replaced, has eroded the public's trust in these organizations."*
- *Participant 11 indicated: "The lack of leadership stability in SOCs has exacerbated the governance challenges, as new leaders often prioritize their own political agendas over organizational performance."*
- *Participant 14 added: "The revolving door of board members and executives in SOCs has contributed to the poor implementation of policies and the erosion of institutional memory."*

- *Participant 7 felt that "The lack of long-term leadership in SOCs has hindered their ability to develop and execute coherent strategic plans, which are essential for good governance."*

The participants emphasised that political interference in the operations and decision-making of SOCs has significantly compromised the independence and effectiveness of their boards; and They responded as follows:

- Participant 3 stated: "The high level of political interference in the operations of SOCs has undermined their independence and decision-making processes."
- Participant 6 said: "The dominance of political interests on the boards of SOCs has compromised their ability to exercise independent oversight and ensure good governance."
- Participant 8 mentioned: "The appointment of politically connected individuals to the boards of SOCs has eroded their independence and objectivity."
- Participant 10 indicated: "The lack of separation between the political and administrative spheres in SOCs has allowed for the abuse of power and the pursuit of partisan agendas."

The experts also highlighted the prevalence of corruption, particularly in the procurement processes of SOCs, as a major hindrance to good governance. They responded as follows:

- *Participant 4 stated: "The prevalence of corruption in the procurement processes of SOCs has been a major contributor to the governance challenges they face."*
- *Participant 9 said: "The lack of transparency and accountability in the procurement activities of SOCs has enabled the misuse of public funds and the abuse of power."*
- *Participant 12 mentioned: "The awarding of contracts to politically connected individuals or companies, without a fair and competitive process, has been a significant source of corruption in SOCs."*
- *Participant 14 indicated: "The collusion between SOC officials and private sector entities in the procurement of goods and services has undermined the integrity of these organizations."*

Majority of the respondents said: "Corruption, political interference and lack of transparency have been stumbling blocks for the effective performance of the existing SOCs."

In summary for theme one:
The qualitative insights revealed several key governance challenges facing SOCs in South Africa, including unethical leadership, the appointment of unqualified personnel, non-compliance with legal and regulatory frameworks, and a lack of transparency and accountability. Furthermore, the frequent replacement of the board or the lack of leadership stability, as well as the high level of political interference and compromised board independence, have exacerbated the governance issues in SOCs. Additionally, the prevalence of corruption and corrupt procurement practices have undermined the integrity and performance of these organizations.

These findings are consistent with the broader literature on governance issues in state-owned enterprises, where political interference, corruption, and the prioritization of partisan interests over organizational performance have been pervasive problems. (Dzomira 2020; Ugoani 2020; Serfontein and Govender 2020; Thompson *et al.* 2019).

5.3.2 Theme two: CG and its role in contributing to socio-economic development

The analysis is presented under respective sub-themes.

5.3.2.1 SOCs contribution to the socio-economic development of this country

The respondents were asked whether they thought SOCs contribute to the development of the country and why they think so. The responses are grouped together in terms of common themes identified. Figure 5.14 below shows the results.

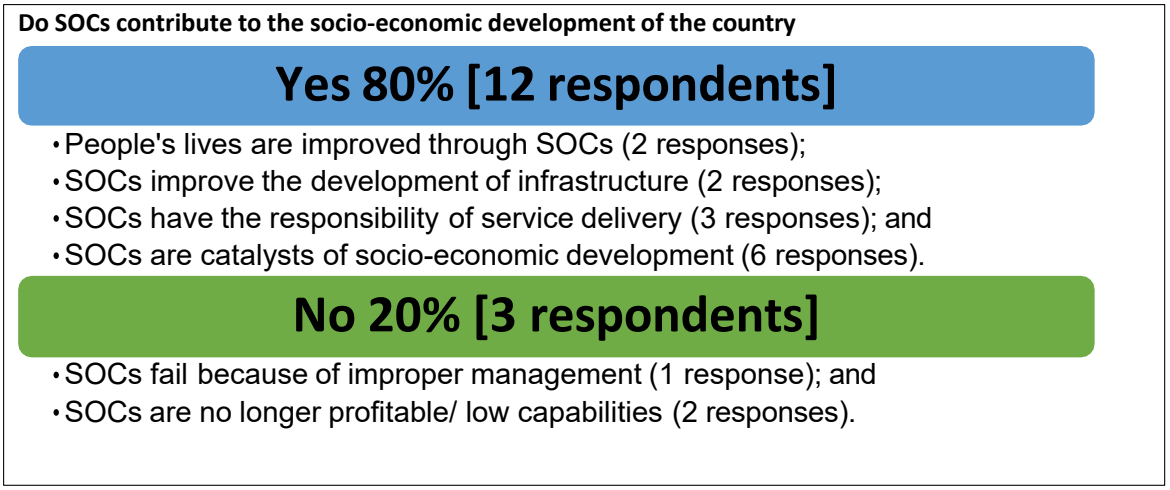

Figure 5.14: Do SOCs contribute to the socio-economic development of the country?

The results indicate the vast majority (80 percent) participants felt SOCs do contribute to the socio-economic development of this country, because: people's lives are improved through SOCS, the SOCs have improved the development of infrastructure, and have the responsibility of service delivery, as well as being catalysts of socio-economic development. Furthermore, 20 percent participants indicated they did not feel SOCs contribute to the socio-economic development of the country, due to improper management of the SOCs, and that SOCs are not profitable or have low capabilities.

According to participants 8,11, 14 and 15 said "Yes, they improve communities and businesses' lives."

- *Participant 11 stated that "SOCs play a vital role in improving people's lives through the services they provide."*
- *Participant 14 said, "SOCs are responsible for the development of infrastructure, which is essential for the country's economic growth and social well-being."*
- *Participant 8 mentioned, "SOCs have a mandate to deliver essential public services, and this contributes to the socio-economic development of the country."*
- *Participant 15 added, "SOCs can be catalysts for socio-economic development, as they have the potential to drive investment, create jobs, and foster economic growth."*

However, respondents 2, 5,7 and 13 said: *“No, some of them are no longer profitable, therefore, are adding more burden on government as they rely on the state’s funding.”*

- *Participant 2 stated, "SOCs are failing because of improper management and poor governance, which undermines their ability to contribute to development."*
- *Participant 5 said, "Many SOCs are no longer profitable or have low capabilities, which limits their impact on the country's socio-economic progress."*
- Participant 7 added, "While SOCs have the mandate to contribute to socio-economic development, their inability to effectively deliver on this mandate has been a major disappointment."

Participant 13 mentioned, "The governance and performance issues in SOCs have eroded their potential to drive development and improve the lives of citizens."

In summary for theme two:
The qualitative insights suggest that while SOCs have the potential to contribute to the socio-economic development of the country, their ability to do so is often hampered by the governance challenges they face. The respondents highlighted that when SOCs are well-managed and fulfil their mandate effectively, they can improve people's lives, develop critical infrastructure, and drive socio-economic progress. However, the prevalence of poor governance, corruption, and political interference in SOCs has undermined their developmental impact, with some respondents perceiving these organizations as liabilities rather than catalysts for growth (Choto *et al*. 2020; Kaunda and Pelser 2022; Marimuthu 2021; Baum *et al.* 2019).

5.3.3 Theme three: Stakeholder attitudes and opinions

The analysis is presented under respective sub-themes.

5.3.3.1 Public opinion on the operation of SOCs

The participants were asked to provide their opinion on SOC operations, on issues relating to performance, transparency, ethical culture and so on. The responses from above subthemes are grouped together in terms of common sub themes identified:

- **5.3.3.1.1 Performance of SOCs**
  - SOC performance seems fair but could be better;

- SOC performances are not up to standard, unsatisfactory, hence the poor profitability and struggles in maintaining cashflow; and
- Because of poor performance, SOCs have not been able to positively impact the socio-economic development of the country, hence the issues of electricity, infrastructure, and water.

- **5.3.3.3.2 Transparency of SOCs**

- There have been rules implemented in attempts to regulate transparency and ethical practices in SOCs, such as financial audits that are held annually;
- There are internal auditors that play a role in ensuring the transparency of the organisation, as well as annual performance plans. SOC reports are published for the public to know and see how taxes are utilised;
- Some SOCs fail to release their annual audit reports and there are resource-utilisations that cannot be explained;
- The procurement system is kept to those in positions of power, thus making room for corruption and maladministration; and
- Some SOCs have no transparency, no one dares to challenge decisions taken on executive level, as it will be seen as disobedience.

- **5.3.3.3.3 Operations of SOCs**

- SOC operations lack consistency, as they are unable to maintain and sustain their operations; and
- The operation/s in its entirety are unclear and evasive, with a number of activities regularly reported to the minister.

- **5.3.3.3.4 Organisational policies**

- Lack of effective management and a Board lacking skills to oversee performance. More time is spent in the Boardrooms talking about plans and less implementation.

5.3.3.6 Organisational culture

- Policies are there for ethical cultures to be established and adhered to, but politics tend to compromise that;
- The culture of good ethics in SOCs has been tainted by unethical leaders, who only do what benefits them;

- The lack of ethics disrupts service delivery as board members interfere with relations that will benefit a certain project;
- The responsible MEC's department may interfere in processes and "bully" the SOC into utilising their budget where they deem fit; and
- SOCs are not well governed.

Participants 4,7 and 10 indicated that: “There is inconsistency in operations and no transparency in decision making.”

- *Participant 4 stated that: "the lack of accountability and transparency in SOCs weakens their ability to contribute effectively to socio-economic development."*
- Participant 7 mentioned that: "the ethical culture in SOCs is poor due to unethical leadership, undermining service delivery and organizational performance."
- Participant 10 added that: "political interference and lack of skills on SOC boards have led to poor governance and ineffective operations."

However, Participants 6,9,11 and 14, still find it somehow satisfactory.

- *Participant 6: "There are attempts to regulate transparency through annual audits and public reporting."*
- *Participant 9: "We have internal auditors and performance plans to ensure some transparency."*
- *Participant 11: "The operations are not perfect but are maintained to some degree."*
- *Participant 14: "The policies on paper aim to create an ethical culture, but politics compromise that."*

The qualitative data suggests that the public has mixed perceptions regarding the operations, transparency, and ethical culture of SOCs. While some participant acknowledges efforts to improve governance, such as implementing audits and reporting requirements, the majority express concerns about persistent issues like lack of accountability, political interference, unethical leadership, and poor organisational performance. These challenges appear to undermine the ability of SOCs to fulfil their developmental mandate and contribute effectively to socio-economic progress.

5.3.3.2 Opinion regarding SOCs giving business opportunities to individuals

The participants were asked to give their opinion regarding SOCs providing business opportunities to individuals. Figure 5.15 below illustrates the responses received under common themes:

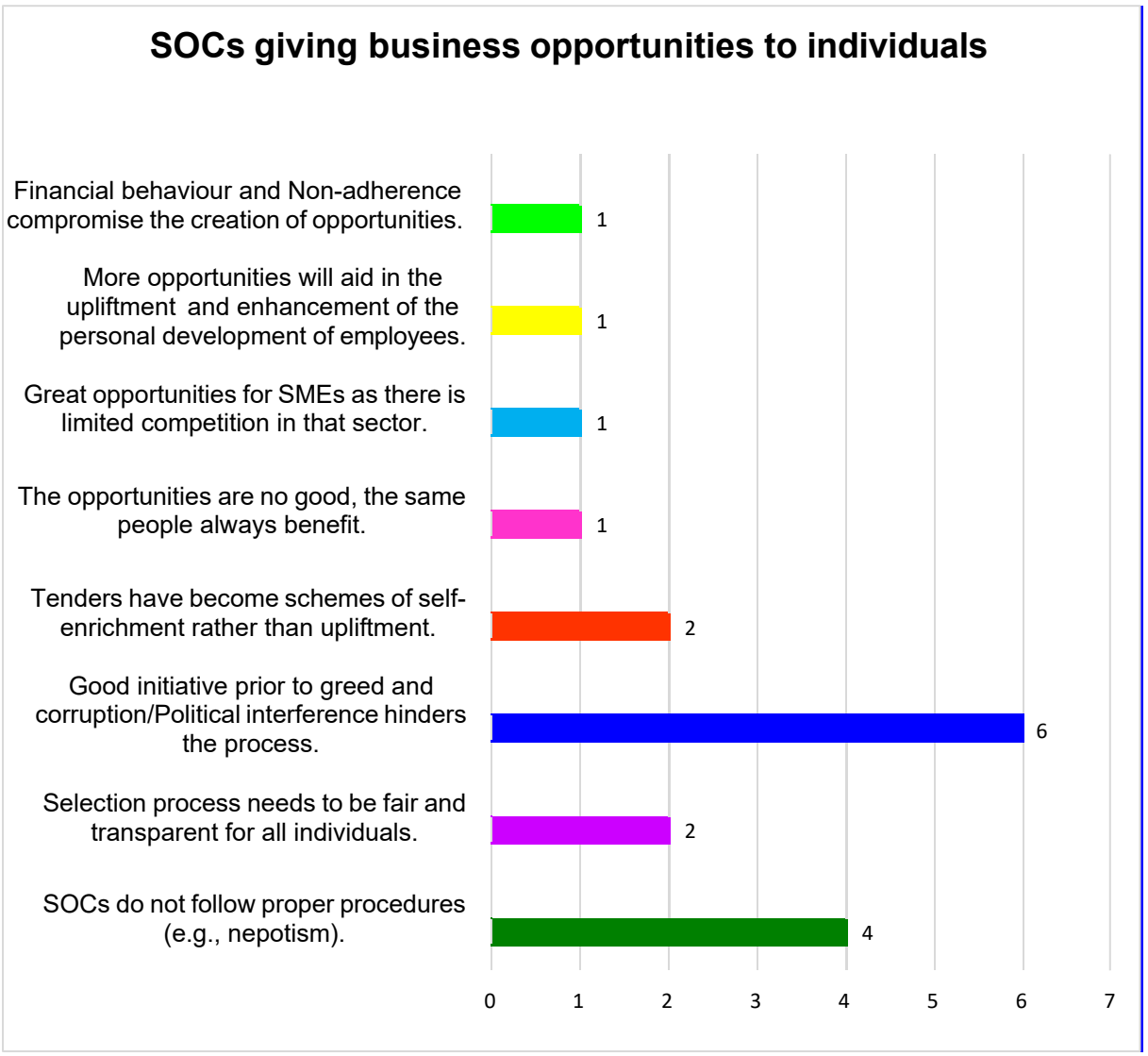

Figure 5.15: SOCs giving business opportunities to individuals

As shown in Figure 5.15 above, participant opinions regarding SOCs giving business opportunities to individuals were as follows:

Participants expressed concerns over the poor financial management and non-compliance with financial regulations in SOCs, which has hindered their ability to deliver on their mandates and create opportunities for the public. The response was as follows:

- *Participant 3 stated that: "SOC leadership tends to favour those with political connections when awarding tenders and contracts, compromising fairness and transparency."*

Participants emphasised that improving the corporate governance of SOCs would create more opportunities for employee development and personal growth, which in turn would improve service delivery to the public. They response was as follows:

- *Participant 8 remarked that: "Creating opportunities for employees can boost morale and productivity, but this is often not the case in SOCs."*

Participants highlighted that improving corporate governance in SOCs would foster a more competitive environment and create more opportunities for small and medium enterprises to participate in the economy. The response was as follows:

- *Participant 13 mentioned that: "With the right policies and support, SOCs could serve as a launch-pad for small businesses to grow and create jobs."*

The participants also expressed concerns that the current corrupt practices in SOCs have limited the opportunities for small businesses and the public to benefit, with a select few individuals and entities continuing to reap the rewards. The response was as follows:

- Participant 6 stated that: "The awarding of tenders and contracts in SOCs is usually not transparent, with the same politically-connected individuals benefitting repeatedly."

The experts lamented that the procurement processes in SOCs have been perverted into schemes for self-enrichment rather than serving the intended purpose of empowering businesses and uplifting communities. They responded as follows:

- *Participant 11 shared that: "Procurement and tender processes in SOCs have been hijacked by those in power for personal gain rather than broader socio-economic development."*

- *Participant 5 added: "Corruption and nepotism in SOC procurement have meant that business opportunities mostly benefit a small, well-connected few rather than the wider public."*

Participants acknowledged that the original intentions behind the establishment of SOCs were positive, but political interference and corruption have severely hindered the realization of these goals. They responded as follows:

- *Participant 2 commented: "Providing business opportunities through SOCs was a positive idea, but politics and greed have undermined the integrity of the process."*
- *Participant 9 stated: "The initial intent to create business opportunities through SOCs was good, but political interference and self-interest have derailed the initiative."*
- *Participant 14 noted: "SOCs could be an important platform to boost entrepreneurship and SMEs, but corruption and lack of good governance have compromised this potential."*
- *Participant 4 summed up: "The disconnect between policy and implementation when it comes to SOC-driven business opportunities is a major concern."*
- *Participant 1 provided a contrasting perspective, stating: "In some cases, SOCs have managed to create viable opportunities for small businesses, but these seem to be the exception rather than the norm."*
- *Participant 12 added: "While issues like corruption exist, there are still some examples of SOCs successfully supporting entrepreneurs and SMEs through procurement and other initiatives."*

The participants emphasized the need for a fair and transparent selection process for leadership positions in SOCs, to ensure that only qualified and competent individuals are appointed, regardless of political connections or personal relationships. They responded as follows:

- *Participant 7 emphasized: "For SOCs to effectively create business opportunities, the selection and award processes must be fair, transparent and free from political interference or favouritism."*

- *Participant 10 noted: "Lack of transparent and equitable processes in SOC procurement has led to perceptions of nepotism and unfair practices."*

The participants indicated that there is a lot of nepotism and political interference. They responded as follows:

- *Participant 15 stated: "In many cases, SOCs do not follow proper procurement procedures or give equal opportunities, which undermines the integrity of the system."*
- *Participant 2 added: "The disregard for proper processes and procedures in SOC-driven business opportunities creates an environment ripe for corruption and abuse."*
- *Participant 6 remarked: "Without robust systems and accountability, SOCs often fail to adhere to fair and transparent practices in awarding contracts and tenders."*
- *Participant 14 summarized the overall sentiments, stating: "The policies on paper aim to create an ethical culture, but politics compromise that."*

Some respondents said they find this process fair, while other respondents 2,5,9 and 15 said: *“I find it to be poor due to political interference as this hinders small businesses growth.”*

- *Participant 2 highlighted "Lack of transparent and equitable processes in SOC procurement has led to perceptions of nepotism and unfair practices."*
- *Participant 5 added "Corruption and nepotism in SOC procurement have meant that business opportunities mostly benefit a small, well-connected few rather than the wider public."*
- *Participant 9 commented "The initial intent to create business opportunities through SOCs was good, but political interference and self-interest have derailed the initiative."*
- *Participant 15 said "SOCs could be an important platform to boost entrepreneurship and SMEs, but corruption and lack of good governance have compromised this potential."*

Overall, the participants' views suggest a mix of perceptions regarding SOCs' ability to provide meaningful business opportunities to individuals. The indicated that the policies aim to create opportunities, but political interference and corruption often undermine the implementation (Ramantsi 2017; Qhobosheane 2018; Godinho and Hermanus 2018; Ugoani 2020).

5.3.4 Theme four: Internal factors influencing your perceptions of CG

The analysis is presented under respective sub-themes.

5.3.4.1 Opinion of the financial resources in South Africa with regard to SOCs

The respondents were asked to give their opinion with regard to the financial resources in South Africa in relation to SOCs. Figure 5.15 below illustrates the responses under specific themes:

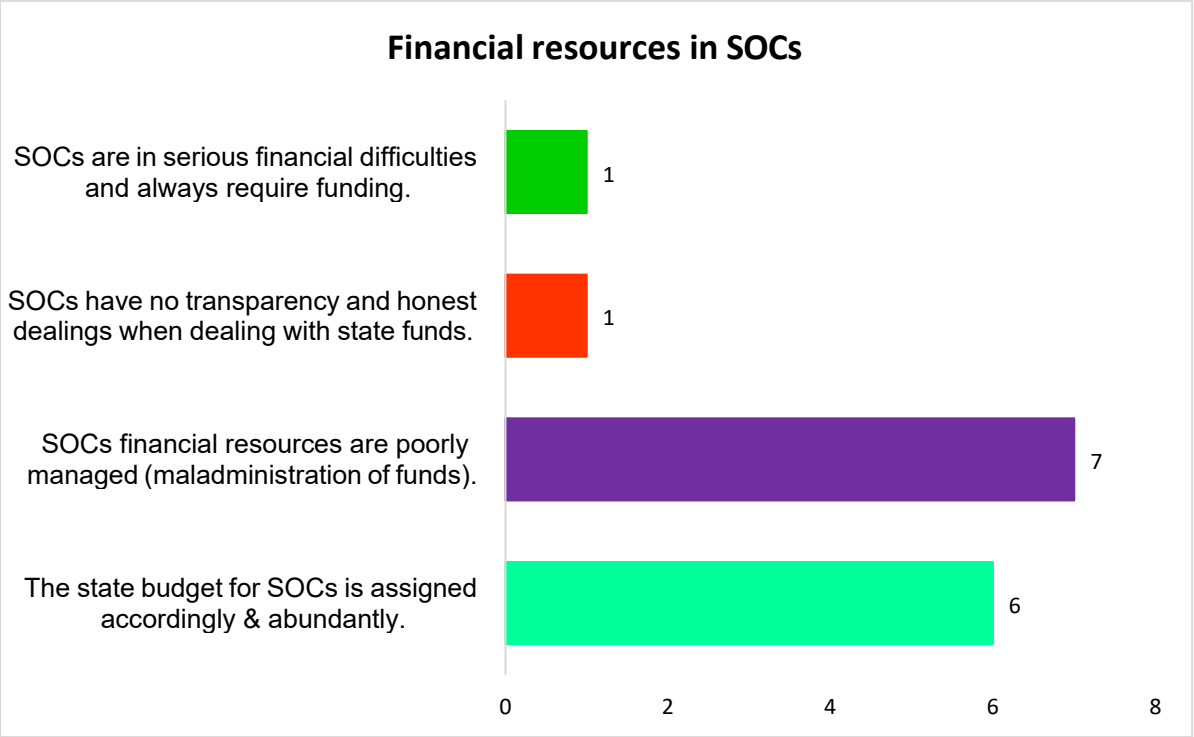

Figure 5.16: Financial resources in SOCs

As shown in Figure 5.16 above, respondent opinions regarding financial resources in South Africa in relation to SOCs were as follows:

According to participant 4,6,9 and 13 said: "There is maladministration, SOCs are provided with enough resources but they spent them recklessly."

- *Participant 4 and 14 highlighted: "There is always a need for additional funding from the state, and this is a burden on the fiscus."*
- Participant 6 stated: "SOCs have no transparency and proper governance when dealing with state funds."
- Participant 9 added: "The state budget assigned to SOCs is abundant, but it is poorly managed and not used to achieve the intended objectives."
- Participant 13 elaborated: "SOCs are in serious financial difficulties and continue to require more and more bailouts from the state."

In summary, the participants' perspectives indicate that while SOCs may have access to adequate financial resources, the lack of transparency, reckless spending, and poor management of funds have negatively impacted their financial sustainability and ability to effectively utilise those. The findings agree with the literature (Khumalo and Mazenda 2021) and (Fourie and Poggenpoel 2016) that highlights the financial difficulties and inefficient use of resources by SOCs in the South African context.

5.3.4.2 Opinion about investment opportunities in South Africa regarding SOCs

The respondents were asked to provide their opinion concerning investment opportunities in South Africa regarding SOCs. Figure 5.17 below shows the results under specific themes.

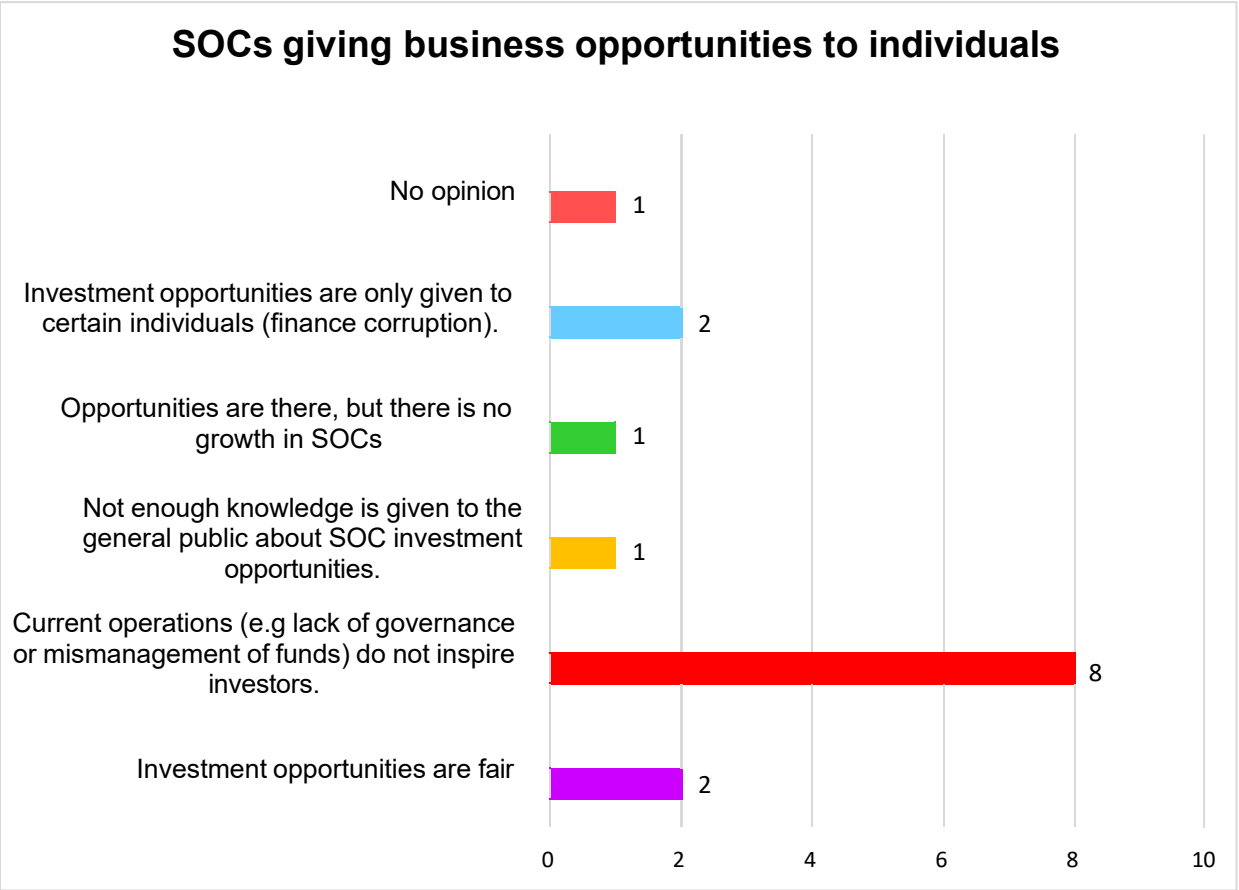

Figure 5.17: SOCs giving investment opportunities to individuals

As shown in Figure 5.17 above, the participants' opinions about investment opportunities in South Africa regarding SOCs were as follows:

Several participants expressed that the public lacks adequate information and knowledge about the investment opportunities available in SOCs, limiting broader participation and oversight. Furthermore, they stated that poor performance, mismanagement, and lack of transparency in SOCs have eroded public confidence and discouraged potential investors. Some noted that while investment opportunities may exist in SOCs, the lack of proper governance and management has hindered their growth and development. They responded as follows:

According to participant 6,9,11 and 12 said: "They are trying to get investment opportunities from outside, but investors are reluctant due to high level of corruption in this country, therefore, they only get investment opportunities from the government."

- *Participant 6 and 9 highlighted:"The investment opportunities are only given to certain individuals who are politically connected to the ruling party."*
- *Participant 11 added:"There are opportunities, but the SOCs operations are not inspiring enough for investors."*
- *Participant 12 commented:"The public is not given enough knowledge about the investment opportunities in SOCs."*

Therefore, the findings suggest that while there may be investment opportunities in SOCs, lack of transparency, corruption, and poor performance have deterred potential investors, with opportunities seemingly accessible only to a politically connected few. The literature (Khumalo and Mazenda 2021) supports these challenges around investment in South African SOCs.

5.3.4.3 Opinion about the physical resources (e.g., facilities) in South Africa with regard to SOCs

The respondents were asked to give their opinion regarding the physical resources (for example, facilities) in South Africa with regard to SOCs. Figure 5.18 below illustrates the responses under specific themes:

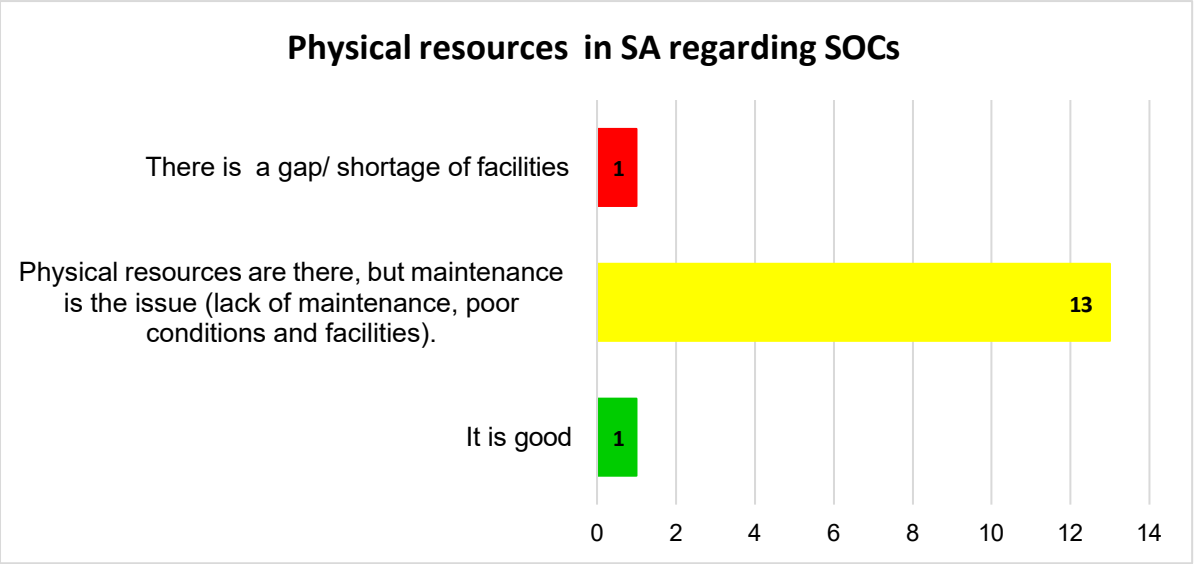

Figure 5.18: Physical resources in South Africa regarding SOCs

As illustrated In Figure 5.18, respondent opinions regarding the physical resources in South Africa in relation to SOCs were as follows:

Majority of the respondents indicated: “There is availability of physical resources for SOCs, but there is lack of maintenance.”

According to participant 2,8, 13 and 16: "The physical infrastructure and equipment in SOCs are there, but there is poor maintenance and upkeep which reduces their life span and effectiveness."

- *Participant 2 commented: "The physical resources in SOCs are generally adequate, but there seems to be a gap in certain critical facilities and tools."*
- *Participant 8 added: "The physical resources are good overall, but the challenge is in ensuring proper maintenance and care for these assets."*
- *Participant 13 and 16 stated: "The physical infrastructure and equipment in SOCs are generally sufficient, but not properly maintained."*

The findings indicate that while SOCs may possess adequate physical resources, the lack of proper maintenance and upkeep of these assets is a key challenge, negatively impacting their service delivery and efficiency. These findings align with the literature, which highlights the need for improved asset management and maintenance in South African SOCs (Makonko 2016; Almeida, Trindade, Komljenovic and Finger 2022)

5.3.4.4 Opinion about human resources in South Africa regarding SOCs

The respondents were asked to give their opinion on human resources in South AFRICA in relation to SOCs. Figure 5.19 below illustrates the responses under common sub-themes:

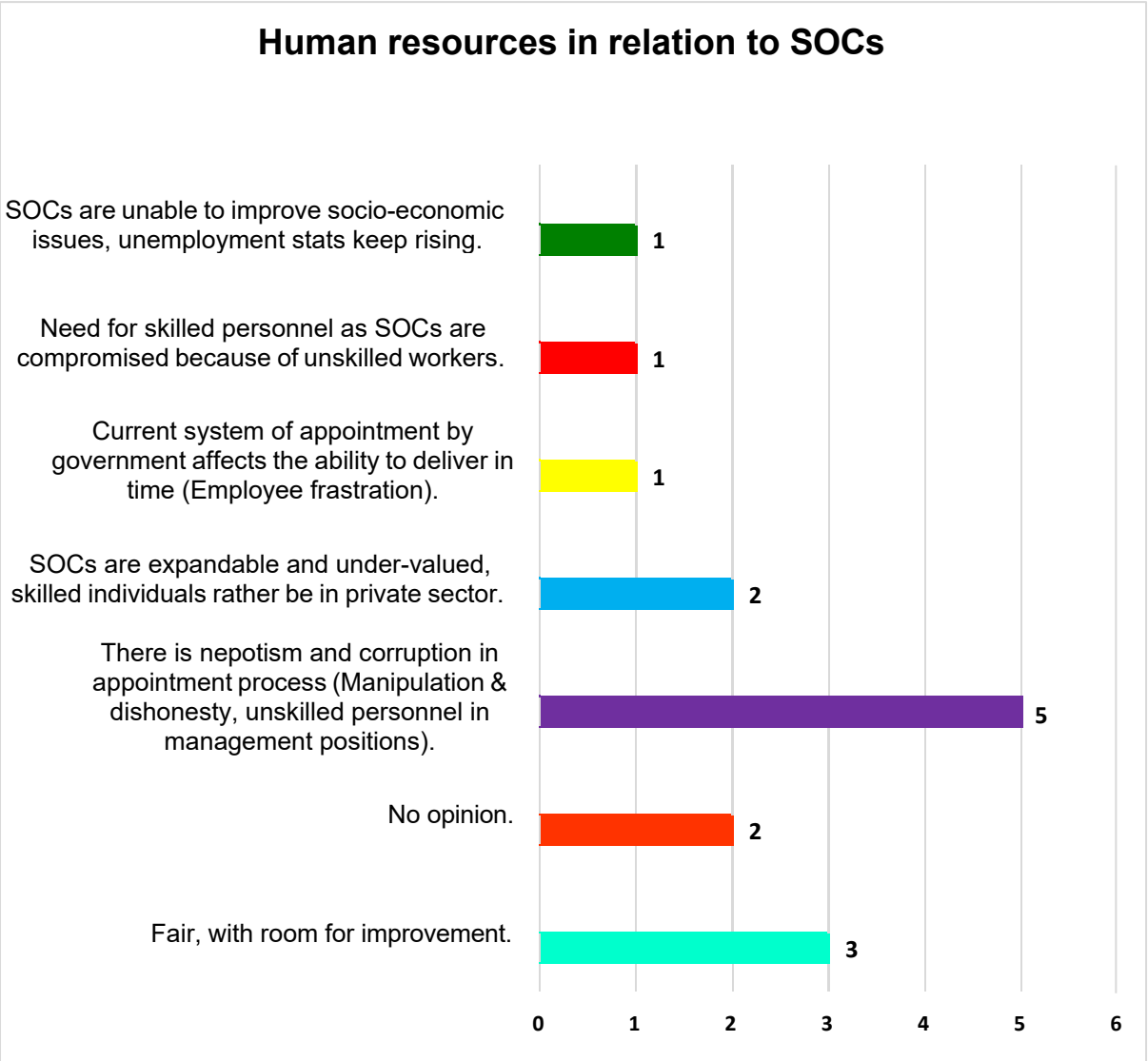

Figure 5.19: Human resources in relation to SOCs

As Figure 5.19 above illustrates, respondent opinions regarding human resources in South Africa in relation to SOCs, were as follows:

Majotity of resondents indicated that: "People are employed through connections and bribery not skills and relevant qualifications they possess. There is nepotism and corruption prevailing as ministers' friend are the ones given priority."

Participant 1,8 and 10 stated: "SOCs are not properly managed and do not follow good governance practices. Political interference and cadre deployment are the major challenges facing SOCs."

- *Participant 1 and 12 added: "There are many investment opportunities in SOCs, but these are only available to certain individuals who have connections with politicians and managers.*
- *Participant 8 and 15 emphasised: "The lack of meritocracy and prevalence of nepotism in SOCs have undermined their ability to deliver services effectively and address key socioeconomic challenges like unemployment and inequality."*
- *Participant 10 concluded: "While investment opportunities may exist in SOCs, their poor management and governance have hindered growth and performance, making it difficult to attract skilled personnel who prefer the private sector."*

However, minority respondents still find staff to be appointed fairly.

- *Participant 6 and 14 highlighted: "There is a lack of skilled personnel in SOCs as the government appointments are mostly based on political connections rather than on merit and qualifications."*
- *Participant 3 and 7 commented: "The human resource capacity in SOCs is adequate, but there is room for improvement in terms of addressing issues of nepotism and corruption in the appointment process."*
- *Participant 4 and 11 added: "SOCs are unable to attract and retain skilled personnel as they are perceived to be unstable, underfunded and politically interfered with, making the private sector more appealing."*

The participants emphasised that the poor corporate governance and management of SOCs have hindered their capacity to address pressing socioeconomic challenges, such as unemployment and inequality, within the country (Mbhele 2015) and (Loliwe 2023). They stressed the need for these companies to attract and retain skilled personnel to enhance their performance and delivery of public services. Furthermore, the participants noted that the political appointment of leadership in SOCs has undermined their ability to operate efficiently and fulfil their mandates in a timely manner. The participants also suggested that SOCs are often undervalued and lack necessary resources and support, making it difficult to attract and retain skilled personnel, who may prefer to work in the private sector. Additionally, the participants highlighted the prevalence of nepotism and corruption in the appointment of leadership and management positions in SOCs, which compromises their operational failures,

corruption, and political interference as major impediments to the effective management of SOCs in the country (Serfontein and Govender 2020; Ntimba *et al*. 2021; (Ntimba, Lessing and Swarts 2021)

5.3.5 Theme five: External factors influencing your perceptions about corporate governance:

The analysis is presented in the following sub-themes

5.3.5.1 Opinion about political situation in South Africa with regard to SOCs

The respondents were asked to give their opinions of the political situation in South Africa with regard to SOCs. Some responded as follows:

Majority respondents indicated that: "There is too much of political involvement in the management of SOCs in South Africa. People in high authority focus on self-gaining rather than serving the citizens of this country, ultimately the leads to high rate of corporate failure."

5.3.5.2 Opinion about economic situation in South Africa with regard to SOCs

The participants were asked to give their opinions on the economic situation in South Africa with regard to SOCs. Some participant responded as follows:

Majority of the participants indicated that: "South Africa is faced with unstable deteriorating economic situation which makes things worse as SOCs have to depend on government funding. Furthermore, investors are withdrawing their investments from this country."

- *Participant 4, 8 and 13 stated: "The economic recession, high unemployment, rising cost of living, and declining business confidence have significantly impacted the operations and financial sustainability of SOCs."*
- *Participant 3 and 6 commented: "The economic situation in South Africa is dire, which has exacerbated the challenges faced by SOCs in fulfilling their mandates and contributing to national development."*
- *Participant 1, 7 and 11 highlighted: "The country's economic woes have led to budget cuts and reduced funding for SOCs, undermining their ability to deliver quality services and infrastructure."*

- *Participant 15 added: "The economic challenges have forced the government to prioritize certain SOCs over others, leading to unequal distribution of resources and uneven performance."*

The findings suggest that the overall economic situation in South Africa, characterized by factors like recession, high unemployment, rising cost of living, and declining business confidence, has significantly impacted the operations and financial sustainability of SOCs. The economic challenges have led to budget cuts, reduced funding, and unequal distribution of resources among SOCs, undermining their ability to fulfil their mandates and contribute to national development (Ramantsi 2017; Qhobosheane 2018; Godinho and Hermanus 2018; Dithebe *et al.* 2022)

5.3.4.3 Opinion about the social situation in South Africa with regard to SOCs

The participants were asked to give their opinions concerning the social situation in South Africa with regard to SOCs. Some responded as follows:

Majority of the participants indicated that: *“SOCs used to contribute to the social wealth of this nation, but that is no more happening; there is poor delivery of public services.*

Participant 3, 6, 8 and 13 stated: "The inefficient service delivery by SOCs has led to public frustration, protests, and a loss of public trust in these institutions."

- Participant 3 commented: "The deteriorating social conditions, such as poverty, inequality, and lack of access to basic services, can be partly attributed to the poor performance of SOCs."
- Participant 6 and 8 highlighted: "The inability of SOCs to fulfil their social mandates, such as providing affordable housing, reliable electricity, and quality public transport, has worsened the plight of the poor and marginalized communities.
- Participant 13 added: "The political interference and mismanagement of SOCs have perpetuated the social challenges faced by the country, undermining the government's developmental agenda."

Participant 4, 7 and 11 commented: "The lack of access to quality and affordable basic services such as electricity, water, and transportation provided by SOCs has exacerbated social inequalities."

- *Participant 7 stated: "The poor performance of SOCs has led to a breakdown in the social contract between the government and the people, as citizens lose faith in the state's ability to deliver on its promises."*
- *Participant 4 and 11 further stated: "The poor performance of SOCs has had a direct impact on the quality of life and well-being of citizens, particularly in disadvantaged communities."*

The findings suggest that the poor performance and inadequate service delivery by SOCs in South Africa have significantly impacted the social well-being of citizens. The inefficient provision of public services by SOCs has led to public frustration, protests, and a loss of trust, further exacerbating social inequalities in the country. The literature corroborates these challenges, highlighting how the underperformance of SOCs has undermined their ability to contribute to inclusive social development and the achievement of national development goals. (Shava and Thakhathi 2016; Khambule and Siswana 2017; De Juan and Wegner 2019)

5.3.4.4 Opinion about the technological situation in South Africa with regard to SOCs?

The participants were asked to give their opinions about the technological situation in South Africa with regard to SOCs. Some responded as follows:

Majority of the participants indicated that*: "There is a need for technological upgrades to be in line with best practices; this country is not that technologically advanced, but it is better compared to other developing countries. There is a gap within the municipalities, some are behind with technology."*

Participant 3, 6, 8 and 13 stated: "SOCs in South Africa are generally lagging behind in terms of technological innovation and adoption, which has hindered their efficiency and competitiveness."

- *Participant 3 commented: "The lack of investment in modern technologies and digital infrastructure within SOCs has limited their ability to leverage new innovations and improve service delivery."*
- *Participant 6 and 8 highlighted: "The technological challenges faced by SOCs, such as outdated systems, poor data management, and limited digital capabilities, have contributed to their operational inefficiencies and poor service quality."*
- *Participant 13 added: "The technological gap between SOCs and private sector enterprises has widened, making it difficult for the state-owned entities to keep up with the pace of change and meet evolving customer demands."*

The findings suggest that the technological capabilities of SOCs in South Africa are relatively limited compared to the private sector and global best practices. The lack of investment in modern technologies and digital infrastructure within these entities has hindered their efficiency, competitiveness, and ability to leverage innovations to improve service delivery. The literature confirms that the technological challenges faced by SOCs, such as outdated systems and limited digital capabilities, are common impediments to their successful performance and ability to contribute to national development goals (Bornman 2014; Giles 2016; Fashoro and Barnard 2017)

5.3.4.5 Opinion about environmental (e.g. infrastructure) situation in South Africa with regard to SOCs?

The respondents were asked to give their opinions about the environmental situation in South Africa with regard to SOCs. Some responded as follows:

According to respondent 6,8,9,11, and 15 indicated that: *“Major improvements are still needed, for instance, natural resources are depleting with no future sustainability plans; there is no enforcement of environmental laws and the infrastructure needs to be upgraded too.”*

- *Participants 9 and 15 commented: "Lack of environmental consciousness and sustainability focus within SOCs, leading to irresponsible use of natural resources and environmental degradation."*

- *Participants 6 and 11 highlighted: "The infrastructure and operations of many SOCs, such as in the energy and mining sectors, have caused significant environmental damage, with limited efforts toward mitigation and rehabilitation."*
- *Participant 8 added: "The environmental impact assessments and compliance monitoring within SOCs are often inadequate, allowing for continued environmental exploitation and pollution."*

The findings indicate that the environmental situation regarding state-owned companies in South Africa is concerning, characterized by a limited emphasis on sustainability, environmental protection, and responsible resource management. The literature confirms that numerous SOCs, particularly in energy-intensive and extractive sectors, have had a significant adverse impact on the environment (Kazapoe *et al* 2023; Creamer 2023). This is attributed to outdated infrastructure, a lack of environmental awareness, and poor compliance with relevant regulations (Carruthers 2019; Leck and Simon 2018). Enhancing the environmental performance of SOCs is pivotal for achieving sustainable development in South Africa (Creamer 2023).

5.3.4.6 opinion about legal situation in South Africa with regard to SOCs?

The participants were asked to give their opinions of the legal situation in South Africa with regard to SOCs. Some responded as follows:

“The legal system here is not effective, there is difficulty in implementation of laws and there are also problematic compliance issues. For example, there are lots of unresolved legal issues with no final judgement.”

Participants 1, 2, 5, 7, and 12 stated that "the regulatory environment governing SOCs is complex, fragmented and lacks clarity, which enables corruption and mismanagement to thrive."

- Participant 1 commented: "The lack of strong, independent oversight and accountability mechanisms has allowed SOCs to operate with impunity, with little repercussion for governance failures and unethical conduct."
- Participant 5 added: "The blurred lines of accountability and lack of independent oversight over SOCs have undermined the enforcement of laws and regulations within these entities."

- Participant 7 highlighted: "The political influence and patronage networks that permeate many SOCs create an environment where legal compliance takes a backseat to vested interests."
- Participant 12 commented: "The frequent changes in leadership and political interference in the operations of SOCs have disrupted the continuity and effectiveness of legal and governance frameworks."

Therefore, the legal situation with regards to SOCs in South Africa appears to be complex, fragmented and lacking in clarity and effective enforcement (Mulder 2015). The literature confirms that the regulatory environment governing SOCs is characterized by a lack of strong, independent oversight, blurred lines of accountability, and political interference that have undermined the application of relevant laws and regulations (Gumede 2016; Edoun 2015; Chilenga 2016; Zinkel 2019).

5.3.6 Theme six: Steps to be taken to improve and minimise failure:

The analysis is presented in the following sub-themes

5.3.6.1 Strategies can you suggest that will assist SOCs in generating sufficient profits to sustain themselves?

The participants were asked to suggest the strategies that could assist SOCs in generating sufficient profits to sustain themselves. Some responded as follows:

According to participant 1,6,8,9 and 11 indicated that: "SOCs can generate sufficient profits to sustain themselves. This could be through the adoption of accountable and transparent management practices, and constant review of SOCs leadership in order to appoint new management if necessary, not waiting for full five years."

- *Participant 1 commented: "Regular audits, financial oversight and enforcement of compliance with public finance and procurement regulations would help improve profitability and sustainability of SOCs."*
- *Participant 6 suggested: "Diversification of SOCs' business portfolios, exploring new revenue streams and optimizing operational efficiencies can enhance their profitability."*

- *Participant 8 highlighted: "Professionalising SOCs' management through the appointment of skilled, independent and accountable leadership teams can drive improved financial performance."*
- *Participant 9 added: "Implementing robust performance management systems, with clear KPIs and incentive structures aligned to financial and operational targets, can motivate SOCs to become more profitable."*
- *Participant 11 recommended: "Leveraging public-private partnerships and joint ventures to access new markets, technologies and funding sources can boost SOCs' revenue generation capacity."*

Therefore, the key strategies highlighted by the participants to improve the profitability and sustainability of SOCs include:

1. Strengthening accountable and transparent management practices (Chilanga 2016; Loliwe 2023).

2. Professionalising SOCs' leadership and management teams (Thabane and van Deventer 2018; Mbele 2015; Mamokhere 2022).

3. Diversifying business portfolios and exploring new revenue streams (Robb and Mondliwa 2018; Thabane 2021)

4. Implementing robust performance management systems (van Rensburg and Venter 2012; Stock 2022)

5. Leveraging public-private partnerships and joint ventures (Ishaka, Maiye and Akinwande 2021)

Similar strategies are also highlighted in the literature.

According to participants 2,4 and 7 indicated that: “Separation of state and board of directors is essential. Furthermore, consider privatisation strategy to minimise or eliminate corruption. This will cut off government interference as it is a source of corruption.”

- *Participant 2 commented "SOC should have good corporate governance practices and also have independent oversight of SOCs by parliament and national treasury"*
- *Participant 4 suggested "Professionalizing the leadership and management of SOCs, with a focus on appointing skilled, independent and accountable individuals, can significantly improve their financial performance."*
- *Participant 7 highlighted "Reducing political interference in the operations of SOCs, and establishing clear lines of accountability and independent oversight, are critical steps to enhancing their profitability and sustainability."*

On the same note, some participant 3 and 5 responded as follows:

> *"The solution is to shut down all the SOCs and find new strategies to sustain the country's socio-economic issues."*
>
> *"Zondo Commission must be vested with more power to make arrests where found necessary."*

Shutting down of all SOCs could be considered as a potential strategy to address the challenges faced by these entities. This would involve the complete closure and termination of the operations of all SOCs in South Africa. However, this approach may not be feasible or desirable, as SOCs play a critical role in the delivery of essential public services and the country's economic development (Stevens 2021; Mkhwanazi 2022; Motswaledi 2023; Nzimakwe 2023).

Furthermore, empowering the Zondo Commission, which is investigating state capture and corruption in South Africa, could be a valuable step in addressing the governance and accountability issues that have plagued many SOCs. (Madonsela 2016; Villa and Villa 2023; Mophethe 2023; Ganda 2023). Overall, the strategies suggested by the participants highlight the need for a multifaceted approach to improving the profitability and sustainability of SOCs in South Africa. These recommendations will be highlighted in the following chapter.

5.3.6.2 Summary of qualitative analysis

The above section presented the results derived from the semi-structured interviews conducted with the CG experts in eThekwini, KZN. This chapter was divided into six sections, namely, state of management and CG; CG and its role; stakeholders' attitudes and opinions; internal factors with regard to CG; external factors with regard to CG; and steps to be taken to improve and minimise failure.

The findings indicated a range of perspectives among the CG experts, with some of their views aligning with public perceptions on the management and CG of state-owned companies in South Africa. Overall, the study objectives were met, and the key research questions were addressed through the qualitative analysis. The next section will deal with triangulation of data sources and methods to ensure the reliability and validity of the research findings.

5.4 Triangulation

Triangulation of data from multiple sources and methods was employed to strengthen the validity and reliability of the findings (Moon 2019). The researcher used a mixed methods approach, utilising both quantitative surveys and qualitative interviews to gather data from a diverse sample of participants (Renz, Carrington and Badger 2018). Additionally, the researcher ensured rigour in data collection and analysis by following established protocols and procedures. The researcher conducted a thorough literature review to establish the theoretical framework for the study and identify gaps in the existing knowledge.

In the next phase of the study, the researcher then developed research questions that addressed these gaps and guided the data collection and analysis process. The research design included both quantitative and qualitative methods to capture a comprehensive understanding of the topic (Reddy and Nagakurmar 2021)

To analyse the data both inferential and descriptive statistics were used to summarise and interpret the quantitative survey results, while thematic analysis was conducted on the qualitative interview data to identify key themes and patterns.

The findings from the data analysis were then synthesised to provide a comprehensive and nuanced understanding of the research questions. As already mentioned

concurrent triangulation was conducted: Qualitative and quantitative data are collected in parallel, analysed separately, and then merged to provide a more complete picture. This approach assisted in examining the consistencies and divergences between the findings from the two approaches.

The findings suggest that stakeholder perceptions of SOCs are influenced by multiple factors, including the company's attention to social and environmental aspects, good business ethics, and strong management governance. This, in turn, impacts the company's public image, sales performance, and overall sustainable growth. In conclusion, the findings highlight the importance of stakeholder perceptions in shaping the success and sustainability of SOCs.

Furthermore, the study found SOCs faced unique challenges in balancing the interests of different stakeholders, including the government, employees, and the general public. These challenges require careful consideration and strategic decision-making to ensure alignment with stakeholder expectations, while maintaining financial viability. Overall, the study emphasises the importance of understanding and effectively engaging with stakeholders to achieve sustainable and successful outcomes in SOCs.

5.5 Summary

Improving corporate governance practices in state-owned enterprises is crucial for achieving the desired developmental goals and ensuring transparency, accountability, and efficiency within these organisations. Both public and private partnership are needed to address the challenges and shortcomings in corporate governance in state-owned enterprises. The results show that socio-economic development and political stability can be enhanced by implementing effective corporate governance practices in state-owned enterprises, which will ultimately contribute to sustainable economic growth.

eThekwini metropolitan area SOCs should prioritize implementing effective corporate governance practices to enhance socio-economic development and political stability in the region. Identified region corporate governance challenges were the presence of conflicts of interest among board members, inadequate oversight and monitoring mechanisms, mismanagement and misuse of resources. All this points to the need for immediate action and reform in order to improve the corporate governance of state-

owned enterprises and pave the way for sustainable economic growth and development.

The results mentioned above show that the community in the eThekwini metropolitan area holds a negative view of the corporate governance and management of SOCs. This is due to concerns about transparency, accountability, and effective oversight mechanisms. The perception is worsened by conflicts of interest among board members and misuse of resources. It is essential to tackle these issues in order to rebuild trust and confidence in the governance of state-owned enterprises.

This study employed both quantitative and qualitative research approach. The qualitative component involved semi-structured interviews with 15 corporate governance experts in the eThekwini metropolitan area. The purpose of these interviews was to gather in-depth insights and recommendations on the corporate governance challenges faced by SOCs in the area. The interview findings revealed a consensus among the experts on the urgent need for reforms to improve the corporate governance practices of these entities. Additionally, a survey was conducted with 400 respondents as part of the research methodology, which uncovered widespread public concerns regarding the lack of transparency, accountability, and effective oversight in the management of SOCs. The subsequent section will discuss the key findings, recommendations, and conclusions drawn from these data sources, highlighting the critical areas that require improvement in the corporate governance of SOCs.

CHAPTER SIX
DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The previous chapter discussed the findings, analyses, and difficulties encountered while carrying out this study. This chapter presents a summary of the conclusions and discusses of findings derived from the analysis of both quantitative and qualitative study. The questionnaire served as the primary data collection tool, distributed to 400 respondents with a 100% response rate. Precision is crucial in terms of reliability and validity. Reliability is determined by conducting multiple measurements on the same subjects. A reliability coefficient higher than 0.60 is considered acceptable for newly developed constructs, and all sections in this research exceed the recommended Cronbach's alpha value for reliable scoring. Furthermore, 15 corporate governance experts were interviewed. The reason for interviewing corporate governance experts was to gain insights and perspectives from individuals who possess in-depth knowledge and experience in the field.

Findings from both quantitative and qualitative study indicated that there are significant issues with the corporate governance of state-owned enterprises in the eThekwini metropolitan area. Several issues were raised and are presented below, highlighting specific themes and objectives.

In particular, the findings from the survey and the structured interview were then compared to the literature on themes to determine whether the findings we consistent or inconsistent with the literature. Below is a presentation of the summary of the research findings.

- The study found that the public perception on challenges facing the CG of SOCs had an overall negative perception of the corporate governance practices within state-owned enterprises. This negative perception stems from pervasive issues such as poor accountability, lack of transparency, and instances of corruption and mismanagement that have plagued these entities, ultimately eroding trust in their

capacity to effectively deliver services and contribute to socio-economic development within the eThekwini metropolitan area.

- Factors influencing public perceptions of SOC CG and management were identified as both internal and external factors
  - Internal factors include:
  - Poor leadership and oversight from the board directors
  - Lack of relevant skills and expertise among managers;
  - Inadequate mechanisms for enforcing accountability and transparency.
  - External factors include:
  - Undue political interference in the operations and decision-making of SOCs;
  - Insufficient regulatory frameworks and enforcement mechanisms to ensure good governance;
  - Economic and social challenges facing the community which heighten public scrutiny on the performance of SOCs.
  - Technological factors such as increased public access to information which enables greater transparency
  - Environmental factors where natural resources are depleting with no future sustainability plans
  - Insufficient regulatory frameworks and enforcement mechanisms to ensure good governance

Overall, the interplay of these factors not only undermines the effectiveness of corporate governance in SOCs but also contributes to a wider culture of scepticism towards public institutions, which hinders potential investments and fosters continuous cycles of poor service delivery and public discontent.

- The study highlighted the fact that addressing these governance challenges is essential for restoring public confidence in state-owned enterprises and ensuring they fulfil their role in economic development effectively. Furthermore, the findings indicate a crucial need for state-owned enterprises to adopt more rigorous governance frameworks that address these internal and external factors, as well as to foster a culture of accountability and transparency, which has been shown to be instrumental in enhancing stakeholder trust and confidence in these institutions.

- The analysis underlined the importance of establishing internal controls and clear governance structures, emphasizing that the lack of such frameworks not only diminishes operational efficiency but also exacerbates public distrust toward SOCs, thereby detracting from their pivotal role in economic advancement and service.

6.2 The Core Conclusion from the study

The study has uncovered a range of factors and challenges that have undermined effective corporate governance in South African state-owned enterprises, including political interference, lack of accountability, weak board oversight, and mismanagement. To address these issues, the study proposes a conceptual framework that emphasizes the need for robust accountability systems, enhanced stakeholder engagement, and strong leadership with integrity.

6.2.1 Summary of key discussion and conclusion on objectives of the study

The study objectives were achieved and highlighted the complexity of governing state-owned enterprises, where commercial and developmental objectives often collide, and political interference can undermine effective oversight and accountability. The following presents the conclusion from the study as well as the way each research objectives were achieved:

Objective one: To provide a comprehensive literature review on the management and CG of SOCs in eThekwini metropolitan area, South Africa

The study has provided a comprehensive literature review on the management and corporate governance of SOCs in South Africa, examining key theoretical frameworks, empirical studies and industry practices that underpin this domain. Although this objective is compulsory for all doctoral studies, the researcher has provided a systematic and critical analysis of the relevant literature to establish the necessary conceptual and contextual foundation for the study. In determining the success of this objective, the objective was tested and examined under theme one and all its sub-themes of the study.

The findings for this theme are shown in figure 5.9 of the qualitative analysis, which indicates the involvement of stakeholders in the strategic decision-making of the SOCs, whereby 53% participants agreed with the statement, while 47% disagreed. The data collected for this objective was solely obtained from participants who are

experts in the field of corporate governance. It was exclusively qualitative in nature. The reason for this approach was to ensure that the insights and analysis provided by these experts are accurate and detailed, allowing for a comprehensive understanding of the governance challenges faced by SOCs in South Africa. The findings from the qualitative study are presented under the following sub-themes: Appointment of CEOs, governance strategies used to manage SOCs, state -owned companies' adherence to international practise, as well as governance challenges facing SOCs in the eThekwini metropolitan area in South Africa. The theoretical stance under-pinning this study was stakeholder theory (Qobosheane 2018), (Dzomira 2020) and (Merwe 2020). This theory was chosen as it provides a framework for understanding how different stakeholder interests can be balanced in the governance of SOCs. Stakeholders interest include government, management, board of directors, employees, and citizens.

- **Sub-theme one: Appointment of CEOs**

The participants indicated that they were involved in the strategic decision-making process of any State-Owned Company (SOC) including the appointment of CEOs. Furthermore, participants highlighted that the appointment of CEOs in the public sector is often carried out through a nomination by the board, followed by approval from the MEC. Sometimes, the president may make unilateral decisions or announcements through media platforms, and in some cases, the board of directors' votes on the appointment of CEOs. The findings from the participants confirm Mandonsela (2019) assertion that Brian Molefe's appointment as the new CEO of Transnet in March 2011 coincided with media speculations about President Zuma intervening in April 2010 to extend the tenure of Public Investment Corporation's Head, Brian Molefe, for the purpose of facilitating negotiations on a significant investment project. The theories regarding the CEO selection process in SOCs in South Africa, do not always align with the actual practices observed in reality (Sewpersadh 2019) and (Hlobo, Moloi and Marx 2022). These observed practices are perceived to contravene the principles of sound corporate governance. These principles are intended to ensure transparency, accountability, and effective oversight in the management of public resources.

- **Sub-theme two: The involvement of stakeholder in strategic decision-making of any SOCs**

Some participants indicated that they are involved in strategising and managing SOCs while others reported not being involved in these processes. The role of stakeholders in strategic decision-making and CEO appointments in state-owned companies is crucial for ensuring transparency, accountability, and long-term sustainability (Messiahs 2019) and (Gakpo 2022).

- **Sub-theme three: SOCs adherence to international practise**

The participants indicated that SOCs are adhering to international practices, including the guidance of King Report on Corporate Governance (King-IV), the Companies Act, and other relevant regulations and legislation. The findings support Institute of Directors (IOD) (2016) contention that King-IV was introduced to help improve corporate governance practices amongst South African SOCs whilst ensuring that we are aligned with international best practices (Naidoo 2019; Maroun 2022).

Some participants expressed concerns about the level of adherence to international best practices in state-owned companies, citing issues such as ethical standards and improper management that create loopholes in the implementation of these practices (Mbele 2015; OECD 2018; Cuervo-Cazurra 2021). According to the OECD (2023:9), confirm the findings of the study that it is essential for public servants to prioritize ethical considerations when carrying out their duties.

Some of the participants felt that state-owned companies were not adhering to international best practices, because of issues of high levels corruption, SOCs were greatly affected by politics, the everchanging board of directors and issues of non-compliance. The findings confirm the fact that corruption often results from inadequate governance, marked by a lack of transparency, limited accountability, inefficiency, and absence of citizen involvement (Naher *et al.* 2020).

- **Sub-theme four: Governance challenges facing SOCs at eThekwini metropolitan area in South Africa**

The participants highlighted that some of the governance challenges facing SOCs in South Africa were as follows:

- The appointments of non-qualified personnel/ Nepotism;
- The non-compliance of governance or legal and regulatory framework;
- The lack of transparency and accountability in organisation;
- The frequent replacement of the board or the lack of leadership stability;
- Excessive political interference compromising board independence;
- Ethical leadership issues leading to mismanagement of funds; and
- Corruption as well as corrupt procurement practices.

The findings confirm that corruption, political interference and lack of transparency have been stumbling blocks for the effective performance of the existing SOCs (Thabane and Snyman Van Deventer 2018)

It is therefore clear that the public perception of the internal factors influencing the corporate governance and management practices of state-owned companies in South Africa is mixed. While there is recognition of the physical and financial resources available to SOCs, there are concerns about the professionalism and skill levels of employees, as well as the inability to effectively leverage investment opportunities (Sekyere *et al.* 2021; Mnembe 2022). A strategic framework that addresses these internal factors could help to improve the public's perception of the management and corporate governance of state-owned enterprises in South Africa. (Khumalo and Mazenda 2021; Dzomira 2020; Matsiliza 2024).

Objective two: To examine the nexus between the CG of SOCs and the role they play in contributing to socio-economic development in eThekwini Metropolitan area, South Africa

The study has examined the nexus between the CG of SOCs and the role they play in contributing to socio-economic development in eThekwini Metropolitan area, South Africa. This examination revealed that state-owned companies significantly impact local development, but this relationship is often undermined by governance challenges such as a lack of accountability and transparent decision-making processes, which can hinder effective socio-economic contributions and public trust in these institutions (Masegare and Ngoepe 2018). In determinining the success of this objective, the objective was tested and examined under theme two of the study.

This analysis highlighted the significant role played by SOCs in promoting socio-economic development in South Africa, as evidenced by the statistically significant positive correlation (p-value of 0.395**) between the advancement of infrastructure in the EThekwini Metropolitan area and the public's positive perception regarding the accessibility to clean water, which was attributed to the presence of SOCs. However, there are several factors that hinder their effectiveness in this role. The section below sets out both the quantitative and qualitative findings on this aspect.

The findings from quantitative study:

The findings showed that majority of the respondents agreed that due to the existence of SOCs:

- Infrastructure has improved;
- People in our community who are employed by SOCs because of their relevant qualifications;
- Community wealth has been enhanced;
- Public services such as clean water is better; and
- Their community is respected by the existing SOCs;

The findings also show that some of the respondents agreed that people in their community were employed by SOCs due to their relevant qualifications.

The study by Gumede (2012) confirm the findings that these SOCs are capable of playing a significant role in the uplifting of socio-economic transformation in South Africa. Furthermore, Moeti (2013) alluded that when SOCs are well governed, they can contribute to the achievement of national developmental goals and strengthen the capacity of the public sector (Nkhabu 2021).

The findings from the qualitative study:

Regarding socio-economic development analysis: The findings showed that that due to the existence of SOCs:

- People's lives are improved through SOCs;
- SOCs improve the development of infrastructure;
- SOCs have the responsibility of service delivery; and

- SOCs are catalysts of socio-economic development

The findings also show that:

- SOCs fail because of improper management;
- SOCs are no longer profitable/ low capabilities; and
- Some of SOCs are no longer profitable, therefore, are adding more burden on government as they rely on the state's funding.

The discussion indicates that SOCs possess the capacity to contribute to the socio-economic advancement of the nation through service provision, infrastructure enhancement, and improving citizens' livelihoods (Gumede, 2017; Mtapuri and Tinarwo 2021). However, the participants emphasized that this potential is frequently constrained by substandard management, lack of profitability, and the resulting escalating financial burden on the government. There is general agreement in the literature that state-owned enterprises in developing countries can play a significant role in national development and the provision of public services (Raseala and Mashamaite 2018; Marimuthu 2021).

Objective three: To identify the public attitudes and opinions about CG in SOCs and the role they can play in contributing to socio-economic development in eThekwini Metropolitan area, South Africa

The research identified public attitudes and opinions regarding corporate governance in SOCs, indicating a prevalent sense of disillusionment and skepticism about the effectiveness of governance structures in place, largely driven by incidents of corruption and maladministration that have been pervasive in many state-owned enterprises. In determining the success of this objective, the objective was tested and examined under theme of the study.

The analysis revealed in figure 5.5 illustrates that the community in the eThekwini metropolitan area has a negative perception of the corporate governance and management of state-owned enterprises. This negative perception is primarily driven by concerns surrounding transparency, accountability, and effective oversight

mechanisms. The section below sets out both the quantitative and qualitative findings on this aspect.

The findings from quantitative study:

The findings showed that the majority of the respondents disagreed that:

- SOCs provide better service;
- The feedback provided by customers regarding the services offered by SOCs demonstrates that they do not operate independently;
- SOCs charge reasonable prices for the provision of services such as water and electricity;
- The area where they live is provided with necessary services; and
- They have no complaints about services provided by SOCs.

The findings that emerged from the quantitative study also agree with (Sithomola 2019; Gumede 2019) and (Arockiasamy *et al.* 2022), contention that poor quality of service delivery and failure to create conducive environment for investment have led to the depletion of public confidence and trust in the majority of South Africa's SOCs.

The findings from the qualitative study:

The discussion of the findings below on the aspects of public attitudes and opinion is divided into sub-themes below:

Sub-theme one: Performance of SOCs

The findings show that:

- SOC's performance seems fair but could be better;
- SOC performances are not up to standard, unsatisfactory, hence the poor profitability and struggles in maintaining cashflow; and
- Because of poor performance, SOCs have not been able to positively impact the socio-economic development of the country hence the issues of electricity, infrastructure, and water.

The key challenge highlighted by the participants seems to be the poor performance and profitability of SOCs, which is hindering their ability to effectively contribute to national socio-economic development goals (Mophethe 2023). These findings align with the literature, which indicates that the inefficiency and financial struggles of many

SOCs in developing countries have posed significant challenges to their ability to fulfill their developmental mandates (Mwaura 2007; Tan and Taeihagh 2020). Furthermore, the literature suggests that to improve SOC performance, there needs to be a clear separation between ownership and management functions, as well as the appointment of autonomous and competent leadership (Kim and Ali 2017; Marumahoko 2023).

Sub-theme two: Transparency of SOCs

The findings show that:

There have been rules implemented in attempts to regulate transparency and ethical practices in SOCs, such as financial audits that are held annually;

- There are internal auditors that play a role in ensuring the transparency of the organisation, as well as annual performance plans. SOC reports are published for the public to know and see how taxes are utilised;
- Some SOCs fail to release their annual audit reports and there are resource-utilisations that cannot be explained;
- The procurement system is kept to those in positions of power, thus making room for corruption and maladministration; and
- Some SOCs have no transparency, no one dares to challenge decisions taken on executive level as it will be seen as disobedience.

These findings align with the literature, which suggests that the lack of centralized and credible databases on SOCs in some countries has made monitoring and evaluating their performance even harder (Corrigan, 2014; Thabane and van Deventer, 2018; Stevens , 2021).

Sub-theme three: Operations of SOCs

The findings show that:

- SOC operations lack consistency, as they are unable to maintain and sustain their operations; and
- The operation/s in its entirety are unclear and evasive as there are a number of activities that are regularly being reported to the minister.

Sub-theme four: Organisational policies

The findings show that:

Lack of effective management and a Board with lacking skills to oversee performance. More time is spent in the Boardrooms talking about plans and less implementation.

The evidence aligns with the existing scholarly literature, which indicates that state-owned companies often exhibit inconsistent operations, insufficient transparency, and inadequate accountability. Furthermore, these organizations commonly experience weaknesses in their organisational policies, leadership, and oversight structures (Gumede 2017; Madonsela 2018; Sauls 2020; Thabane 2021).

Sub-theme five: Organisational culture

The findings show that:

- Policies are there for ethical cultures to be established and adhered to, but politics tend to compromise that;
- The culture of good ethics in SOCs has been tainted by unethical leaders, who only do what benefits them;
- The lack of ethics disrupts service delivery as board members interfere with relations that will benefit a certain project;
- The responsible MEC's department may interfere in processes and "bully" the SOC into utilising their budget where they deem fit; and

Furthermore, the findings indicate that SOCs are not well governed.

- There is inconsistency in operations and no transparency in decision making

However, others still find it somehow satisfactory.

The analysis indicated that the public perception of the management and corporate governance of state-owned companies in South Africa appears to be mixed. While some governance mechanisms are in place, such as audit committees and internal audits, their effectiveness is questioned. The political influence and lack of transparency in decision-making processes are seen as undermining sound corporate governance principles. A strategic framework that aligns socio-cultural values,

corporate governance theories, and stakeholder involvement could help to enhance the corporate governance of state-owned enterprises in South Africa (Dzomira 2020) (Lu and Zhu 2020; Kaunda and Pelser 2022; Marumahoko 2023).

Sub-theme six: SOCs giving business opportunities to individuals

The findings show that:

- The financial behaviour and non-adherence compromise the creation of opportunities
- More opportunities will aid in the upliftment and enhancement of the personal development of employees
- There are great opportunities for SMEs as there is limited competition in that sector
- The opportunities are no good, the same people always benefit
- Tenders have become schemes of self- enrichment rather than upliftment
- It was a good initiative prior to greed and corruption/ political interference hinders the process
- Selection process needs to be fair and transparent for all individuals; and
- SOCs do not follow proper procedures (e.g., nepotism).

Some participants stated that this process was fair, while others found it to be poor due to political interference as this hinders small businesses growth.

To summarize the analysis on abovementioned theme it was clear indicated that the public perception of the management and corporate governance of SOCs in South Africa appears to be mixed. While some policies are in place to create opportunities, their implementation is undermined by a lack of transparency, unfair selection processes, and political interference (Qobosheane 2018; Nhete 2021; Thabane 2021). A strategic framework that aligns socio-cultural values, corporate governance theories, and stakeholder involvement could help to enhance the corporate governance of state-owned enterprises in South Africa and improve public perception of their management (Makoni 2015; Dzomira 2020; Kaunda and Pelser 2022).

Objective four: To ascertain internal and external factors influencing public perceptions on SOC CG and management in eThekwini Metropolitan area, South Africa

The study ascertained both internal and external factors influencing public perceptions on SOC CG and management, including poor leadership and oversight, political interference, lack of skills and expertise among managers, and inadequate accountability and transparency mechanisms.

In determining the success of this objective, the objective was tested and examined under theme four of the study which does have four A and four B. Internal factors, such as the presence of conflicts of interest among board members, inadequate oversight and monitoring mechanisms, and mismanagement and misuse of resources contribute to the negative perceptions of the corporate governance and management of state-owned enterprises in the eThekwini metropolitan area. The finding for this theme is shown in figure 5.6 where the negative perception is further amplified by external factors such as the lack of transparency, accountability, and ineffective regulatory frameworks. Addressing both internal and external factors is crucial to improving public perceptions of state-owned enterprises and restoring trust in their governance. As already stated, internal factor dealt with as theme four A and external factors as theme four B in the discussion below:

- **Theme four A: Internal factors**

The findings from the quantitative study

The findings regarding the internal factors influencing public perceptions on state-owned company`s corporate governance and managements practice are as follows:

The majority of the respondents agreed that:

- SOCs have suitable physical resources, e.g. facilities that help them to perform effectively;
- SOCs have sufficient financial resources to sustain themselves;
- SOCs can perform better if privatised;

The majority of the respondents disagreed that:

- SOCs staff are highly professional, and they are served customers with dignity;
- SOCs grab the investment opportunities to enhance their performance; and
- SOC's poor performance is caused by the community not paying their bills.

The employees in SOCs are expected to add a positive capital value like in any other company; they are also supposed to assist these companies to deliver services to the public at the cost of the public. However, majority of employees employed with port operations at Transnet (for instance) have low levels of skill and high levels of illiteracy (Khanyile, 2018:48). The company depends on casual labour. These staffing issues increase the inefficiency and inability of SOCs to perform to their maximum potential. (Khumalo and Mazenda, 2021).

- **The findings from the qualitative study:**

On this theme, the findings are divided into sub-themes below:

i. Sub-theme one: Financial resources in SOCs:

The participants indicated that:

- SOCs are in serious financial difficulties and always require funding;
- SOCs have no transparency and honest dealings when dealing with state funds;
- SOCs financial resources are poorly managed (Maladministration of funds) and
- The state budget for SOCs is assigned accordingly and abundantly

Therefore, the findings indicated that the participants stated that there is maladministration, SOCs are provided with enough resources but they spent them recklessly. As strategic economic institutions, governments are forced to offer financial support, which has weighed the fiscal down at the same time driving government debt up (Balbuena 2014).

Therefore, it important to highlight that public perception of the financial resources and management of state-owned companies in South Africa is largely negative. Respondents highlighted issues of lack of transparency, poor financial management, and excessive reliance on government funding. These perceptions point to the need

for improved financial oversight and accountability in the governance of SOCs. (Marimuthu 2021; Khumalo and Mazenda 2021; Ngobeni, Barnard and Molate 2023).

ii. Sub-theme two: SOCs giving investment opportunities to individuals:

The findings from the participants indicated that opinions about investment opportunities in South Africa regarding SOCs were as follows:

- Investment opportunities are only given to certain individuals (finance corruptions);
- Opportunities are there, but there is no growth in SOCs;
- Not enough knowledge is given to the public about SOC investment opportunities;
- Current SOC operations (e.g., lack of governance or mismanagement of funds) do not inspire investing;
- Investment opportunities are fair;
- Furthermore, the findings indicate investment opportunities from outside, but investors are reluctant due to the high level of corruption in this country, therefore, they only receive investment opportunities from the government.

There is an indication that the public perception of investment opportunities in state-owned companies in South Africa is mixed. While some respondents felt that opportunities are available, others perceived unfairness and lack of transparency in the allocation of these opportunities (Mustapha, Kruss and Ralphs 2018). The reluctance of outside investors due to corruption further contributes to the negative public perception. Improved transparency and accountability in the governance of SOCs could help to restore public confidence in their ability to provide fair investment opportunities (Marimuthu 2021; Khumalo and Mazenda 2021).

iii. Sub-theme three: Physical resources in South Africa regarding SOCs

The findings indicated that the opinions of the participants were as follows:

- There is a gap/ shortage of facilities;
- Physical resources are there, but maintenance is the issue;

- lack of maintenance; and
- poor conditions

According to NDP (2013), South Africa requires reliable mode of transportation. However, the system is obsolete, and intermodal connections are inadequate. There is a need for better investing and prioritising transportation physical resources. Bartocho (2016) concurs by saying physical capital resource capabilities are important resources to companies without which the company cannot operate effectively.

Therefore, the public perception of the physical resources of state-owned companies in South Africa is that while the resources may be available, there are significant issues with maintenance and upkeep that compromise their functionality. Addressing these deficiencies in physical infrastructure could contribute to improved public perceptions of SOC management and governance (Mchunu, 2018; Kumar, Singh, Gupta and Madaan, 2020; Khumalo and Mazenda, 2021).

iv. Sub-theme four: Human resources in relation to SOCs

The findings reflect the participant`s opinions regarding human resources in South Africa in relation to SOCs, were as follows:

- SOCs are unable to improve socio-economic issues, unemployment stats keep rising;
- There is a need for skilled personnel as SOCs are compromised because of unskilled workers;
- The current system of appointment by government affects the ability to deliver in time (Employee frustration);
- SOCs are expandable and under-valued, skilled personnel rather be in the private sector;
- There is nepotism and corruption in the appointment process (manipulation and dishonesty, unskilled personnel in management positions; and
- It is fair, with room for improvement

Furthermore, the findings reflect that people are employed through connections and bribery not skills and relevant qualifications they possess. There is nepotism and corruption prevailing as ministers' friend are the ones given priority. However, others

still find staff to be appointed fairly (Motshwane 2018; Manyaka and Nkuna 2014; Ntimba *et al.* 2021).

v. Sub-theme five: Internal factors influencing participants' perceptions about the management of SOCs in South Africa

The participants indicated that unethical practices by these companies and frequent political interference such as employing comrades not younger skilled generations with brilliant ideas, is an issue.

- **Theme four B: External Factors**
  - **The findings from quantitative study:**

The findings regarding the external factors influencing public perceptions on state-owned company`s corporate governance and managements practice as follows:

The majority of the respondents agreed that:

- SOCs are politically driven;
- The dire economic situation in the country, negatively affects the performance of existing SOCs;
- The inability to cope with constantly changing technology hinders good performance of the existing SOCs; and
- SOCs in South Africa adhere to international best practice relating to governance.

Political factors affecting the public sector refer to a variety of government interventions that may hinder or enhance the effective operation in the sector (Heracleous et al. 2009; Chiwawa and Wissink, 2024). Investors recognise privatization as an approach that brings efficiency, while opponents say it hurts the poor who are left with no say in the matter (Zwane, 2016; Awuah 2019).

The 2022 growth estimate has been revised upwards to 2.5 per cent from 1.9 per cent at the time of the 2022 MTBPS. However, projected economic growth for 2023 has been revised (projected growth: 0.5% in 2023), is estimated at 4.3% in 2023, and set to expand to 5.1% and 5.2% in 2024 and 2025, respectively (Statistic South Africa 2023). Therefore, this is an indication that businesses including SOCs will fluctuate as well as the economy is fluctuating.

Bornman (2014) argues that digitalisation has concentrated primarily on developing countries, with South Africa in particular considered as one of the least computerised countries in the world. The lack of the network infrastructure such as electricity has been considered as one of the contributing factors to this slow progress (Bornman 2016). Companies require a well-planned information management framework to accelerate the creation and management of digital information that would assist in devising a strategy that will assist in improving efficiency, customer's satisfaction and malleable adjustment to environmental changes (Bose 2003).

With the introduction of an 'apply and explain' system, King IV report requires companies to be transparent in the application of their corporate governance practices as well as keeping up with the international best practices relating to governance (KPMG 2016; Maroun, Coldwell, and Segal 2014).

- **The findings from qualitative study:**

The findings regarding the external factors influencing public perceptions on state-owned company`s corporate governance and managements practice is divided into sub-themes below:

i. Sub-theme one: Political factor:

Some participants indicated that: Political involvement in the management of SOCs in South Africa shows that people in high authority focus on self-gaining rather than serving the citizens of this country, ultimately this leads to a high rate of corporate failure.

Some participants indicated that: Political involvement in the management of SOCs in South Africa shows that people in high authority focus on self-gaining rather than serving the citizens of this country, ultimately this leads to a high rate of corporate failure. The findings suggest that improved transparency, accountability, and a reduced role of political interference could help to enhance public confidence in the management and governance of state-owned companies in South Africa (Dzomira 2020; Hanyane and Naidoo 2015; Serfontein and Govender 2020).

ii. Sub-theme two: Economic factor

Some participants indicated that: South Africa is faced with unstable deteriorating economic situation which makes things worse as SOCs have to depend on government funding. Furthermore, investors are withdrawing their investments from this country. Others feel that there are investment opportunities available but the public is not well informed about them (Manyaka and Nkuna 2014; Khumalo and Mazenda 2021). The public has lost confidence in the way SOCs are governed as they have been associated with high levels of corruption, irregular expenditure, and mismanagement of public funds (Manyaka and Nkuna 2014).

iii. Sub-theme three: Social factor

Some participants indicated that: SOCs used to contribute to the social wealth of this nation, but that is no more happening; there is poor delivery of public services. However, the Constitution and local government legislation afford communities a range of rights of engagement, participation, consultation, access to information and involvement in all aspects of decision-making (Petunia and Selepe 2020). Service delivery has been affected by factors such as corruption, maladministration, and mismanagement of public resources (Fuo 2015; Matloga, Mahole and Nekhavhambe 2024).

Fourie (2001) stated that SOCs can enhance the living conditions of citizens. One of the objectives set by the South African government was to offer housing, piped water, electricity education, healthcare, and social grants to those in need. However, the performance of SOCs in South Africa has been suboptimal. For instance, Eskom, the state-owned power utility, has faced several challenges including corruption, poor leadership, and aging infrastructure. This has led to widespread power outages, negatively impacting economic activity and citizens' quality of life (Mchunu et al., 2023). Furthermore, the degradation of municipal infrastructure, such as water and sewage systems, has also been a significant concern. The lack of proper maintenance and refurbishment has led to service delivery failures, posing health and environmental risks to communities (Bikam and Chakwizira 2021; Patience and Nel 2021).

iv. Sub-theme four: Technological factor

Some participants indicated that: There is a need for technological upgrades to be in line with best practices; this country is not that technologically advanced, but it is better compared to other developing countries. There is a gap within the municipalities, some are behind with technology. Bornman (2014) suggests that the focus of digitalization efforts has been predominantly on developing nations, with South Africa recognized as one of the world's least technologically advanced countries (Reddy and Govender 2019). The dearth of essential network infrastructure, such as reliable electricity supply, has been identified as a key factor hindering this progress (Bornman 2016). Nonetheless, there are ongoing initiatives to enhance the information and communications technology landscape as part of the broader modernization and digitization agenda within the public sector.

v. Sub-theme five: Environmental factor

Some participants indicated that: Major improvements are still needed, for instance, natural resources are depleting with no future sustainability plans; there is no enforcement of environmental laws and the infrastructure needs to be upgraded too. Many South Africa urban cities continue to struggle with the challenges of rapid urbanization, underscoring the pressing need for effective planning and implementation of sustainable densification strategies that balance economic, social, and environmental considerations. However, some South African cities, such as Johannesburg, Cape Town, and Durban, have demonstrated commendable progress, as highlighted in the sources, in developing smart city frameworks and implementing climate-resilient development initiatives. The available evidence suggests that these South African metropolitan areas such as eThekwini are adopting nature-based solutions, ecosystem-based adaptation approaches, and investing in renewable energy and green infrastructure to enhance overall urban sustainability and resilience. The participants raised concerns about the deteriorating environment and the lack of long-term sustainability planning by state-owned companies.

This suggests that public perception is critical of the environmental management practices of state-owned enterprises, which are seen as failing to address resource

depletion, enforce environmental regulations, and invest in infrastructure upgrades to ensure sustainable operations.

vi. Sub-theme: Legal factor

Some participants indicated that: The legal system here is not effective, there is difficulty in implementation of laws and there are also problematic compliance issues. For example, there are lots of unresolved legal issues with no final judgement. The eThekwini metropolitan area faces various legal and regulatory challenges, including ineffective enforcement of existing laws and regulations, as well as compliance issues (Chilenga 2016). As it is already stated that participants indicated that the legal system is not functioning optimally, with difficulties in implementation and unresolved legal disputes. The literature also highlights that weak governance and lack of effective regulation are major impediments to efficient municipal operations in South Africa (Creamer 2016; Bikam and Chakwizira 2021). Therefore, legal and regulatory bottlenecks pose significant barriers to the eThekwini metropolitan municipality in achieving its developmental goals and building a sustainable future.

Objective 5: To propose a framework that could be adopted by SOCs to improve and enhance CG within SOCs in South Africa.

Based on the findings indicated in figure 6.1, the study proposes a conceptual framework that could be adopted by SOCs to improve and enhance corporate governance. The conceptual framework will assist to produce a statistically tested framework. Furthermore, this framework emphasises the importance of establishing robust accountability systems, promoting stakeholder engagement, and ensuring that leadership is held to high standards of integrity, all of which are essential for fostering public trust and enhancing the overall performance of state-owned companies in South Africa. In determining the success of this objective, the objective was tested and examined under theme five where conceptual framework incorporated steps to be taken to improve and minimise failure in SOCs.

Based on the literature highlighted in chapter 2 and 3, it is evident that the corporate governance of state-owned enterprises is a critical issue that needs immediate attention. Therefore, steps must be taken to improve and minimize the failure of

corporate governance in state-owned enterprises. Some potential steps that can be taken include implementing transparency measures to ensure accountability and reduce conflicts of interest, strengthening oversight mechanisms through the appointment of independent board members, and enhancing the utilisation of internal and external resources to improve performance and competitiveness. The section below sets out both the quantitative and qualitative findings on this aspect.

The findings from quantitative study show that:

Just under half the respondents agreed there should be appointment of new CEOs every time when corruption is suspected

The responded agreed with Smith (2015) on the fact that political interference together with incompetent interventions led most SOCs to find themselves in a huge turmoil, that resulted to resignations of many top executives and Chief Executive Officers (CEOs).

The majority of the respondents agreed that:

- There should be privatisation poorly performing SOCs;
- There should be adoption of an integrated approach in strategic decision-making process in the governance of SOCs;
- There should be a separation of SOCs and government in decision making; and
- There are valid steps that can be taken to improve performance and minimise failure of SOCs

The responses here concur with some scholars' views. According to Estrin and Pelletier (2018), during the wave of privatisation, most governments retained companies in critical sectors in energy, rail transport, broadcasting services and telecommunication (Estrin and Pelletier 2018).

The findings from qualitative study shows that:

With regard to the strategies that could assist SOCs in generating sufficient profits to sustain themselves. Participants indicate that:

SOCs can generate sufficient profits to sustain themselves. This could be through the adoption of accountable and transparent management practices, and constant review

of SOCs leadership in order to appoint new management if necessary, not waiting for full five years.

- Separation of state and board of directors is essential. Furthermore, consider privatisation strategy to minimise or eliminate corruption. This will cut off government interference as it is a source of corruption.
- On the same note, some participants indicated that: The solution is to shut down all the SOCs and find new strategies to sustain the country's socio-economic issues

Overall, the research objectives have been comprehensively achieved through the rigorous analysis of qualitative and quantitative data, synthesizing both scholarly literature and empirical insights to provide a holistic understanding of the perceptions and challenges surrounding corporate governance in South African state-owned enterprises.

6.2.2 Conclusions from the literature review

As emphasised in this study that public perception regarding management and corporate governance of SOCs varies. The following conclusions were drawn from the literature review: using themes and sub-themes.

Theme one: Management and corporate governance of state-owned companies in South Africa

The review of literature on the management and corporate governance of state-owned companies in South Africa led to the following conclusions:

The research revealed that state-owned companies in South Africa face challenges with respect to the following aspects:

Significant corporate governance challenges: These challenges are rooted in various factors such as accountability, transparency and disclosure, inability to manage risk, ineffective board, lack of effective internal control systems, unethical business practises, lack of effective legal compliance culture and integrity throughout the company, political interference and corruption as well as lack of comprehensive stakeholder's engagement system

- The effect of implementation of effective CG practices in SOCs are as follows:

Accountability: Corporate governance involves increased oversight and responsibility for the processes of decision-making and financial administration.

Transparency and disclosure: Improved transparency and disclosure practices are essential for fostering trust among stakeholders.

Risk Management: Enhancing risk management and internal control systems is crucial for preventing fraud and mismanagement within a company.

Independent boards: The establishment of independent boards of directors with diverse expertise and experience assist in ensuring that decision-making is not influenced by conflicts of interest and that a diverse range of perspectives and insights are considered. Furthermore, these boards can provide valuable guidance and oversight to mitigate risks and promote transparent and accountable practices within the company.

Internal Control: Implementing robust internal control mechanisms and risk management frameworks is another important aspect of effective corporate governance practice in state-owned companies.

Ethical Business Practices: Implementing robust internal control mechanisms and risk management frameworks is another important aspect of effective corporate governance practice in state-owned companies.

Legal compliance culture: Fostering a legal compliance culture and integrity throughout the company is vital.

Political interference and corruption: Reduction of political interference and corruption is important. This can be achieved through the establishment of clear regulations and mechanisms that ensure transparency, accountability, and integrity in the decision-making processes of SOCs.

Stakeholder engagement systems: State-owned companies should actively engage with their stakeholders to gain insights into their concerns, expectations, and needs.

The study further concludes that companies must prioritize the implementation of good corporate governance practices in order to effectively manage the challenges faced

by State-Owned Companies. This acceptance can help to ensure that the SOCs are managed in a responsible and sustainable manner, leading to improved performance and outcomes for all stakeholders involved.

- **Theme two: The nexus between the corporate governance of SOCs and the role they play in contributing to socio-economic development**

To examine the nexus between the corporate governance of SOCs and the role they play in contributing to socio-economic development. The conclusions that emerged from the literature review in relation to this objective is as follows.

Firstly, there is an acknowledged connection between effective corporate governance practices and the financial success of state-owned companies. These methods aid in enhancing efficiency and profitability, which ultimately adds to the socio-economic development of the nation.

Secondly, state-owned companies have the ability to make a substantial contribution to supporting socio-economic development through their strategic partnerships, investments, and efforts towards job creation and economic growth.

Lastly, when state-owned companies engage in vital sectors, they can encourage innovation and technological progress that further aids economic development.

- **Theme three: Public attitudes and opinions about corporate governance in state-owned companies**

To identify the public attitudes and opinions about corporate governance in state-owned companies and the role they can play in contributing to socio-economic development in South Africa. The conclusions that emerged from the literature review in relation to this objective is as follows:

Public attitudes and opinions regarding corporate governance in state-owned companies vary widely. Some stakeholders view state-owned companies as crucial drivers of socio-economic development, while others have concerns about their efficiency and accountability. Furthermore, the literature review highlights the importance of public perception in shaping the reputation and trustworthiness of state-owned companies, as well as the varying attitudes towards them

- **Theme four: internal and external factors influencing public perceptions on state-owned company’s corporate governance and management**

To ascertain internal and external factors influencing public perceptions on state-owned company’s corporate governance and management: The conclusions that emerged from the literature review in relation to this objective is as follows.

Internal factors, such as the company's business ethics and management of company resources, play a significant role in shaping the public's perception of state-owned companies' corporate governance and management.

The literature also suggests that external factors, such as the company's social and environmental initiatives and its transparency in operations, can influence public perceptions.

The literature also suggests that external factors, such as the company's social and environmental initiatives and its transparency in operations, can influence public perceptions. Furthermore, the literature indicates that stakeholder perceptions of state-owned companies are increasingly focused on their social and environmental practices

- **Theme five: Steps to be taken to improve and minimise failure**

The literature indicated that improving financial management, enhancing transparency and accountability, strengthening governance structures, and investing in infrastructure maintenance are crucial steps to enhance the performance of SOCs in South Africa (Shava and Thakhathi 2016; Glasser and Wright 2020; Mamokhere and John 2022). Therefore, improving the corporate governance of SOCs is a critical priority that requires urgent action. Accordingly, strategies should be implemented to enhance and mitigate the failure of corporate governance within these companies. The study highlighted that such measures may include establishing transparency protocols to foster accountability and minimize conflicts of interest, reinforcing oversight through the nomination of independent board members, and optimising the use of internal and external resources to bolster performance and competitiveness. Furthermore, participants highlighted the significance of addressing political interference in SOC operations.

Thus, strengthening the overall institutional and regulatory framework is essential. This may involve streamlining legislation, enforcing compliance, and improving the capacity of oversight bodies to effectively monitor and evaluate the operations of SOCs (Maganoe 2023). Finally, fostering a culture of ethical leadership, professionalism, and meritocracy within SOCs is pivotal (Mapena 2023; Salvatore and Numerato 2023). Recruiting and retaining skilled, knowledgeable, and principled individuals to lead these entities can significantly enhance their ability to fulfil their developmental mandates and serve the interests of the public (Caesar 2023). The section below explains the conclusion from the empirical study.

Having reviewed the research findings and the resulting conclusions, the recommendations for enhancing corporate governance practices of state-owned enterprises in South Africa can be encapsulated as follows:

Enhance transparency and accountability:

- Measures should be implemented to ensure that SOCs disclose relevant information about their operations, financial performance, and decision-making processes. This measurement includes regular public reporting, external audits, and the publication of key performance indicators. The body responsible for regular public reporting will be the board of directors (Lu and Zhu, 2020; Kaunda and Pelser 2022). Clear lines of accountability should be established, with defined roles and responsibilities for the board, executives, and other key stakeholders. Publication of the key indicators includes an annual report should provide detailed

information on the SOC's financial and operational performance, as well as its progress in achieving strategic objectives. Independent non-executive directors should be empowered to effectively monitor and oversee management, with clear guidelines on their roles and responsibilities.

- Measures should also be implemented to ensure that SOCs disclose relevant information about their operations, financial performance, and decision-making processes. The company should institute mechanisms for regular public reporting by executive management to the board of directors.

Improve board effectiveness:

The composition and independence of boards should be strengthened by appointing qualified and independent directors who possess relevant skills and experience. This can be done by conducting regular evaluations of board performance using the results obtained to identify areas for improvement. Furthermore, definition of a clear criteria and processes for the selection and appointment of board members, with input from diverse stakeholders. That can assist in ensuring a balance between executive and independent non-executive directors on the board, with the majority being independent. Providing board members with regular training and support to enhance their ability to effectively perform their oversight and advisory roles can also assist. All these duties can be done by nomination committee and be approved by board of directors.

Enhance risk management and internal controls:

Robust risk management frameworks and internal control systems should be implemented to identify and mitigate risks effectively. The establishment of a board-level risk management committee to oversee the identification, assessment, and mitigation of risks is recommended. Additionally, the implementation of comprehensive internal control procedures, including regular audits and reviews by independent bodies, should be prioritised. If effectively implemented, these recommendations can enhance the public perception and accountability of SOCs in South Africa. Audit committee can also be responsible and report to the board of directors for their approval.

Improve remuneration policies:

Transparent and fair remuneration policies should be developed that align with performance and incentivise ethical behaviour. This could involve the following:

Firstly, establishing clear guidelines for the remuneration of board members and executives, based on their responsibilities, qualifications, and performance. Secondly, linking executive compensation to the achievement of measurable and sustainable performance targets, rather than just short-term financial metrics. Lastly, ensuring that remuneration policies are disclosed publicly and subject to stakeholder oversight. The board of directors, as the oversight body, is responsible for driving the implementation of the recommendations to enhance transparency, accountability, board effectiveness, risk management, and remuneration policies within the state-owned enterprises.

Strengthen stakeholder engagement:

Mechanisms for regular communication and consultation with stakeholders, including employees, customers, and the local community should be developed. This can help build trust, address concerns, and incorporate diverse perspectives into decision-making. This regular communication can be achieved by establishing stakeholder advisory committees, organising public forums, and enhancing the company's online presence and digital platforms. Person responsible for establishing stakeholder engagement mechanisms would be the board of directors. by delegating such power to executive management who would be responsible for the regular implementation and reporting.

Facilitate training and capacity-building:

Provide comprehensive training programs for directors and executives to enhance their understanding of corporate governance principles and practices. This can include training on financial management, risk oversight, and strategic decision-making. This can be done by engaging external governance experts and industry associations to design and deliver the training programs.

Revisit regulation and legislation:

Review existing regulations and legislation related to state-owned companies to ensure they align with best practices in corporate governance. This may involve amending existing laws or introducing new regulations to strengthen the governance

framework for SOCs (Foster, 2020). The person responsible for this would be the relevant government ministries and regulatory bodies in South Africa.

Consider repurposing the SOCs:

Focus on their core functions and strategic objectives, thereby improving their performance and efficiency. This could involve streamlining operations, divesting non-core assets, or exploring public-private partnerships to leverage private sector expertise and resources. The person responsible for this would be the board of directors and executive management of the SOCs, in consultation with government and other key stakeholders.

Clear roles and responsibilities:

Define the role of the government in state-owned companies and establish clear boundaries to avoid conflicts of interest and political interference. Establishment of the mechanisms for regular performance reviews and accountability measures for the board and management. Appointed minister or a relevant government ministry would be responsible for defining the government's role and establishing the necessary mechanisms for oversight and accountability. The board of directors would be responsible for implementing these mechanisms within the company.

Promote a culture of ethics and integrity:

Emphasize the importance of ethical behavior and integrity within SOCs, ensuring that these values are embedded in the organisational culture and reflected in all decision-making processes. This can be achieved through the development and implementation of a robust code of ethics, regular training and awareness programs, and the establishment of whistle-blower protection mechanisms. The person responsible for this would be the board of directors, who should set the tone at the top and ensure the effective implementation of ethical practices throughout the organisation.

6.2.3 Proposed conceptual framework to enhance corporate governance in SOCs

This framework is not statistically tested but is based on the recommendations derived from the literature review. The findings and conclusions in this study highlighted specific governance challenges facing SOCs in South Africa, including

non-compliance of governance or legal and regulatory framework; lack of transparency and accountability; lack of leadership stability; excessive political interference; mismanagement of funds and corruption. These findings also showed that SOCs fail because of improper management; they are no longer profitable/ low capabilities and are adding more burden on government. Hence, in developing the proposed framework, cognizance has taken of these governance challenges of SOCS.

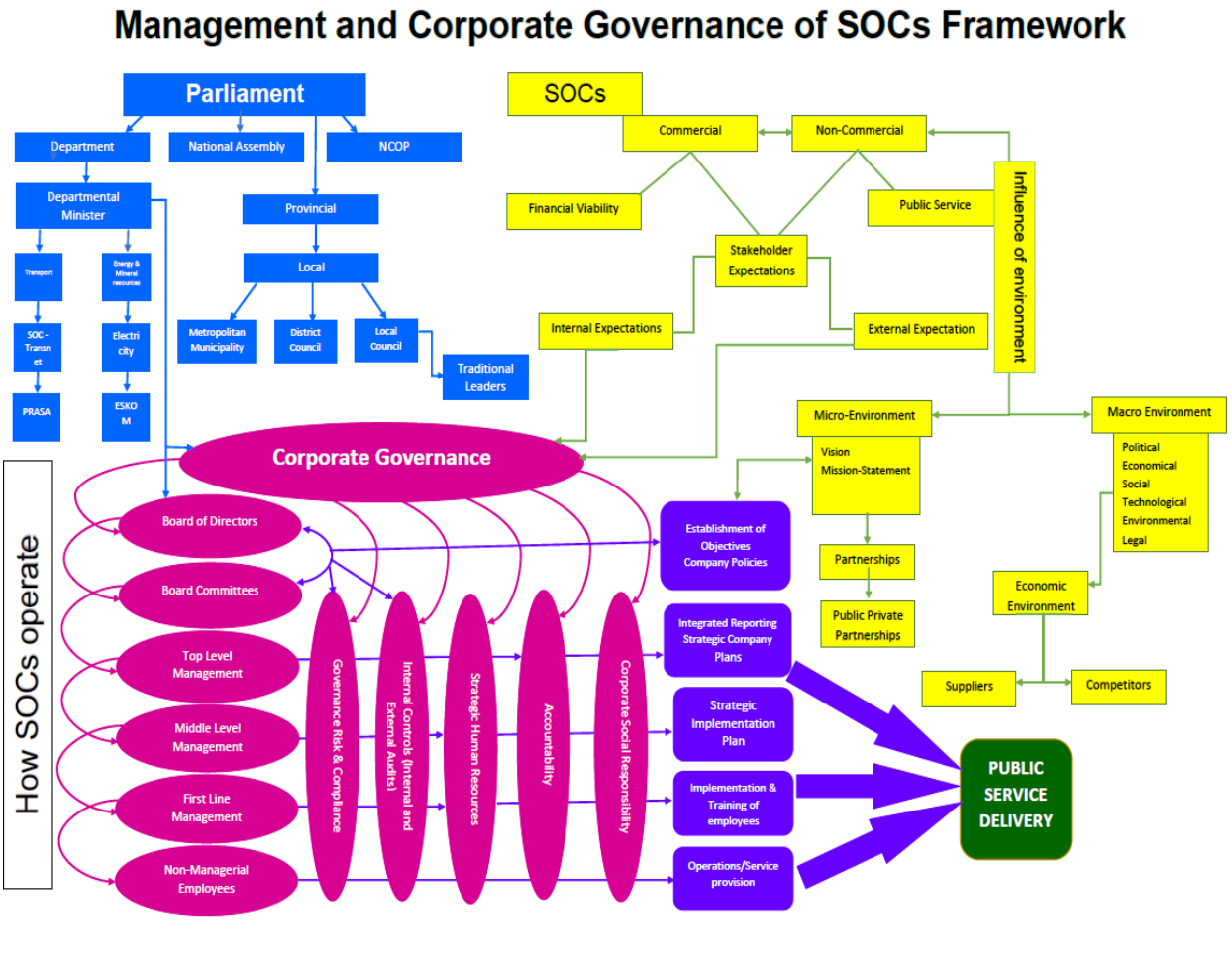

Figure 6.1: Management and Corporate Governance of SOCs Conceptual Framework

Source: Developed by the researcher: South African State-Owned Company`s Corporate governance conceptual framework

6.2.3.1 Description of the State-Owned Company`s Corporate governance framework

The frame is described in terms of the following component outlined below:

6.2.3.1.1 Component 1 – Operating within government structure: shown in BLUE in Figure 6.1

This component, depicted in blue in Figure 6.1, emphasises that SOCs should operate in alignment with the government structure. Therefore, this ensures that:

National Level: national policies and strategies, promoting effective governance and integration within the broader government framework. Every national SOCs reports to the relevant government department or ministry, which provides oversight and guidance. These ministers serve as the highest authority in supervising the functions of SOCs and ensuring their consistency with wider government goals. Certain SOCs operate in crucial sectors like energy, telecommunications, and transportation.

Provincial Level: At the provincial level, SOCs operate within the framework of the respective government structure, which is designed to provide a governance framework and ensure alignment with regional policies and strategies. Examples of provincial level SOCs include entities such as provincial electricity companies, transport authorities, and water boards. They are regulated by the provincial government and are responsible for providing essential services to residents within their jurisdiction.

Local Level: At a local level, traditional leaders serve as key stakeholders and decision-makers, ensuring that the operations of SOCs align with and benefit their respective communities. In addition, metropolitan municipalities, district municipalities, and local councils have authority over the operations of SOCs within their respective areas at a local level.

6.2.3.1.2 Component 2 - Operation of corporate governance in SOCs:

This component, illustrated in green in Figure 7.1, emphasises the importance of effective corporate governance in SOCs. It underscores the necessity for SOCs to implement robust corporate governance practices, which include mechanisms for

effective structures and processes, clear roles and responsibilities, strong board oversight, and ethical behaviour.

Board of directors: Therefore, Board of directors should ensure that the operation of corporate governance in SOCs is aligned with best practices and regulatory requirements.

Board committees: This committees assists in the oversight and monitoring of corporate governance practices in SOCs, ensuring that they are in line with industry standards and regulatory guidelines. Furthermore, they recommend relevant policies for the organisation to ensure that it operates in accordance with national regulations and meets its objectives effectively.

Upper, middle and lower level of management: Upper level managers such as CEOs and CFOs play a crucial role in driving effective corporate governance practices in SOCs. The middle level management comprises of department heads and managers who oversee specific functions within the organisation. Lastly the lower-level employees play a crucial role in the efficient and effective delivery of services or the production of goods provided by SOCs. Therefore, it is important for all levels of management and employees within SOCs to understand and adhere to the principles of corporate governance in order to ensure the sustained success and reputation of the SOC.

Corporate governance principles: These principles are vital for supporting the stability and prosperity of businesses. They establish a structure for making ethical decisions and guaranteeing transparency, accountability, and equity in corporate management. Furthermore, efficient corporate governance practices aid in cultivating confidence among stakeholders such as shareholders, employees, clients, and the broader community. This confidence is crucial for attracting investments, promoting sustained development, and managing potential risks.

Governance, Risk and compliance (GRC): GRC plays a significant role in ensuring that businesses operate ethically and responsibly. This includes implementing policies and procedures to detect, prevent, and address potential risks related to financial management, compliance with laws and regulations, data privacy and security, and ethical conduct. In addition, the incorporation of risk management into corporate

governance framework helps organisations proactively identify and mitigate risks, ensuring their long-term sustainability.

6.2.3.1.3 Component 3 – Corporate governance rules regulations and policies: shown in PURPLE in Figure 6.1

Corporate governance rules are essential for the functioning of state-owned companies and should be in line with the organisation's long-term goals. These regulations play a critical role in directing the course of each SOC.

Vision and mission: For instance, Transnet's vision and mission is to become a globally competitive multi-modal logistics company that supports economic growth and development in South Africa. This recommended framework assists in ensuring that SOCs adhere to proper corporate governance practices and align their operations with national policies and strategies. This framework assists in guaranteeing that state-owned companies comply with suitable corporate governance procedures and align their activities with national policies and strategies. This promotes accountability, transparency, and integrity in the operations of state-owned companies, as emphasised in the study's findings and conclusion.

Company policies and procedure: Establishment of company policies and procedures that align with good corporate governance principles is an essential step in promoting ethical behaviour and maintaining a positive corporate culture. These policies and procedures should outline expectations for all employees, including top-level management, in terms of ethical conduct, conflicts of interest, and proper use of company resources. Additionally, regular training and communication on these policies are crucial to ensure that all employees understand their responsibilities and the importance of upholding high ethical standards.

Integrated reporting: The adoption of integrated reporting frameworks, as advocated by The King IV Report and the listing requirements of the Johannesburg Stock Exchange, further supports the implementation of robust corporate governance practices in SOCs (Anwana, 2020). This report enhances transparency and accountability, as it requires organisations to disclose both their financial and non-financial performance metrics. By adopting integrated reporting, organisations can communicate their commitment to good corporate governance and demonstrate their

efforts in achieving sustainable development goals. Furthermore, the finding and conclusion of the study indicated the need for adopting this report.

6.2.3.1.4 Component 4 – Organisational environment: shown in GREEN in Figure 6.1

Ensuring a positive organisational environment is crucial in promoting good corporate governance practices.

Business environment: Therefore, the strategy that recognise both micro-environment and macro-environment factors and consider them in their decision-making processes is essential. This strategy should consider factors such as the organisation's resources and capabilities, the competitive landscape, the regulatory, political, economic, technological and the social and environmental context. In today's dynamic business environment, organisations need to recognize the importance of establishing and aligning company policies and procedures that promote ethical behaviour and uphold good corporate governance. The literature review indicated that administrative leadership should be independently managed from political leadership. A municipality requires policy certainty, stability throughout the organisation, and a positive organisational culture to create a productive environment (Taute 2021).

Private public partnership: The findings of the study indicates that it is often essential to establish partnerships between the public and private sectors in order to enhance the corporate governance of state-owned enterprises. The literature review confirms that these collaborations facilitate cooperation between regulatory authorities in the public sector and management specialists in the private sector (Taute 2021). Therefore, the study recommended that this joint effort can lead to the establishment of efficient governance frameworks, policies, and procedures that align with global standards and optimal approaches. Moreover, such partnerships can aid in mitigating conflicts of interest while ensuring representation of both public and private sector interests. Additionally, they offer access to financial resources as well as technical knowledge that may not be readily available within state-owned enterprises. Hence the study recommends the consideration of this principle as a framework for better corporate governance in SOCs. New public management theory is one of the theories that underpins the study. According to the NPM, government officials and managers

are required to adopt an entrepreneurial mindset towards service production (Mohr, Deller and Halstead 2010:895). This approach involves incorporating elements of private sector functionality into aspects of service delivery. This includes implementing performance-based contracts and introducing competition among service providers to improve efficiency and effectiveness (Taute' 2021).

6.2.3.1.5 Component 5 – SOCs' national mandate: shown in yellow in Figure 7.1

The national mandate of SOCs refers to the specific role and responsibilities that state-owned companies have in contributing to the overall development and growth of the country. It guides their strategic direction and determines the focus of their activities. Furthermore, it serves as a framework for performance measurement and evaluation of these companies. Therefore, their commercial and non-commercial purpose should be aligned with the broader national development goals and objectives. These goals are typically defined by government policies and regulations.

Commercial goal: For commercial aspect of SOCs, their national mandate may involve promoting economic growth, job creation, and investment in strategic industries. This framework will require the state to conduct a comprehensive review of existing state-owned companies in order to evaluate the sustainability and expansion potential of existing of these companies, as well as implementing reforms to improve governance, transparency, and accountability within these organisations.

Non-commercial goal: On the other hand, their non-commercial mandate may include providing essential services to underserved areas, supporting social welfare programs, and ensuring environmental sustainability. To fulfil their national mandate, state-owned companies need to align their strategies and operations with the broader development goals of the country. Additionally, they should collaborate with government agencies and other stakeholders to ensure that their actions are in line with national priorities.

Stakeholders expectation and public trust: The increasing expectations of stakeholders and the growing public trust in state-owned companies have become significant factors in recent years. The findings in the study highlighted a decrease in public trust over the years, accompanied by rising stakeholder expectations for transparency, accountability, and ethical conduct. The conclusion of the findings

suggests that state-owned companies must prioritise these aspects in order to regain public trust and meet stakeholder expectations. Stakeholders theory is aligned with this recommendation as it emphasizes the importance of meeting the expectations of various stakeholder groups. Therefore, it is recommended that state-owned companies should focus on enhancing transparency, accountability, and ethical conduct to rebuild public trust and meet the increasing expectations of stakeholders (Ardillah 2021). The following section will focus on theories selected for the purpose of the study.

6.3 Implication from the study

The study's findings have important implications for improving governance and management of state-owned companies in South Africa, particularly in the eThekwini metropolitan area. The study indicates that implementing robust accountability systems, strengthening stakeholder engagement, and promoting ethical leadership will be crucial for restoring public trust and enhancing the performance of these strategic SOCs.

Additionally, addressing corporate governance challenges can attract investment capital, improve SOC performance, and increase investor confidence. Investment companies can benefit by understanding business opportunities and risks associated with investing in SOEs in the eThekwini area. Policymakers and regulators can also use the study's findings to develop policies that promote good governance practices in state-owned enterprises.

The study's outcomes have profound implications for SOCs in the eThekwini region. They highlight the urgency of addressing issues like conflicts of interest, transparency, and accountability to rebuild public trust and confidence. By implementing effective governance practices, SOCs in the eThekwini area can restore trust and confidence in their operations.

Lastly, the findings suggest a need for comprehensive reforms in the corporate governance of SOCs to improve their overall performance, enhance transparency and accountability, and promote sustainable development in the eThekwini area. The implication of this study divided into two subsections: Theoretical Implications and Practitioner and Policy Implications.

6.3.1 The theoretical Implications that underpins the study

The study drew upon several theoretical perspectives to examine the public perception of the management and corporate governance of state-owned companies in South Africa.

- **Agency Theory**

Agency theory emphasised the potential conflicts of interest that can arise between the principal (the owners or shareholders) and the agent (the managers) in organisations. This conflict arises from the fact that the agent may not always act in the best interests of the principal. In the context of state-owned companies, the government acts as the principal, while the management and board of directors serve as the agents. Agency theory suggests that the government must put in place effective mechanisms to align the interests of the agents with those of the principal, such as through performance-based incentives and rigorous oversight (Gumede and Dipholo 2014; Styne 2018; Gabela and Uzodike 2020).

The study suggested that public perception of SOCs in South Africa is influenced by the degree to which the principles of agency theory are applied within their corporate governance framework. Specifically, the findings indicated that political interference and related issues undermine the effective implementation of agency theory in these companies. This is because political interests and agendas can lead the managers (agents) to prioritise the needs of political principals over those of the government (the primary principal).

- **Stakeholder Theory**

Stakeholder theory emphasises the need to consider the interests of all stakeholders, not just shareholders, in corporate decision-making. This is particularly relevant for state-owned companies, which have a broader set of stakeholders beyond just shareholders, including the government, employees, local communities, and the general public. According to stakeholder theory, state-owned companies should strive to balance the interests of these diverse stakeholders in their governance and management practices (Abzug and Webb 1999).

Studies have shown that South African companies have increasingly embraced stakeholder-oriented practices, moving away from a pure shareholder primacy model (Andreasson 2009; Makwambeni and Matsika 2022). Regulatory changes have driven this shift, such as the King reports IV on corporate governance, as well as growing public awareness and expectations regarding the social and environmental responsibilities of businesses. This study revealed that the public's perception of state-owned companies' management and governance in South Africa is influenced by the extent to which these companies are able to balance the interests of diverse stakeholders, rather than just focusing on shareholder value maximization. Both external and internal stakeholders expect SOCs to demonstrate a commitment to sustainable development, environmental protection, and social responsibility. The perception of the public is shaped by the companies' ability to meet these expectations.

- **New Public Governance and New public Management Theory**

New Public Governance theory is a theoretical framework that focuses on the collaboration between public and private actors in the governance of public organisations and services. This approach emphasizes the importance of engaging a wide range of stakeholders, including citizens, businesses, and civil society organizations, in the decision-making and service delivery processes of public institutions (Andreasson 2009).

The difference between New Public Management theory and New Public Governance theory lies in their approach to governance. New Public Management theory focuses on applying private sector management principles to the public sector, emphasizing efficiency, performance measurement, and market-oriented approaches (Krogh and Triantafillou,2024). In contrast, New Public Governance theory emphasizes collaborative and participatory approaches to governance, recognizing the importance of involving a wide range of stakeholders in decision making and service delivery.

This study indicated that public perception of state-owned companies in South Africa is influenced by the extent to which these companies adopt a New Public Governance approach, rather than a pure New Public Management approach. The public expects SOCs to engage with a wide range of stakeholders, including civil society organizations, local communities, and industry associations, in their decision-making

and operational processes. Furthermore, the public expects SOCs to demonstrate a commitment to transparent and accountable governance, which aligns with the principles of New Public Governance.The findings further suggested that while South Africa has made progress in adopting more stakeholder-oriented and collaborative approaches to the governance of state- owned companies, there is still room for improvement in addressing the persistent challenges identified.

- **Systems theory**

This theory can provide a holistic understanding of the complex interrelationships between SOCs, government, stakeholders, and the wider society (Moletsane 2023)

In the context of SOCs in South Africa, systems theory suggested the need to examine the dynamic interactions between the companies, government, regulatory bodies, employees, communities, and other stakeholders. systems perspective could help identify leverage points and feedback loops that could enhance the overall effectiveness and legitimacy of SOCs governance. In this instance the study of public perceptions is a subsystem within the larger system of SOCs governance in South Africa (Kaunda and Pelser 2022).

- **Stewardship theory**

Stewardship theory offers an alternative perspective to agency theory, suggesting that managers can be viewed as stewards who are motivated to act in the best interests of the organisation and its stakeholders, rather than pursuing their own self-interests.

This theory was relevant in the context of SOCs, where the management and board of directors could be expected to act as stewards of the public interest, rather than solely pursuing the interests of the government as the principal.

The combination of trust and control-based governance approaches, as suggested by stewardship theory, may help to align the interests of SOC management with the broader public interest. Stewardship theory suggested that managers can act as responsible stewards of the organization.

Therefore, in addressing the research question on public perceptions regarding the management and corporate governance of state-owned companies in South Africa, the study has drawn upon a range of theoretical perspectives as indicated above.

In conclusion, the public perception of the management and corporate governance of state-owned companies in South Africa is a complex and multifaceted issue. The findings suggest that while progress has been made, there are still persistent challenges that need to be addressed through a more holistic and collaborative approach to governance, drawing on a range of theoretical perspectives. As such, the public perception and expectations regarding the management and corporate governance of state-owned companies in South Africa must be examined through the lens of these evolving theoretical frameworks, in order to understand the complex and dynamic nature of these issues and identify opportunities for improvement (Oates, 2015; Ingram and Ніценко 2021; Manyaka and Nkuna 2014; Gabela and Uzodike 2020). Therefore, applying all these theories mentioned above helped to identify the potential challenges and opportunities that arise from the interdependencies between state-owned companies, government entities, stakeholders, and the wider society (Mbo 2017).

6.3.2 Recommendations based on the conclusions from the study

This study outlines the key practical and policy-related implications that emerge from the research findings and the resulting conclusions, the recommendations for enhancing corporate governance practices of state-owned enterprises in South Africa can be encapsulated as follows:

- **Enhance transparency and accountability:**

Measures should be implemented to ensure that SOCs disclose relevant information about their operations, financial performance, and decision-making processes. This measurement includes regular public reporting, external audits, and the publication of key performance indicators. The body responsible for regular public reporting will be the board of directors (Lu and Zhu, 2020; Kaunda and Pelser 2022). Clear lines of accountability should be established, with defined roles and responsibilities for the board, executives, and other key stakeholders. Publication of the key indicators

includes an annual report should provide detailed information on the SOC's financial and operational performance, as well as its progress in achieving strategic objectives. Independent non-executive directors should be empowered to effectively monitor and oversee management, with clear guidelines on their roles and responsibilities.

Measures should also be implemented to ensure that SOCs disclose relevant information about their operations, financial performance, and decision-making processes. The company should institute mechanisms for regular public reporting by executive management to the board of directors.

- **Improve board effectiveness:**

The composition and independence of boards should be strengthened by appointing qualified and independent directors who possess relevant skills and experience. This can be done by conducting regular evaluations of board performance using the results obtained to identify areas for improvement. Furthermore, definition of a clear criteria and processes for the selection and appointment of board members, with input from diverse stakeholders. That can assist in ensuring a balance between executive and independent non-executive directors on the board, with the majority being independent. Providing board members with regular training and support to enhance their ability to effectively perform their oversight and advisory roles can also assist. All these duties can be done by nomination committee and be approved by board of directors.

- **Enhance risk management and internal controls:**

Robust risk management frameworks and internal control systems should be implemented to identify and mitigate risks effectively. The establishment of a board-level risk management committee to oversee the identification, assessment, and mitigation of risks is recommended. Additionally, the implementation of comprehensive internal control procedures, including regular audits and reviews by independent bodies, should be prioritised. If effectively implemented, these recommendations can enhance the public perception and accountability of SOCs in South Africa. Audit committee can also be responsible and report to the board of directors for their approval.

- **Improve remuneration policies:**

Transparent and fair remuneration policies should be developed that align with performance and incentivise ethical behavior. This could involve the following:

Firstly, establishing clear guidelines for the remuneration of board members and executives, based on their responsibilities, qualifications, and performance. Secondly, linking executive compensation to the achievement of measurable and sustainable performance targets, rather than just short-term financial metrics. Lastly, ensuring that remuneration policies are disclosed publicly and subject to stakeholder oversight. The board of directors, as the oversight body, is responsible for driving the implementation of the recommendations to enhance transparency, accountability, board effectiveness, risk management, and remuneration policies within the state-owned enterprises.

- **Strengthen stakeholder engagement:**

Mechanisms for regular communication and consultation with stakeholders, including employees, customers, and the local community should be developed. This can help build trust, address concerns, and incorporate diverse perspectives into decision-making. This regular communication can be achieved by establishing stakeholder advisory committees, organising public forums, and enhancing the company's online presence and digital platforms. Person responsible for establishing stakeholder engagement mechanisms would be the board of directors. by delegating such power to executive management who would be responsible for the regular implementation and reporting.

- **Facilitate training and capacity-building:**

Provide comprehensive training programs for directors and executives to enhance their understanding of corporate governance principles and practices. This can include training on financial management, risk oversight, and strategic decision-making. This can be done by engaging external governance experts and industry associations to design and deliver the training programs.

- **Revisit regulation and legislation:**

Review existing regulations and legislation related to state-owned companies to ensure they align with best practices in corporate governance. This may involve amending existing laws or introducing new regulations to strengthen the governance

framework for SOCs (Foster, 2020). The person responsible for this would be the relevant government ministries and regulatory bodies in South Africa.

- **Consider repurposing the SOCs:**

Focus on their core functions and strategic objectives, thereby improving their performance and efficiency. This could involve streamlining operations, divesting non-core assets, or exploring public-private partnerships to leverage private sector expertise and resources. The person responsible for this would be the board of directors and executive management of the SOCs, in consultation with government and other key stakeholders.

- **Clear roles and responsibilities:**

Define the role of the government in state-owned companies and establish clear boundaries to avoid conflicts of interest and political interference. Establishment of the mechanisms for regular performance reviews and accountability measures for the board and management. Appointed minister or a relevant government ministry would be responsible for defining the government's role and establishing the necessary mechanisms for oversight and accountability. The board of directors would be responsible for implementing these mechanisms within the company.

- **Promote a culture of ethics and integrity:**

Emphasise the importance of ethical behaviour and integrity within SOCs, ensuring that these values are embedded in the organisational culture and reflected in all decision-making processes. This can be achieved through the development and implementation of a robust code of ethics, regular training and awareness programs, and the establishment of whistle-blower protection mechanisms. The person responsible for this would be the board of directors, who should set the tone at the top and ensure the effective implementation of ethical practices throughout the organisation.

6.4 Limitations of the study

The limitation of the study is that it focuses solely on the eThekwini metropolitan area, which may not be representative of state-owned companies within South Africa. Although the study was conducted by focusing only on 400 members of the public in the eThekwini metropolitan area, their perceptions and opinions can still provide

valuable insights into the overall perception of state-owned companies in the region as well as in South Africa. Therefore, it is also important to note that 15 corporate governance experts were interviewed to provide a more comprehensive understanding of the management and corporate governance practices of state- owned companies in the eThekwini metropolitan area.

However, further research is needed to gain a broader understanding of public perception and corporate governance practices in other regions of South Africa. Additionally, examining the perspectives of stakeholders such as employees, investors, and local communities could provide a more comprehensive understanding of public perception and corporate governance practices. Furthermore, in order to gather primary data from various stakeholders, a mixed-method approach that includes surveys, and interviews was employed to capture diverse perspectives and gather more comprehensive data on public perception and corporate governance practices. A close-ended survey was conducted to gather quantitative data on public perception, while an open-ended survey was conducted to gather qualitative data and allow participants to provide more detailed opinions and insights. This method limited the data-gathering process to a specific set of questions and may not capture the full range of perspectives and opinions on public perception and corporate governance practices.

6.5 Future research directions

Despite the above-mentioned limitations, the study makes a valuable contribution to the body of knowledge by shedding light on public perception and corporate governance practices in the eThekwini metropolitan area. This research provides a starting point for further exploration and understanding of public perception and corporate governance practices in state-owned companies in South Africa. Based on the study's empirical findings, it is suggested that additional research should explore:

The impact of public perception on the performance and sustainability of state-owned companies in the eThekwini metropolitan area. This research will provide valuable insights into the importance of public perception in shaping the performance and sustainability of state-owned companies, ultimately informing strategies for improving corporate governance and enhancing stakeholder trust.

The role of external stakeholders, such as shareholders, in influencing the corporate governance practices of state-owned enterprises. This research will help to understand the influence and impact of external stakeholders, particularly shareholders, on the corporate governance practices of state-owned enterprises. This understanding can contribute to the development of more effective governance frameworks and accountability mechanisms for state-owned companies.

Furthermore, the study highlights the need for continued research and investigation into public perception and corporate governance practices in different regions of South Africa in order to gain a comprehensive understanding of the topic. This will assist policy-makers, researchers, and practitioners in making informed decisions and implementing effective strategies to enhance corporate governance practices and improve public perception of state-owned companies.

Moreover, the study's findings can serve as a benchmark for assessing the effectiveness of corporate governance practices in state-owned companies, not only in the eThekwini metropolitan area but also in other regions of South Africa. This current research could be expanded in future to encompass recent advancements involving the examination of the National State Enterprises Bill, which has been authorized by the South African Cabinet. Once passed as law, this bill represents a possible change in how state-owned companies are governed. Lastly, Future research could also explore the role of stakeholder engagement in corporate governance of state-owned enterprises, as well as the potential impact of corporate governance reforms on the overall efficiency and sustainability of SOCs.

6.6 Concluding remarks

Therefore, concluding remarks within the study underscore the importance of ongoing research and analysis to improve corporate governance practices and enhance public perception in state-owned companies throughout South Africa.

The study revealed that state-owned companies in South Africa encounter various challenges in their corporate governance, resulting in a negative perception among the public. What was noticeable was that perceptions varies according to gender and age of the participants. These perceptions can be improved through a multi-faceted

approach that addresses board composition and performance, risk management, remuneration policies, stakeholder engagement, capacity building, regulatory reforms, and a strong culture of ethics and integrity. The proposed conceptual framework provides a structure for SOCs to implement these improvements, with clearly defined roles and responsibilities for the board, management, and government stakeholders. Ultimately, enhancing corporate governance in state-owned companies can lead to improved service delivery, increased public trust, and more efficient utilisation of public resources - all of which are crucial for the overall development and prosperity of South Africa.

The study also highlighted the importance of transparency, accountability, and oversight in promoting good corporate governance in state-owned companies. State-owned companies continue to play a crucial role in providing employment, public services, and driving socioeconomic development in many developing nations like South Africa. However, the efficiency of these SOCs has been extensively compromised due to the overlapping ownership and management responsibilities, as well as unclear mandates. The absence of a reliable centralized database further hinders monitoring and evaluating their performance. In order to enhance SOC performance, it is imperative to establish a clear separation between ownership and management functions.

Secondly, it is imperative to establish distinct and measurable objectives for both the short and long term. Additionally, selecting capable and independent executive leadership that can devise effective strategies towards accomplishing these goals is crucial. Lastly, it is crucial for the management of state-owned companies to establish transparent and impartial systems for monitoring and evaluating performance. Through regular reports, these evaluations should be shared with all key stakeholders in order to identify areas that need improvement. Additionally, attracting skilled individuals to work within these companies by offering competitive salary packages is essential. It is important to create a culture where employees are recognized and rewarded for their achievements while also holding them accountable for consistent underperformance. These measures will contribute towards creating a professionally driven work environment which in turn can enhance the efficiency and profitability of state-owned enterprises

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Annexures

Annexure 1: Questionnaire

Annexure 1A: Quantitative Tool

Research Questionnaire

Title: Public Perceptions regarding the Management and Corporate Governance of State-owned Companies (SOCs) in South African

The aim of the study is to examine as to what extent the Public Perceptions can influence the management of State-owned Companies (SOCs) in South Africa, in relation to Corporate Governance and its influence on the socio-economic development of the country.

Your identity and individual answers will be kept totally confidential. Your participation is highly appreciated.

If you are an employee of any state-owned company, please answer all the questions included in this questionnaire. If you are not employed by any state-owned company, please proceed to section C and other subsequent sections after completing section A.

Please complete the following questionnaire by providing the required information and where necessary, provide your opinion by means of a cross (X).

Section A: Biographic Information

1. Gender

Male		Female	

2. Age

20 - 29	30 - 39	40 - 44	45 - 50	51 – 60

3. Race

Coloured	Indian	White	Black

4. Education

Matric certificate	Diploma	National diploma	Degree	Post-graduate

5. Work Experience

1-5 years	6-15 years	16-20 years	21-30 years	31+ years

Section B: Contribution to socio-economic development

6. The infrastructure in South Africa is advanced due to the existence of SOCs.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

7. I know of people in our community who are employed by SOCs because of their relevant qualifications

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

8. Due to the existence of SOCs in the country, the wealth of the community in our area has improved

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

9. I have clean water because of SOCs.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

10. Our community is respected by the existing SOCs.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

Section C: Attitudes and Opinions

1. State-owned Companies in South Africa provide better services

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

2. As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

3. Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for. I purchase at reasonable prices.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

4. The area where I live is provided with all the necessary services

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

5. I have no complaints about services provided by SOCs

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

Section D: Internal and External challenges

1. State-owned companies' staff are highly professional and they interact with customers with dignity

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

2. In my opinion, State-owned companies' grab the investment opportunities to enhance their performance

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

3. In my opinion, State-owned companies have suitable physical resources that uplift the community and assists SOCs to execute their work effectively.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

4. In my opinion, State-owned companies have sufficient financial resources to sustain themselves

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

5. In my opinion, State-owned companies can perform better if privatised

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

6. I have learnt that SOCs are politically driven

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

7. The dire economic situation in the country, negatively affects the performance of existing SOCs

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

8. I believe that SOCs' poor performance is caused by the community not paying their bills.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

9. The inability to cope with constantly changing technology hinders good performance of the existing SOCs.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

10. State-owned companies in South Africa adhere to international best practices relating to governance.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

Section E: Steps to be taken to improve and minimise failure.

1. There should be appointment of new CEOs every time when corruption is suspected.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

2. There should be a privatisation of poor performing SOCs.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

3. There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

4. There should be a separation of SOCs and government in decision making.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

5. In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

THANK YOU FOR PARTICIPATING

Annexure 1B: Qualitative Tool

Interview Guide for corporate governance experts

Public Perceptions regarding the Management and Corporate Governance of State-owned Companies (SOCs) in South African

1. State of management and corporate governance:

1.1 As a stakeholder are you involved in strategic decision-making process of any 1.2 SOC? How are CEOs appointed?
1.3 What governance strategies have been used to manage SOCs?
1.4 Are State-owned companies adhering to the international best practices in your opinion?

1.5 What have been some of the governance challenges facing SOCs in South Africa?

2. Corporate governance and its role in contributing to socio-economic development:

2.1 Do you think SOCs contribute to socio-economic development of this country?

2.1 Why do you think so?

3. Stakeholders' attitudes and opinions:

3.1 What is your opinion on operation of SOCs? E,g performance, transparency, ethical culture etc

3.2 What is your opinion regarding SOCs giving the business opportunities to individuals?

4. Internal factors influencing your perceptions about corporate governance:

4.1 What is your opinion about financial resources in South Africa with regard to SOCs? 4.2 What is your opinion about investment opportunities in South Africa with regard to SOCs?

4.3 What is your opinion about physical resources (e.g. facilities) in South Africa with regard to SOCs?

4.4 What is your opinion about human resources in South Africa with regard to SOCs?

4.5 In your opinion are there any other internal factors influencing your perceptions about the management of SOCs in South Africa?

5. External factors influencing your perceptions about corporate governance:

5.1 What is your opinion about political situation in South Africa with regard to SOCs?

5.2 What is your opinion about economic situation in South Africa with regard to SOCs?

5.3 What is your opinion about social situation in South Africa with regard to SOCs?

5.4 What is your opinion about technological situation in South Africa with regard to SOCs?

5.5 What is your opinion about environmental (e.g. infrastructure) situation in South Africa with regard to SOCs?

5.6 What is your opinion about legal situation in South Africa with regard to SOCs?

6. Steps to be taken to improve and minimise failure:

6.1 What strategies can you suggest that will assist SOCs in generating sufficient profits to sustain themselves?

THANK YOU FOR PARTICIPATING

(IsiZulu) (Quantitative Tool)

Uhlu lwemibuzo locwaningo

Isihloko : Imibono Yomphakathi mayelana Nokuphathwa Nokuphathwa Kwezinkampani Ezingaphansi Kombuso (ama-SOC) eNingizimu Afrika.

Inhloso yocwaningo ukuhlola ukuthi imibono Yomphakathi ingaba nomthelela ongakanani ekuphathweni kwezinkampani zikahulumeni (ama-SOC) eNingizimu Afrika, maqondana nokuqondiswa futhi nokulawulwa kwebhizinisi kanye nomthelela wako ekuthuthukisweni kwenhlalo-mnotho yezwe.

Ubuwena kanye nezimpendulo zakho zizogcinwa ziyimfihlo ngokuphelele. Ukubamba kwakho iqhaza kuzosijabulisa kakhulu.

Uma ungumsebenzi wanoma iyiphi inkampani kahulumeni, sicela uphendule yonke imibuzo efakwe kulolu hlu lwemibuzo. Uma ungaqashiwe yinoma iyiphi inkampani kahulumeni, sicela uqhubekele esigabeni C nakwezinye izigaba ezilandelayo ngemva kokuqeda isigaba A.

Sicela ugcwalise uhlu lwemibuzo olulandelayo ngokunikeza ulwazi oludingekayo futhi lapho kunesidingo, unikeze umbono wakho ngokusebenzisa isiphambano (X).

Isigaba A: Ulwazi lomlando

2. Ubulili

Owesilisa		Owesifazane	

2. Iminyaka yobudala

20 - 29	30 - 39	40 - 44	45 - 50	51 – 60

3. Uhlanga

Coloured	Indian	White	Black

4. Izinga lemfundo

Isitifiketi sekamatikuletsheni	iDiploma	iNational diploma	iDegree	iPost-graduate

5. Isipiliyoni somsebenzi

iminyaka 1-5	iminyaka 6-15	iminyaka 16-20	iminyaka 21-30	iminyaka 31+

Isigaba B: Igalelo ekuthuthukisweni kwenhlalakahle yezomnotho

1. Ingqalasizinda eNingizimu Afrika isithuthuke ngenxa yokuba khona kwama-SOC.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

2. Ngiyazi ngabantu emphakathini wakithi abaqashwe ama-SOC ngenxa yeziqu zabo ezifanele.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

3. Ngenxa yokuba khona kwama-SOC ezweni, ingcebo yomphakathi endaweni yethu ibe ngcono.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

4. Nginamanzi ahlanzekile ngenxa yama-SOC.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

5. Umphakathi wethu uhlonishwa ama-SOC akhona.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

Isigaba C: Isimo Sengqondo Nemibono

1. Izinkampani zikahulumeni zihlinzeka ngensizakalo engcono.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

2. Njengekhasimende, imibono yami mayelana nezinsizakalo ezihlinzekwa ama-SOC ihlale ifunwa, okubonisa ukuthi ayisebenzi endaweni engenalutho.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

3. Izimali ezikhokhiswa ama-SOC ngokuhlinzeka ngezinsiza ezifana namanzi, ugesi njalo-njalo. engivame ukuzikhokhela. Ngizithenga ngamanani aphansi.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

4. Indawo engihlala kuyo ihlinzekwa ngazo zonke izinsiza ezidingekayo

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

5. Anginazikhalazo mayelana nezinsiza ezihlinzekwa ama-SOC

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

Isigaba D: Izinselele zangaphakathi nezangaphandle

1. Abasebenzi bezinkampani zikahulumeni bangochwepheshe kakhulu futhi basebenzisana namakhasimende ngesithunzi

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

3. Ngokubona kwami, izinkampani zikahulumeni zithatha amathuba okutshala imali ukuze zithuthukise ukusebenza kwazo.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

4. Ngokubona kwami, izinkampani zikahulumeni zinezinsizakusebenza ezifanele eziphakamisa umphakathi futhi zisize ama-SOC ukuthi enze umsebenzi wawo ngempumelelo.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

5. Ngokubona kwami, izinkampani zikahulumeni zinezimali ezanele zokuziphilisa.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

6. Ngokubona kwami, izinkampani zikahulumeni zingenza kangcono uma zizimele

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

7. Ngifundile ukuthi ama-SOC aqhutshwa yipolitiki\

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

8. Isimo somnotho esibi ezweni, sinomthelela omubi ekusebenzeni kwama-SOC akhona

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

9. Ngikholelwa ukuthi ukusebenza kabi kwama-SOC kubangelwa umphakathi ongazikhokhi izikweletu zawo.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

10. Ukungakwazi ukubhekana nobuchwepheshe obushintsha njalo buthiya ukusebenza kahle kwama- SOC akhona.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

11. Izinkampani zikahulumeni eNingizimu Afrika zibambelela ezenzweni ezinhle zamazwe ngamazwe eziphathelene ngokuqondiswa nokulawulwa kwazo.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

Isigaba E: Izinyathelo okufanele zithathwe ukuze kuthuthukiswe futhi kuncishiswe ukwehluleka

1. Kufanele kuqokwe ama-CEO amasha njalo uma kusolwa inkohlakalo.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

2. Kumele kuthathwe isinqumo sokuba amaSOCs asebenza kabi azimele gelekeqe.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

3. Kufanele kube nokwamukelwa kwendlela edidiyelwe ezinqubweni zamasu zokuthatha izinqumo ekuphathweni kwama-SOC.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

4. Kufanele kube nokuhlukana kwama-SOC nohulumeni ekuthathweni kwezinqumo, mayelana nokuphathwa kwama-SOC.

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

5. Ngokubona kwami, kunezinyathelo ezisebenzayo ezingathathwa ukuze kuthuthukiswe ukusebenza nokunciphisa ukwehluleka kwama-SOC

Ukuvuma ngokuqinile	Ukuyavuma	Ukungathathi hlangothi	Ukungavumi	Ukungavumi neze

SIBONGA UKUBAMBA KWAKHO IQHAZA KULOLUCWANINGO.

(IsiZulu) (Qualitative Tool)

Umhlahlandlela wokuxoxisana wochwepheshe bokuqondiswa nokulawulwa kwebhizinisi

Imibono Yomphakathi mayelana Nokuphathwa Nokuphathwa Kwezinkampani Ezingaphansi Kombuso (ama-SOC) eNingizimu Afrika.

1. **Isimo sokuphathwa, ukuqondiswa kanye nokulawulwa kwebhizinisi:**

1.1 Njengombambiqhaza uyabandakanyeka yini ohlelweni lokuthatha izinqumo lwanoma iyiphi i-SOC?
1.2 Aqokwa kanjani ama-CEO?
1.3 Imaphi amasu oukqondisa Kanye nokulawula asetshenziselwe ukuphatha ama-SOC?
1.4 Ingabe izinkampani zikahulumeni zibambelela ezenzweni ezihamba phambili zamazwe

2. Ukuqodiswa nokulawulwa kwebhizinisi kanye neqhaza layo ekufakeni isandla ekuthuthukisweni kwenhlalakahle yezomnotho:

2.1 Ucabanga ukuthi ama-SOC aneqhaza ekuthuthukisweni kwenhlalo-mnotho yaleli zwe?

2.2 Kungani ucabanga kanjalo?

3. Izimo zengqondo nemibono yababambiqhaza:

3.1 Uthini umbono wakho ngokusebenza kwama-SOC? njengokusebenza, ukubeka izinto obala, isiko lokuziphatha njalo-njalo?
3.2 Uthini umbono wakho mayelana nama-SOC anikeza amathuba ebhizinisi kubantu ngabanye esikhundleni sohlelo lwamathenda oluvulekile?

4. Izinselelo zangaphakathi kanye nemikhuba emihle enomthelela emibonweni yakho mayelana nokuqondiswa kanye nokulawulwa kwebhizinisi:

4.1 Uthini umbono wakho ngezinsiza zezimali eNingizimu Afrika mayelana nama-

4.2 Uthini umbono wakho ngamathuba okutshala izimali eNingizimu Afrika mayelana nama-SOC? 4.3 Uthini umbono wakho mayelana nezinsiza ezibonakalayo eNingizimu Afrika mayelana nama-SOC?

4.4 Uthini umbono wakho ngodaba lokuphathwa kwabasebenzi eNingizimu Afrika mayelana namaSOC?

4.5 Ngokubona kwakho ingabe zikhona ezinye izinto eziyizinselele nemikhuba emihle zangaphakathi ezinomthelela ekuboneni kwakho mayelana nokuphathwa kwama-SOC SOC?

5. Uthini umbono wakho ngesimo sezepolitiki eNingizimu Afrika mayelana nama-SOC?

5.1 Uthini umbono wakho ngesimo somnotho eNingizimu Afrika mayelana nama-SOC?

5.2 Uthini umbono wakho ngesimo sezenhlala kahle eNingizimu Afrika mayelana nama-SOC?

5.3 Uthini umbono wakho ngesimo sobuchwepheshe eNingizimu Afrika mayelana nama-SOC?

5.4 Uthini umbono wakho ngesimo sezemvelo eNingizimu Afrika mayelana nama-SOC?

5.5 Uthini umbono wakho ngesimo sezomthetho eNingizimu Afrika mayelana nama-SOC?

6. Izinyathelo okufanele zithathwe ukuze kuthuthukiswe futhi kuncishiswe ukwehluleka:

3.3 Imaphi amasu ongawaphakamisa azosiza ama-SOC ekwenzeni inzuzo

eyanele ukuze azisekele?

SIBONGA UKUBAMBA KWAKHO IQHAZA KULOLUCWANINGO.

Annexure 2: Research ethics

TRREE

Zertifikat
Certificat
Certificado
Certificate

Promouvoir les plus hauts standards éthiques dans la protection des participants à la recherche biomédicale
Promoting the highest ethical standards in the protection of biomedical research participants

Clinical Trials Centre
The University of Hong Kong

Certificat de formation - Training Certificate

Ce document atteste que - this document certifies that

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du programme de formation TRREE en évaluation éthique de la recherche
of the TRREE training programme in research ethics evaluation

Release Date: 2021/10/25

CID : IK8Qth27k8

Professeur Dominique Sprumont
Coordinateur TRREE Coordinator

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[REV : 20170310]

Annexure 3: Spearman's Correlation table

Correlations

		The infrastructure in South Africa is advanced due to the existence of SOCs	I know of people in our community who are employed by SOCs because of their relevant qualifications	Due to the existence of SOCs in the country, the wealth of the community in our area has improved	I have clean water because of SOCs	Our community is respected by the existing SOCs	State-owned Companies in South Africa provide better services	As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum	Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for. I purchase at reasonable prices	The area where I live is provided with all the necessary services	I have no complaints about services provided by SOCs	State-owned companies' staff are highly professional, and they interact with customers with dignity	In my opinion, State-owned companies' grab the investment opportunities to enhance their performance	In my opinion, State-owned companies have suitable physical resources that uplift the community and assists SOCs to execute their work effectively	In my opinion, State-owned companies have sufficient financial resources to sustain themselves	In my opinion, State-owned companies can perform better if privatised	I have learnt that SOCs are politically driven	The dire economic situation in the country, negatively affects the performance of existing SOCs	I believe that SOCs' poor performance is caused by the community not paying their bills	The inability to cope with constantly changing technology hinders good performance of the existing SOCs	State-owned companies in South Africa adhere to international best practices relating to governance	There should be appointment of new CEOs every time when corruption is suspected	There should be a privatisation of poor performing SOCs	There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs	There should be a separation of SOCs and government in decision making	In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs
The infrastructure in South Africa is advanced due to the existence of SOCs	Pearson Correlation	--																									
	N	400																									
I know of people in our community who are employed by SOCs because of their relevant qualifications	Pearson Correlation	0,455**	--																								
	Sig. (2-tailed)	0,000																									
	N	400	400																								
Due to the existence of SOCs in the country, the wealth of the community in our area has improved	Pearson Correlation	0,458**	0,554**	--																							
	Sig. (2-tailed)	0,000	0,000																								
	N	400	400	400																							
I have clean water because of SOCs	Pearson Correlation	0,395**	0,381**	0,342**	--																						
	Sig. (2-tailed)	0,000	0,000	0,000																							
	N	400	400	400	400																						
Our community is respected by the existing SOCs	Pearson Correlation	0,488**	0,544**	0,578**	0,502**	--																					
	Sig. (2-tailed)	0,000	0,000	0,000	0,000																						
	N	400	400	400	400	400																					
State-owned Companies in South Africa provide better services	Pearson Correlation	0,188**	0,176**	0,322**	0,195**	0,297**	--																				
	Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000																					
	N	400	400	400	400	400	400																				
As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum	Pearson Correlation	-0,056	0,037	0,211**	-0,175**	0,076	0,428**	--																			
	Sig. (2-tailed)	0,263	0,466	0,000	0,000	0,127	0,000																				
	N	400	400	400	400	400	400	400																			
Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for. I purchase at reasonable prices	Pearson Correlation	0,172**	0,272**	0,405**	0,093	0,413**	0,507**	0,470**	--																		
	Sig. (2-tailed)	0,001	0,000	0,000	0,063	0,000	0,000	0,000																			
	N	400	400	400	400	400	400	400	400																		
The area where I live is provided with all the necessary services	Pearson Correlation	0,387**	0,411**	0,481**	0,262**	0,474**	0,235**	0,121*	0,428**	--																	
	Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,015	0,000																		
	N	400	400	400	400	400	400	400	400	400																	
I have no complaints about services provided by SOCs	Pearson Correlation	0,100*	-0,001	0,068	0,040	0,097	0,274**	0,184**	0,340**	0,371**	--																
	Sig. (2-tailed)	0,045	0,991	0,178	0,420	0,053	0,000	0,000	0,000	0,000																	
	N	400	400	400	400	400	400	400	400	400	400																
State-owned companies' staff are highly professional, and they interact with customers with dignity	Pearson Correlation	0,334**	0,234**	0,283**	0,307**	0,405**	0,215**	-0,111*	0,153**	0,436**	0,381**	--															
	Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,026	0,002	0,000	0,000																
	N	400	400	400	400	400	400	400	400	400	400	400															
In my opinion, State-owned companies' grab the investment opportunities to enhance their performance	Pearson Correlation	0,160**	0,248**	0,300**	0,179**	0,373**	0,390**	0,301**	0,568**	0,383**	0,381**	0,399**	--														
	Sig. (2-tailed)	0,001	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000															
	N	400	400	400	400	400	400	400	400	400	400	400	400														
In my opinion, State-owned companies have suitable physical resources that uplift the community and assists SOCs to execute their work effectively	Pearson Correlation	0,128*	0,156**	0,230**	-0,023	0,324**	0,333**	0,563**	0,421**	0,198**	0,025	0,028	0,210**	--													
	Sig. (2-tailed)	0,010	0,002	0,000	0,646	0,000	0,000	0,000	0,000	0,000	0,624	0,581	0,000														
	N	400	400	400	400	400	400	400	400	400	400	400	400	400													
In my opinion, State-owned companies have sufficient financial resources to sustain themselves	Pearson Correlation	0,001	0,165**	0,226**	-0,125*	0,200**	0,192**	0,411**	0,256**	0,044	-0,071	-0,012	0,111*	0,663**	--												
	Sig. (2-tailed)	0,981	0,001	0,000	0,013	0,000	0,000	0,000	0,000	0,383	0,156	0,818	0,026	0,000													
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400												
In my opinion, State-owned companies can perform better if privatised	Pearson Correlation	-0,007	0,130**	0,161**	0,082	0,131**	0,215**	**0,486****	0,216**	-0,027	-0,031	0,010	0,142**	0,384**	0,251**	--											
	Sig. (2-tailed)	0,893	0,009	0,001	0,102	0,009	0,000	0,000	0,000	0,588	0,532	0,836	0,004	0,000	0,000												
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400											
I have learnt that SOCs are politically driven	Pearson Correlation	-0,019	-0,099*	-0,193**	-0,146**	-0,241**	-0,186**	-0,157**	-0,175**	-0,147**	-0,203**	-0,283**	**-0,285****	-0,054	-0,023	-0,125*	--										
	Sig. (2-tailed)	0,700	0,048	0,000	0,003	0,000	0,000	0,002	0,000	0,003	0,000	0,000	0,000	0,279	0,651	0,013											
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400										
The dire economic situation in the country, negatively affects the performance of existing SOCs	Pearson Correlation	0,074	0,038	0,085	0,114*	0,086	-0,141**	-0,114*	-0,116*	0,021	0,033	0,020	-0,082	0,037	0,080	-0,039	0,306**	--									
	Sig. (2-tailed)	0,140	0,452	0,088	0,022	0,085	0,005	0,023	0,020	0,678	0,506	0,692	0,101	0,465	0,112	0,438	0,000										
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400									
I believe that SOCs' poor performance is caused by the community not paying their bills	Pearson Correlation	0,224**	0,100*	0,056	0,283**	0,226**	0,108*	-0,190**	0,146**	0,435**	0,371**	0,461**	0,385**	-0,163**	-0,231**	-0,175**	-0,310**	0,027	--								
	Sig. (2-tailed)	0,000	0,045	0,264	0,000	0,000	0,031	0,000	0,003	0,000	0,000	0,000	0,000	0,001	0,000	0,000	0,000	0,587									
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400								
The inability to cope with constantly changing technology hinders good performance of the existing SOCs	Pearson Correlation	-0,103*	-0,110*	0,024	-0,171**	-0,019	0,147**	0,436**	0,251**	-0,072	0,047	-0,197**	0,174**	0,178**	0,224**	0,272**	0,005	-0,030	-0,240**	--							
	Sig. (2-tailed)	0,040	0,028	0,631	0,001	0,699	0,003	0,000	0,000	0,150	0,350	0,000	0,000	0,000	0,000	0,000	0,918	0,546	0,000								
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400							
State-owned companies in South Africa adhere to international best practices relating to governance	Pearson Correlation	0,109*	0,061	0,171**	0,201**	0,230**	0,022	0,013	0,106*	0,106*	0,055	0,168**	0,102*	0,191**	0,169**	0,076	-0,026	0,345**	0,202**	-0,067	--						
	Sig. (2-tailed)	0,030	0,227	0,001	0,000	0,000	0,659	0,793	0,034	0,035	0,271	0,001	0,042	0,000	0,001	0,130	0,606	0,000	0,000	0,181							
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400						
There should be appointment of new CEOs every time when corruption is suspected	Pearson Correlation	-0,176**	-0,096	0,023	-0,106*	0,003	0,364**	0,526**	0,319**	0,057	0,071	-0,073	0,260**	0,303**	0,153**	0,407**	-0,124*	-0,338**	-0,229**	0,325**	-0,333**	--					
	Sig. (2-tailed)	0,000	0,056	0,644	0,034	0,945	0,000	0,000	0,000	0,259	0,157	0,143	0,000	0,000	0,002	0,000	0,013	0,000	0,000	0,000	0,000						
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400					
There should be a privatisation of poor performing SOCs	Pearson Correlation	-0,160**	-0,085	0,005	-0,056	-0,057	0,392**	0,496**	0,222**	-0,033	0,026	-0,100*	0,203**	0,237**	0,166**	0,506**	-0,147**	-0,206**	-0,122*	0,444**	-0,055	0,666**	--				
	Sig. (2-tailed)	0,001	0,091	0,923	0,266	0,255	0,000	0,000	0,000	0,514	0,602	0,046	0,000	0,000	0,001	0,000	0,003	0,000	0,015	0,000	0,273	0,000					
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400				
There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs	Pearson Correlation	-0,103*	0,018	0,007	-0,215**	0,002	-0,059	0,162**	0,015	-0,083	-0,202**	-0,107*	-0,183**	0,375**	0,296**	0,138**	0,096	-0,078	**-0,442****	0,006	-0,161**	0,309**	0,052	--			
	Sig. (2-tailed)	0,039	0,720	0,889	0,000	0,970	0,236	0,001	0,765	0,097	0,000	0,032	0,000	0,000	0,000	0,006	0,055	0,120	0,000	0,902	0,001	0,000	0,295				
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400			
There should be a separation of SOCs and government in decision making	Pearson Correlation	-0,061	-0,007	**0,167****	-0,127*	-0,039	-0,081	0,230**	0,004	0,008	-0,266**	-0,096	-0,037	0,271**	0,244**	0,137**	0,035	-0,125*	-0,352**	0,067	-0,038	0,286**	0,059	0,594**	--		
	Sig. (2-tailed)	0,226	0,882	0,001	0,011	0,442	0,107	0,000	0,930	0,880	0,000	0,055	0,463	0,000	0,000	0,006	0,480	0,012	0,000	0,184	0,450	0,000	0,239	0,000			
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400		
In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs	Pearson Correlation	0,036	-0,039	-0,083	-0,263**	-0,223**	-0,143**	-0,018	-0,198**	-0,174**	-0,141**	0,021	-0,320**	0,096	0,122*	0,013	0,152**	-0,031	-0,298**	0,004	-0,149**	0,069	-0,063	0,616**	0,365**	--	
	Sig. (2-tailed)	0,474	0,436	0,098	0,000	0,000	0,004	0,719	0,000	0,000	0,005	0,672	0,000	0,054	0,014	0,789	0,002	0,533	0,000	0,932	0,003	0,168	0,208	0,000	0,000		
	N	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	

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

*. Correlation is significant at the 0.05 level (2-tailed).

Annexure 4: Research Approval

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I. Sa- ta.loo; C'.mau
Dwlnn
P O Box 1334, Durban, South Africa, 4001

24 April 2023

Mrs,T E IK!oormalo
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P lic perceptions 1re rding: **t!he mcana,ge1111ent a:ndl oorporate g:ovem.ance of sta.ite-ctwn,ed oomp,mie-s (SOCs) in,Sou.th Africa**
Ethics a!earance Number,: IREC 009/U

The DIIT-lnmtuiiiorua.l **ReseHCh** Ethi'C!i Committee **ai::mow.leclges** I'E!<c t **of** youa- firua.l data, colled:ikm tool for,review_

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P'lea:se note that R.JL1- APPROVAL is granted ,t;o, ymrr l'e5e.ill"Ch prrq;iosa.t You ma.y proceed with dat:iiJ i::ollectio111-

Jury ;ad:.rer-seevents [serraous, OF" rnil'IO'.lij] **which** m:rui- **in** connedion w.ith dtis m:idy ancfllor which ma.y ;alteir its ethical consid'erra.OOJ11 must be i:-eport.ed to die **OUrIrREC** acam:ling te, the IDUT-[REC SOP's.

P'lea:se note thait,;a.rry dE!Yiiatiom horn **the approved** proposal f"eCjlp:ire the ;awr,o'<lill**of the** DIIT-IRIEC ;iis outlined in the DIIT-IRIE.CSOP's.

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Please note that youi are 1requiired to 5'ubmit a N!oeficanoo of Camp'let:ian af Study form, together with a:n abstract to, the Ill!Jif-IREC off'11:e on,corn,pletilltl:i of your stud,.

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Annexure 5: Gatekeepers Letter

Ofrlce of Ward 32 Councillor

13 Maren 2023

To Who It **May Concern**

This la-tter serve as an approval for Ms; Thandiwe- Euphro11ia Khumalo Studemt Number 2·1856595 and ID Number 7304070365084 1o conduct her studies that is targetirig South Afrlc-an community residing in Durban Metropolitan area.

Furthermore, this approval authorises the researcher to CDllsct data. usit1g qualitative and quantitative collection matl7ods rollowing all ethical rules applicah le within the institution.

Title of the Research Study: Publ;.c; Pe-rc::eption regarding management and corporate governance of state-owned companies (SOCs) in South Africa.

Sincerely

Stamp:

Annexure 6A: Information letter

LETTER OF INFORMATION

Dear Participant

Title of the Research Study: Public Perception regarding management and corporate governance of state-owned companies (SOCs) in South Africa.

Principal Investigator/s/researcher: Thandiwe Euphronia Khumalo (LLM)

Co-Investigator/s/supervisor/s: Dr L. Lekhanya (PhD Marketing and Retail) and Dr E. Anwana (PhD Management Science (Business Law)

Brief Introduction and Purpose of the Study: There has also been a tremendous development of and progress in this concept of corporate governance in South Africa. Controversies and challenges of the application of corporate governance in state owned companies (SOCs) remain a phenomenon that needs distinct responsiveness. State-owned businesses (SOCs) in South Africa have recently received unprecedented attention. Consequently, majority of South Africa's SOCs have lost the public's trust as a result of failing to provide citizens with the services they are entitled to and creating an environment that is favourable to investment.

Therefore, the aim of this study is to investigate public perceptions on influence of the management and corporate governance within state-owned companies (SOCs) and the role they can play in contributing to socio-economic development in South Africa.

Greeting: Good Day, how are you doing?

Introduce yourself to the participant: I am a doctoral student who is currently undertaking a research project in fulfilment of the PhD in

Management Sciences specializing in Business Law at the Durban University of Technology.

Invitation to the potential participant: I would like to invite you to participate in this research. Your participation in this study is voluntary.

What is Research:

This research is targeting South African community residing in Durban Municipal Area. It seeks to find their opinion concerning the management and corporate governance of state-owned companies in the country. The research questions (questionnaires and interview guide) will be in English and IsiZulu for the respondents who prefer their mother tongue. Your opinions are highly valuable and will be treated with respect and confidence. You are free to ask questions for clarification you may need to understand this study. If you need a copy of the Letter of Information, the researcher is willing to give you a copy. The study utilises a mixed method research strategy, which is construed as the form of research that incorporates both elements of qualitative and quantitative methods. The purpose of this research is to better understand how corporate governance can assist in improving management of SOCs to achieve their developmental mandate. The study's findings will be advantageous to SOCs because that will assist them in enhancing their governance practices. Furthermore, SOCs may be able to improve their service delivery, which can lead to public satisfaction and enhancement of socio-economic growth in South Africa. It would also be beneficial to policymakers and will give a better knowledge of the structure of corporate governance, resulting in the sustainability of the public sector. The study would also fill and assist in addressing the gaps that exists in implementation of corporate governance in SOCs. Even though restrictions that were imposed by Covid-19 are now relaxed, it is still important to reduce personal interaction. Therefore, you have an option of choosing whether the researcher should drop the questionnaire and leave it with you to complete at your own convenient time or whether the questionnaires can be emailed to you. You will be asked to read an informed consent form and indicate that you consent to participate in the

study before beginning the survey. Only then are you allowed to answer the questionnaire. You may participate in the study only if you are willing to participate, you are an adult (20 years and above) and residing in Durban.

There will not be any foreseeable risks or discomforts to participants, and if you feel uncomfortable taking part in this study, please feel free to withdraw without any consequences.

Benefits: There are no anticipated benefits to participants from the researcher. However, the community at large will benefit from gaining the knowledge of what is happening and may have their concerns addressed. Benefits to the researcher involves the fulfilment of a PhD and publication of a journal article. The study also will make an important contribution to the understanding of corporate governance of State-owned companies in eThekwini Metropolitan Area

Reason/s why the Participant May Be Withdrawn from the Study: Participation is voluntary, and participants may withdraw from the study by refusing to complete the questionnaire at any time with no adverse consequences.

Remuneration: Respondents will not receive any monetary or other types of remuneration.

Costs of the Study: Respondents will not be expected to cover any costs towards the study.

Confidentiality: The questionnaire will not ask for any names or identifying data. The anonymity and confidentiality of participants are critical in protecting the privacy of everyone who willingly and actively participates in study. Throughout the course of the study, participants will remain anonymous. The information provided will be kept private, and the names of respondents will not be published. Information will be kept safe and destroyed after the completion of the study.

Storage of all electronic and hard copies including tape recordings:

or a period of 5 years the confidential data will be locked safely, and hardcopies will be disposed in a fire while softcopy will be deleted. Only

the thesis will be uploaded online and made available at the University's library.

Research-related Injury: There is no anticipated research-related injury expected in participating in the study.

Persons to Contact in the Event of Any Problems or Queries:

Dr L. Lekhanya: lawrencel@dut.ac.za and Dr Anwana. Or the researcher, T. Khumalo (071 671 2303), my supervisor (031 373 5469) or the Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the Director: Research and Postgraduate Support researchdirector@dut.ac.za

Annexure 6B: Incwadi Yolwazi

Incwadi Yolwazi

Mhlanganyeli othandekayo

Isihloko socwaningo locwaningo: Umbono Womphakathi mayelana nokuphatha kanye nokuphathwa kwebhizinisi kwezinkampani zikahulumeni (ama-SOC) eNingizimu Afrika.

Umphenyi oyinhloko/ umcwaningi: Thandiwe Euphronia Khumalo (LLM)

Abaphenyi ababambisene/ Abaqondisi: Dr L. Lekhanya (PhD Marketing and Retail) and Dr E. Anwana (PhD Management Science (Business Law)

Isethulo esifushane kanye nenhloso yocwaningo:

Kuphinde kwaba nentuthuko nenqubekelaphambili enkulu kulo mqondo wokuphatha ngokubambisana eNingizimu Afrika. Izingxabano nezinselele zokusetshenziswa kokuphathwa kwebhizinisi ezinkampanini zikahulumeni (ama-SOC) kusalokhu kuyisimo esidinga ukusabela okuhlukile. Amabhizinisi kahulumeni (ama-SOC) eNingizimu Afrika asanda kuthola ukunakwa ngendlela engakaze ibonwe. Ngalokho-ke, iningi lama-SOC aseNingizimu Afrika alahlekelwe ukwethenjwa ngumphakathi ngenxa yokwehluleka ukuhlinzeka izakhamuzi ngezinsizakalo ezizifanele kanye nokudala isimo esivuna ukutshalwa kwezimali.

Ngakho-ke, inhloso yalolu cwaningo ukuphenya imibono yomphakathi mayelana nomthelela wabaphathi kanye nokuphathwa kwebhizinisi ngaphakathi kwezinkampani zikahulumeni (ama-SOC) kanye nendima

ezingayidlala nokubamba iqhaza ekuthuthukisweni kwezenhlalakahle nezomnotho eNingizimu Afrika.

Isibingelelo: Siyanibingelela, Ninjani?

Zethule kumhlanganyeli:

Ngingumfundi owenza izifundo zobudokotela okumanje ngenza uphenyo ukuze ngifeze iPhD kwiManagement Sciences egxile kwiBusiness Law eNyuvesi Yobuchwepheshe yaseThekwini.

Isimemo esiya kongaba ngumhlanganyeli:

Ngithanda ukukumema ukuthi ubambe iqhaza kulolu cwaningo. Ukuhlanganyela kwakho kulolu cwaningo akunampoqo Kanye nengcindezi.

Uhlaka Lwezinqubo:

Ucwaningo lusebenzisa isu locwaningo lwezindlela ezixubile, elihunyushwa njengohlobo locwaningo oluhlanganisa zombili izinhlobo zezindlela zekhwalithethivu nezibalo. Inhloso yalolu cwaningo ukuqonda kangcono ukuthi uqondiswa nokulawulwa kwebhizinisi kungasiza kanjani ekwenzeni ngcono ukuphathwa kwama-SOC ukuze afeze umsebenzi wawo wokuthuthukisa umphakathi.

Okutholwe kulolu cwaningo kuzoba wusizo kuma-SOC ngoba lokho kuzowasiza ekuthuthukiseni izinqubo zawo zokuphatha. Ngaphezu kwalokho, ama-SOC angase akwazi ukwenza ngcono ukuletha kwawo kwezinsizakalo, okungaholela ekwanelisekeni komphakathi kanye nokuthuthukisa ukukhula komnotho womphakathi eNingizimu Afrika. Kungaba yinzuzo kubakhi benqubomgomo futhi kuzonikeza ulwazi olungcono ngesakhiwo sokuphatha ngokubambisana, okuholela ekusimameni komkhakha womphakathi. Lolu cwaningo luzophinde lugcwalise futhi lusize ekuxazululeni izikhalazo ezikhona ekusetshenzisweni kokuphathwa kwebhizinisi kuma-SOC. Noma imigomo eyayibekwe ngenxa ye-Covid 19 manje isixegisiwe, kusabalulekile ukunciphisa ukuxhumana kwabantu. Ngakho- ke, uhlu lwemibuzo luzothunyelwa kuwe nge-imeyili. Uyakhuthazwa ukuthi ufunde ifomu lemvume ube nolwazi futhi ubonakalise imvumo yakho ngaphambi kokuqala

ucwaningo. Kulapho kuphela ovunyelwa khona ukuphendula uhlu lwemibuzo. Ungabamba iqhaza ocwaningweni kuphela uma usubonise imvumo yakho; ungumuntu oneminyaka eyishumi nesoshiyagalombili (18) nangaphezulu futhi uhlala eThekwini. Abukho ubungozi noma ukungaphatheki kahle okungehlela abavume ukubamba iqhaza kulolucwaningo.

Izinzuzo: Azikho izinzuzo ezilindelwe kubahlanganyeli. Izinzuzo kumcwaningi zibandakanya ukufezeka kweziqu zobudokotela kanye nokushicilelwa kwendatshana yejenali. Lolu cwaningo luzophinde lube negalelo elibalulekile ekuqondeni ukuphathwa ngokubambisana kwezinkampani zikahulumeni endaweni kaMasipala waseThekwini.

Izizathu zokuthi kungani uMhlanganyeli Engase Ahoxiswe Ocwaningweni**:** Ukuhlanganyela kungokungenampoqo/nangqindezi, futhi ababambiqhaza bangahoxa ocwaningweni ngokwenqaba ukugcwalisa uhlu lwemibuzo nganoma yisiphi isikhathi ngaphandle kwemiphumela emibi.

Umholo: Abaphendulayo ngeke bathole imali noma ezinye izinhlobo zeholo.

Izindleko Zocwaningo: Abaphendulile ngeke kulindeleke ukuthi bakhokhe noma yiziphi izindleko ocwaningweni.

Ukugcinwa-kuyimfihlo: Uhlu lwemibuzo ngeke ludinge amagama noma imininingwane yokuhlonza. Ukungaziwa nokugcinwa kuyimfihlo kwabahlanganyeli kubalulekile ekuvikeleni

ubumfihlo bawo wonke umuntu ohlanganyela ngokuzimisela ocwaningweni. Kuso sonke isikhathi socwaningo, ababambiqhaza bazohlala bengaziwa. Ulwazi olunikeziwe luzogcinwa luyimfihlo, futhi amagama abaphendulile ngeke ashicilelwe. Ulwazi luzogcinwa luphephile futhi lubhujiswe ngemva kokuphothulwa kocwaningo.

Ukugcinwa kwawo wonke amakhophi e-electronic kanye nama-hard copies okuhlanganisa namakhasethi aqoshiwe**:**

Isikhathi esiyiminyaka emihlanu (5), imininingwane eyimfihlo izokhiywa ngokuphephile futhi imininingwane ebhalwe phansi ilahlwe emlilweni futhi imininingwane egcinwe

Ukulimala/ukuhlukumeza okungadalwa ucwaningo:

Akukho ukulimala kanye nokuhlukumezeka okulindelekile okungadalwa ukubamba iqhaza kulolucwaningo.

Abantu ongaxhumana nabo uma kuvela izinkinga noma imibuzo:
Dr L. Lekhanya: lawrencel@dut.ac.za and Dr Anwana. Or the researcher, T. Khumalo (071 671 2303), my supervisor (031 373 5469) or the Institutional Research Ethics Administrator on 031 373
2375.
Izikhalazo zingabikwa kuMqondisi: Ucwaningo kanye Nokwesekwa Kwabaneziqu Zokuthweswa iziqu researchdirector@dut.ac.za

Annexure 7A: Informed Consent (English)

CONSENT LETTER

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, _____, about the nature, conduct, benefits, and risks of this study - Research Ethics Clearance Number:

  _____,

- I have also received, read, and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerized system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during this research which may relate to my participation will be made available to me.

_____ _____ _____ _____

Full Name of Participant **Date** **Time**

Signature / Right Thumbprint

I, _____ herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Full Name of Researcher **Date** **Signature**

Annexure 7B: Incwadi yemvume

INCWADI YEMVUME

Isihloko esigcwele socwaningo: Umbono Womphakathi mayelana nokuphatha kanye nokuphathwa kwebhizinisi kwezinkampani zikahulumeni (ama-SOC) eNingizimu Afrika.

Amagama Omcwaningi: _____

Isitatimende Sesivumelwano Sokuba Iqhaza Ocwaningweni Locwaningo:

- Ngiyaqinisekisa ukuthi ngaziswe umcwaningi, _____, mayelana nesimo, ukuziphatha, izinzuzo kanye nobungozi balolu cwaningo (Inombolo Yemvume Kwezimiso Zokucwaninga: _____ ,
- Ngiphinde ngathola, ngafunda futhi ngaqonda ulwazi olubhaliwe olushiwo ngenhla (Incwadi Yolwazi Lombambiqhaza) mayelana nocwaningo.
- Ngiyazi ukuthi imiphumela yocwaningo, okuhlanganisa imininingwane yomuntu siqu mayelana nobulili bami, ubudala, usuku lokuzalwa, amagama okuqala, kanye nokuxilongwa, izocutshungulwa ngokungaziwa ibe umbiko wocwaningo.
- Ngokubheka izidingo zocwaningo, ngiyavuma ukuthi idatha eqoqwe phakathi nalolu cwaningo ingacutshungulwa ohlelweni lwekhompuyutha ngumcwaningi.
- Ngingakwazi, kunoma yisiphi isigaba, ngaphandle kokubandlula, ngihoxise imvume yami nokubamba iqhaza ocwaningweni.
- Ngibe nethuba elanele lokubuza imibuzo futhi (ngokuzithandela kwami) ngazitshela ukuthi ngikulungele ukuhlanganyela esifundweni.
- Ukuthi okutholakele okusha okubalulekile okuthuthiwe phakathi nalolu cwaningo okungenzeka Okuhlobene nokubamba kwami iqhaza kuzokwenziwa kutholakale kimi.

_____	_____	_____	_____
Igama Eligcwele Lombambi qhaza	**Usuku Isiginesha**		**Isikhathi**

Mina _____ qinisekisa ngalokhu ukuthi umhlanganyeli ongenhla waziswe ngokugcwele mayelana nesimo, ukuziphatha kanye nobungozi bocwaningo olungenhla.

Igama Eligcwele Lomcwaningi	Usuku	Isiginesha

Annexure 8: Statistician Certificate

P. 0. Box 24002

Hmary

4024!

10 Deoonilber 2022

LETTIBR OF **CONHRIMAIiION**

This iis to oonfirrn that I 111ave assisted tl'le following s L1dent witl1111er data analysis::

Student I**Name**	Thandiwe Eupl'lmnia i()tlumalo
Student riumber	21856595
Title	PUBJLJI:C PERCEPTION REGARDIN:G THE I**MA!NAGIBMIBNT** AND CORPORATE GOVERiNANCIEOF STATIE-OWNED COMPANIES {SOCs) **IN** SOUTH AFRICA
IIJep.a:rtment	Applied Law
i=acutey	Ma111agement Sciences

I trust you are satisfied with tile wart.

Sinoerely

IMrV. Sing'.11

Annexure 9: Reliability Statistics: Cronbach's Alpha

	Section	Number of Items	Cronbach's Alpha
B	Contribution to socio-economic development	5	0.811
C	Attitudes and Opinions	5	0.704
D	Internal and External challenges	5	0.610
E	Steps to be taken to improve and minimise failure	5	0.609
All items included		25	0.773

Annexure 10: Chi-Square Test

	Chi-Square	df	Asymp. Sig.
Gender	36,000	1	< 0.001
Age	100,000	4	< 0.001
Race	296,000	3	< 0.001
Level of Education	56,000	3	< 0.001
Work Experience	70,075	4	< 0.001
The infrastructure in South Africa is advanced due to the existence of SOCs	380,160	3	< 0.001
I know of people in our community who are employed by SOCs because of their relevant qualifications	124,160	3	< 0.001
Due to the existence of SOCs in the country, the wealth of the community in our area has improved	72,960	3	< 0.001
I have clean water because of SOCs	210,660	3	< 0.001
Our community is respected by the existing SOCs	44,900	3	< 0.001
State-owned Companies in South Africa provide better services	37,460	3	< 0.001
As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum	69,025	4	< 0.001
Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for. I purchase at reasonable prices	168,740	3	< 0.001
The area where I live is provided with all the necessary services	10,160	2	0,006
I have no complaints about services provided by SOCs	128,000	2	< 0.001
State-owned companies' staff are highly professional, and they interact with customers with dignity	59,060	3	< 0.001
In my opinion, State-owned companies' grab the investment opportunities to enhance their performance	48,580	3	< 0.001
In my opinion, State-owned companies have suitable physical resources that uplift the community and assists SOCs to execute their work effectively	295,200	4	< 0.001
In my opinion, State-owned companies have sufficient financial resources to sustain themselves	407,200	4	< 0.001
In my opinion, State-owned companies can perform better if privatised	39,200	4	< 0.001
I have learnt that SOCs are politically driven	395,840	3	< 0.001
The dire economic situation in the country, negatively affects the performance of existing SOCs	384,500	3	< 0.001
I believe that SOCs' poor performance is caused by the community not paying their bills	18,880	3	< 0.001
The inability to cope with constantly changing technology hinders good performance of the existing SOCs	34,100	3	< 0.001
State-owned companies in South Africa adhere to international best practices relating to governance	193,740	3	< 0.001
There should be appointment of new CEOs every time when corruption is suspected	147,725	4	< 0.001
There should be a privatisation of poor performing SOCs	20,325	4	< 0.001
There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs	16,810	1	< 0.001
There should be a separation of SOCs and government in decision making	135,755	2	< 0.001
In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs	144,000	1	< 0.001

Annexure 11: KMO and Bartlett's Test

Section	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
		Approx. Chi-Square	df	Sig.
All items included	0.753	4119.574	253	< 0.001

Annexure 12: ROTATED COMPONENT MATRIX

	Component				
	1	2	3	4	
The infrastructure in South Africa is advanced due to the existence of SOCs	0.679	-0.136	0.042	0.102	B1
I know of people in our community who are employed by SOCs because of their relevant qualifications	0.706	0.001	0.104	0.083	B2
Due to the existence of SOCs in the country, the wealth of the community in our area has improved	0.732	0.191	0.102	0.113	B3
I have clean water because of SOCs	0.587	-0.118	-0.255	0.060	B4
Our community is respected by the existing SOCs	0.799	0.149	-0.035	0.142	B5
State-owned Companies in South Africa provide better services	0.365	0.548	-0.157	-0.175	C1
As a customer, my opinions regarding the services provided by SOCs are always sought, which shows that they do not work in a vacuum	0.016	0.833	0.133	-0.010	C2
Fees charged by SOCs for the provision of services such as water, electricity etc. that I usually pay for. I purchase at reasonable prices	0.456	0.591	-0.095	-0.051	C3
The area where I live is provided with all the necessary services	0.699	0.090	-0.055	-0.057	C4
State-owned companies' staff are highly professional, and they interact with customers with dignity	0.627	-0.108	-0.088	-0.129	D1
In my opinion, State-owned companies' grab the investment opportunities to enhance their performance	0.477	0.434	-0.302	-0.171	D2
In my opinion, State-owned companies have suitable physical resources that uplift the community and assists SOCs to execute their work effectively	0.239	0.631	0.390	0.306	D3
In my opinion, State-owned companies have sufficient financial resources to sustain themselves	0.111	0.516	0.383	0.403	D4
In my opinion, State-owned companies can perform better if privatised	0.041	0.616	0.101	0.035	D5
I have learnt that SOCs are politically driven	-0.307	-0.172	0.169	0.396	D6
The dire economic situation in the country, negatively affects the performance of existing SOCs	0.017	-0.115	-0.082	0.751	D7
The inability to cope with constantly changing technology hinders good performance of the existing SOCs	-0.218	0.599	-0.057	0.026	D9
State-owned companies in South Africa adhere to international best practices relating to governance	0.201	0.079	-0.185	0.656	D10
There should be appointment of new CEOs every time when corruption is suspected	-0.077	0.662	0.203	-0.506	E1
There should be a privatisation of poor performing SOCs	-0.164	0.727	-0.082	-0.264	E2
There should be an adoption of an integrated approach in strategic decision-making processes in the governance of SOCs	-0.048	0.115	0.877	-0.068	E3
There should be a separation of SOCs and government in decision making	0.009	0.153	0.725	-0.076	E4
In my opinion, there are valid steps that can be taken to improve performance and minimise failure by SOCs	-0.127	-0.149	0.768	-0.066	E5

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

Annexure 13: Turnitin Certificate

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Annexure 14: Editor's Letter

Helen Richleir
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15 August 20!2.4

To whom il:maycooc:em:

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by

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Wil!b.&mks.

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